

OFFERING MEMORANDUM

U.S.\$500,000,000
BANCO DO BRASIL S.A.
(acting through its Grand Cayman branch)



3.875% Senior Notes due 2017

Unconditionally and irrevocably guaranteed by

BANCO DO BRASIL S.A.
(acting through its New York branch)

Banco do Brasil S.A., a bank structured as a mixed-capital corporation (*sociedade de economia mista*) and incorporated with limited liability (*sociedade anônima*) under the laws of the Federative Republic of Brazil, or Banco do Brasil or the Bank, acting through its Grand Cayman branch, or the Issuer, is issuing U.S.\$500,000,000 aggregate principal amount of 3.875% Senior Notes due 2017, or the Notes. The Notes will bear interest from November 23, 2011, and will be payable semiannually in arrears on January 23 and July 23 of each year, commencing on July 23, 2012. See “Description of the Notes.”

The Notes will be the Bank’s senior unsecured obligations. The Notes issued by the Bank will be entitled to the benefit of an unconditional senior guarantee (the “Guarantee”) of the due payment thereof by Banco do Brasil S.A., acting through its New York branch, and in such capacity, the Guarantor.

The Bank may redeem the Notes in whole but not in part, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date at any time in the event of certain changes affecting taxation, subject to Central Bank approval.

Application has been made to admit the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange (the “Euro MTF”). This Offering Memorandum constitutes a prospectus for the purposes of the Luxembourg Act dated July 10, 2005 on prospectuses for securities.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 22.

There is currently no public market for the Notes. The Notes (including the Guarantee) are being offered and sold in reliance upon an exemption from registration with the SEC provided in Section 3(a)(2) of the U.S. Securities Act of 1933, as amended (the “Securities Act”). The Notes (including the Guarantee) have not been and will not be registered under the Securities Act or securities laws of any jurisdiction.

Price: 99.413% plus accrued interest, if any, from November 23, 2011.

The Bank expects that the Notes will be ready for delivery in book-entry form through The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *soci t  anonyme*, or Clearstream, on or about November 23, 2011.

Joint Book-running managers

BB Securities

Bradesco BBI

Citigroup

HSBC

J.P. Morgan

The date of this Offering Memorandum is November 23, 2011.

You should only rely on the information contained in this Offering Memorandum. No person is authorized to provide you with information that is different or additional from that contained in this Offering Memorandum and the documents referred to herein. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum, regardless of time of delivery of this Offering Memorandum or any sale of the Notes. The Bank's business, financial condition, results of operations and prospects may change after the date on the front cover of this Offering Memorandum. Neither the Bank nor any of the Initial Purchasers is making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted.

This Offering Memorandum may only be used for the purpose for which it has been published.

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

You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of the Bank's business and the terms of this offering, including the merits and risks involved.

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

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

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

Prospective investors hereby acknowledge that: (i) they have been afforded an opportunity to request from the Bank and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on any Initial Purchaser or any of its affiliates or subsidiaries in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning the Bank or the Notes (other than as contained herein and information given by the Bank's duly authorized officers and employees, as applicable, in connection with prospective investors' examination of the Bank and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Initial Purchasers.

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO RESIDENTS OF BRAZIL

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

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

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

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

The Notes will not be offered to persons who are members of the public in the Cayman Islands. "Public" for these purposes does not include any exempted or ordinary non-resident company registered under the Companies Law (2010 Revision) of the Cayman Islands (the "Companies Law") or a foreign company registered pursuant to Part IX of the Companies Law or any such company acting as general partner of a partnership registered pursuant to Section 9(1) of the Exempted Limited Partnership Law (2010 Revision) of the Cayman Islands, as amended, or any director or officer of the same acting in such capacity or the trustee of any trust registered or capable of registration pursuant to Section 74 of the Trusts Law (2009 Revision) of the Cayman Islands acting in such capacity.

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

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

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

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In this Offering Memorandum:

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

FORWARD LOOKING STATEMENTS

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The Bank and its consolidated subsidiaries' (BB-Consolidated) audited consolidated financial statements as of and for the years ended (i) December 31, 2010 and 2009, or the 2010 Financial Statements; (ii) December 31, 2009 and 2008, or the 2009 Financial Statements, and, together with the 2010 Financial Statements, the Annual Financial Statements; and (iii) the Bank's unaudited interim consolidated financial statements as of and for the nine month periods ended September 30, 2011 and 2010, or the September 2011 Financial Statements, and together with the Annual Financial Statements, the Financial Statements, in each case together with the notes thereto and included elsewhere in this Offering Memorandum, have been prepared in accordance with accounting practices adopted in Brazil, based on Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the Brazilian Corporations Law, the accounting standards issued by the Brazil Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil) ("IBRACON"), the Accounting Pronouncement Committee (Comitê de Pronunciamentos Contábeis) ("CPC"), and the rules and regulations issued by CVM and the Central Bank. The accounting practices adopted in Brazil are defined, for the purposes of this Offering Memorandum, as "Brazilian GAAP," which differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

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

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

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

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

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

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

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

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

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

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

Solely for the convenience of the reader, the Bank has converted certain amounts contained in "Summary," "Capitalization," "Selected Financial Information," "Other Statistical and Financial Information" and elsewhere in this Offering Memorandum from reais into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$1.85 to US\$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of September 30, 2011 as reported by the Central Bank. The U.S. dollar equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely, and the exchange rate as of September 30, 2011 may not be indicative of future exchange rates. See "Exchange Rate Information" for information regarding *real*/U.S. dollar exchange rates.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. It does not contain all of the information that an investor should consider before making a decision to invest in the Bank's 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 Offering Memorandum, in particular the information included in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2010, according to data published by Economática. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

- (i) Banking services: includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;
- (ii) Investments: includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;
- (iii) Asset management: includes buying, selling and custody of marketable securities, management of third-party portfolios and establishment, organization and administration of investment funds;
- (iv) Insurance, pension plans and financing: includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;
- (v) Payment services: includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and
- (vi) Other businesses: includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

As of September 30, 2011, the Bank had over 55.6 million clients, 35.8 million checking accounts and the largest retail network in Brazil, with approximately 18,363 points of service and 43,916 automated teller machines ("ATMs"), as well as over 13,300 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 12,577 banking agents, distributed among 4,491 Brazilian cities, and involving over 113,594 employees. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below:

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

The Bank operates in 23 countries, through its own network, in the following countries: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, England, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, South Korea, Spain, United Arab Emirates, United States, Uruguay and Venezuela. This network is complemented by correspondent banking service providers in 136 countries as of September 30, 2011. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank in Miami, Florida, furthering its expansion into the United States.

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

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

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

The table below shows various financial and operating data of Banco do Brasil as of and for the nine months ended September 30, 2011 and as of and for the years ended December 31, 2010, 2009 and 2008:

	As of and for			
	the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
Total assets.....	949,781	811,172	708,549	521,273
Loans ⁽¹⁾	383,945	341,051	282,211	210,979
Total deposits.....	419,519	376,851	337,564	270,841
Stockholders' equity.....	56,713	50,441	36,119	29,937
Basel index (%).....	13.9	14.1	13.8	15.2
Net income.....	9,208	11,703	10,148	8,803
Return on average equity (ROE) ⁽²⁾ (%).....	23.5	27.0	30.7	32.5
Return on average assets (ROA) ⁽³⁾ (%).....	1.4	1.5	1.7	2.0
Cost/income ratio ⁽⁴⁾ (%).....	41.8	42.6	44.0	42.3

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

(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2011.

(3) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2011.

(4) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

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

- total assets, totaling R\$811 billion, making the Bank the largest financial institution in Latin America as of December 31, 2010, according to Economática, with R\$950 billion in total assets as of September 30, 2011;
- total number of clients, with 54.4 million customers, and with 35.9 million checking accounts, of which 33.8 million were consumer accounts and 2.1 million were corporate accounts as of December 31, 2010;
- proprietary network of banking service facilities, with 18,359 points of service in Brazil as of December 31, 2010 and 18,363 points of service as of September 30, 2011;
- total amount of deposits, according to an Economática ranking, which were R\$377 billion as of December 31, 2010, of which R\$65 billion were judicial deposits, and which increased to R\$420 billion as of September 30, 2011, of which R\$76 billion were judicial deposits.
- credit portfolio balance, with a total balance of R\$358 billion as of December 31, 2010 (as compared to Itaú Unibanco Banco Múltiplo S.A. (or Itaú Unibanco, or Itaú), Banco Bradesco S.A. (or Banco Bradesco, or Bradesco) and Banco Santander Brasil S.A. (or Banco Santander, or Santander), according to data from those banks), which reflected a 19.8% interest in the Brazilian Financial System, according to data from the Central Bank. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided) the total portfolio balance was R\$388 billion as of December 31, 2010 and R\$442 billion as of September 30, 2011;
- third-party assets under management through its wholly owned subsidiary, BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A., or BB DTVM, in the amount of R\$360 billion and a market share of 21.2% of the total asset management market in Brazil as of December 31, 2010, according to data published by ANBIMA;
- foreign trade transactions, including advances on foreign exchange contracts (*Adiantamentos sobre Contrato de Câmbio*, or ACCs) and advances on export contracts (*Adiantamentos sobre Cambiais Entregues*, or ACEs), totaled U.S.\$13 billion, with a market share of 33.6% in 2010. In

the export and import foreign exchange market, the Bank's transactions totaled U.S.\$57.1 billion and U.S.\$43 billion, for market shares of 31% and 24%, respectively, for 2010, and U.S.\$ 16.6 billion and U.S.\$11 billion, for market shares of 31.8% and 23.9%, respectively, for the first three months of 2011, according to data published by the Central Bank;

- payroll deduction loans, with a portfolio of R\$45 billion, representing 32.5% of the amount loaned within the Brazilian Financial System, as of December 31, 2010, according to data published by the Central Bank; and
- agribusiness loans, with a 60.6% market share as of December 31, 2010, with operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses, with a total loan portfolio of R\$75 billion as of December 31, 2010, representing an increase of 12.9% in twelve months, according to data published by the Central Bank.

Largest banking franchise in Brazil and lower cost of funds

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 26.3% share in the *Sistema Financeiro Nacional*, or National Financial System, as well as in terms of demand deposits (33.0% market share) and time deposits (25.1% market share), as of December 31, 2010, according to the Central Bank.

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

Growth potential of the Bank's credit portfolio

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

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on the Basel ratio (14.1% as of December 31, 2010), the Bank had in the period a margin of approximately R\$133 billion in credit assets, with weighted assets at 100.0%. This margin totaled R\$153.6 billion as of September 30, 2011.

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
		<i>(in millions of R\$, except percentages)</i>		
Funding Sources ⁽¹⁾	377,889	340,580	344,674	272,395
Loans ⁽²⁾	383,945	341,051	282,211	210,979
Available Funding Sources ⁽³⁾	(6,056)	(471)	62,463	61,416
Growth Potential (%) ⁽⁴⁾	—	—	22.1	29.1
Leveraging Margin ⁽⁵⁾	153.6	133.0	99.6	108.1

(1) Total deposits plus domestic onlendings minus compulsory deposits.

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

(3) Funding sources minus loans.

(4) Available funding sources as a percent of credit operations.

(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11.0%) under the Basel Accord.

Strong brand

Banco do Brasil is currently one of the most recognized and valuable brands in Brazil. According to a market survey by Instituto DataFolha (2010 Top of Mind award), Banco do Brasil was the top-rated financial institution brand among the top-of-mind brands for the 20th consecutive year in 2010. In addition, the Banco do

Brasil brand was ranked third in Brand Finance's fifth edition of the brand survey "Brazil's Top 100 Most Valuable Brands."

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

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

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

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

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

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2010, automated channels accounted for 93% of all transactions made. From these, approximately 36.4% were made through the Bank's ATMs, which totaled 45,000 ATMs, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R\$997 million in 2010.

High standards of corporate governance

Since 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank entered into *Novo Mercado*, thereby starting the process of increasing its free float, from 5.6% in 2006 to 30.5% as of September 30, 2011.

Highly dedicated and experienced management

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

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (180.9% from 2005 to 2010, and a CAGR of 22.93%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

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

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

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

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

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

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

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

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

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

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

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

Increase business through strategic partnerships

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

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

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

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

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

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

Improve cost controls

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

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

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

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 55.6 million clients as of September 30, 2011, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

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

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

Strengthen the Bank's presence in foreign markets

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

The Bank's goals by region are:

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

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

Recent Developments

This section updates, and should be read together with, certain information in the "Business" section included elsewhere in this offering memorandum.

Relevant Acquisitions and Partnerships

Acquisition of Banco Patagonia S.A.

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

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

Information on the Bank

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

THE OFFERING

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

Issuer	Banco do Brasil S.A., acting through its Grand Cayman branch.
Guarantor	Banco do Brasil S.A., acting through its New York branch.
Initial Purchasers	BB Securities Limited Banco Bradesco BBI S.A. Citigroup Global Markets Inc. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC
The Notes.....	US\$500,000,000 aggregate principal amount of 3.875% senior notes due 2017.
The Guarantee	The Notes will be unconditionally guaranteed (the "Guarantee") by the Bank, acting through its New York branch (the "New York branch"). The Guarantee will terminate upon discharge or defeasance of the Notes.
Issue Price.....	99.413% of the principal amount, plus accrued interest, if any, from November 23, 2011.
Maturity Date.....	January 23, 2017
Issue Date	November 23, 2011.
Indenture.....	The Notes will be issued under the indenture dated as of November 23, 2011 between the Bank, Deutsche Bank Trust Company Americas, as trustee, and Deutsche Bank Luxembourg S.A., as Luxembourg transfer agent and Luxembourg paying agent.
Interest	The Notes will bear interest from November 23, 2011 at the rate of 3.875% per annum, or the note rate, payable semiannually in arrears.
Interest Payment Dates	January 23 and July 23 of each year, commencing on July 23, 2012.
Ranking.....	The Notes will be our direct, unconditional and unsecured general obligations and will at all times rank <i>pari passu</i> in right of payment with all of our other senior unsecured obligations other than obligations that are, by their terms, expressly subordinated in right of payment to the Notes. The Notes will be effectively subordinated to (i) all of the secured indebtedness of the Issuer and the Guarantor with respect to the value of the assets securing that indebtedness, and (ii) certain direct, unconditional and unsecured general obligations that in case of the Issuer's or the Guarantor's insolvency are granted preferential treatment pursuant to Brazilian law. The Guarantee will rank equally in right of payment with our

	<p>other senior unsecured indebtedness.</p> <p>As of September 30, 2011, we had indebtedness outstanding as disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness." The indenture contains no restrictions on the amount of additional indebtedness that may be incurred by us.</p>
Use of Proceeds	The Bank intends to use the net proceeds of the issuance of the Notes for general corporate purposes. See "Use of Proceeds."
Negative Pledge	Subject to certain exceptions, the Bank will not, nor will the Bank permit any Subsidiary to, directly or indirectly, create or permit to exist any Security upon or with respect to the whole or any part of their respective assets, present or future (including any uncalled capital), to secure any of its or such Subsidiary's Public External Indebtedness, other than in respect of Public External Indebtedness not exceeding U.S.\$50,000,000 in aggregate nominal amount, without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as is consented to by the holders of a majority in aggregate principal amount of the Notes then outstanding, all as more fully described in "Description of the Notes—Certain Covenants—Negative Pledge." Terms used in this paragraph are as defined under "Description of the Notes—Certain Covenants—Negative Pledge."
Other Covenants	<p>The terms of the indenture will require the Bank, among other things, to:</p> <ul style="list-style-type: none"> • pay all amounts owed by the Bank under the indenture, the Notes and the Guarantee when those amounts are due and perform each of the Bank's other obligations under the various transaction documents entered into by the Bank in connection with the issuance of the Notes; • maintain all necessary governmental and third-party approvals and consents; • maintain the Bank's books and records; • maintain an office or agency in New York where Notes may be presented or surrendered for payment or for exchange, transfer or redemption and where notices and demands may be served; • give notice to the trustee of any default or event of default under the indenture, of a deferral of payment of interest or principal and of certain other events; • replace the trustee upon any resignation or removal thereof; and • preserve the Bank's corporate existence, subject to certain consolidation, merger, conveyance and transfer provisions.

	<p>In addition, the terms of the indenture will require the Bank to meet certain conditions before it consolidates, merges or transfers either all or substantially all of its assets and properties or all or substantially all of its assets, properties and liabilities to another person without the consent of the holders of at least 66 2/3% of the outstanding Notes.</p>
	<p>These covenants are subject to a number of important qualifications. See "Description of the Notes—Certain Covenants."</p>
Optional Tax Redemption.....	<p>The Bank may redeem the Notes in whole but not in part, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date at any time in the event of certain changes affecting taxation, as described further under "Description of the Notes—Optional Tax Redemption."</p>
Events of Default.....	<p>The indenture will contain certain limited events of default, consisting of the following:</p> <ul style="list-style-type: none"> • our failure to pay principal of any of the Notes, when due and payable; • our failure to pay any interest or any additional amounts when due and payable on any of the Notes and the continuance of such default for a period of 15 days; • our failure to perform or observe (and the continuance of such default for a period of 60 days) any other term or obligation of the Notes or the Indenture;" • certain cross-defaults by us amounting to a minimum of US\$50,000,000; • certain final judgments or orders for the payment of money are rendered against us or any of our subsidiaries and our failure to pay or discharge these final judgments or orders causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against us and/or our subsidiaries to exceed US\$50,000,000; • change of control; • invalidation or disaffirmation of the Guarantee; or • certain events involving insolvency, winding up, dissolution or similar changes, as applicable. <p>Payment of principal of the Notes may be accelerated only in the case of certain events involving the Bank's dissolution, winding up or similar events, and the Bank will be required to make payment after acceleration only after the Bank has been dissolved or otherwise wound up for purposes of Brazilian law.</p>
Amendments to the Terms and Conditions of	<p>Any amendment to the terms and conditions of the Notes (other</p>

the Notes	than in respect of providing for the issuance of additional Notes or minor amendments required to cure inconsistencies, defects ambiguities and similar matters) is subject to the prior consent of Noteholders as set forth under "Description of the Notes—Modification of the Indenture".
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking S.A. Luxembourg, or Clearstream, Luxembourg. See "Form of the Notes."
Withholding Taxes; Additional Amounts	All payments of principal and interest in respect of the Notes or the Guarantee will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil, the Cayman Islands, Luxembourg, the United States of America, or, in the event that the Bank appoints additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event the Bank is required to withhold or deduct amounts for any taxes or other governmental charges, the Bank will pay such additional amounts necessary to ensure that the Noteholders receive the same amount as the Noteholders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Notes—Additional Amounts."
ERISA Considerations.....	Subject to certain conditions, the Notes (or any interest therein) may be purchased by an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity. See "Certain ERISA and Other Considerations."
Listing.....	The Bank has applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market of the Luxembourg Stock Exchange.
Governing Law	The indenture, the Notes, the Guarantee, the Purchase Agreement and related documents will be governed by the laws of the State of New York.
Form and Denomination	The Notes will initially be issued in the form of one fully registered global note. The Notes will be delivered in book-entry form through the facilities of DTC and its direct and indirect participants, including Euroclear and Clearstream. See "Form of the Notes." The Notes will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See "Form of the Notes."
Additional Notes.....	Upon satisfaction of the conditions set forth in the indenture, the Bank, from time to time, without notice or consent of the

Noteholders, may issue additional tranches of Notes (with substantially identical terms and conditions as these Notes, except for issue price, issue date and date from which the interest will accrue) and the original Notes and any additional tranches of Notes will be treated as a single series for all purposes under the indenture. See "Description of the Notes—Additional Notes."

Trustee, Security Registrar, Paying Agent and Transfer Agent

Deutsche Bank Trust Company Americas.

Luxembourg Listing Agent, Luxembourg Paying Agent and Luxembourg Transfer Agent

Deutsche Bank Luxembourg S.A.

SUMMARY FINANCIAL INFORMATION

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

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

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of September 30, 2011. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's September 2011 Financial Statements for further information.

The assets and liabilities of BB Mapfre SH1 Participações S.A., or SH1, and Mapfre BB SH2 Participações S.A., or SH2, in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of September 30, 2011. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's financial statements as of September 2011. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's September 2011 Financial Statements for further information.

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

Solely for the convenience of the reader, *real* amounts as of September 30, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2011, of R\$1.85 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data—Assets

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
ASSETS	513,395	949,781	811,172	708,549	521,273
Current assets and non-current assets	513,395	949,781	791,403	708,549	521,273
Securities and derivative financial instruments	85,862	158,844	143,867	124,337	86,909
Interbank accounts.....	51,604	95,468	89,526	26,592	21,287
Interdepartmental accounts.....	91	169	258	295	228
Loan operations.....	194,105	359,095	317,726	261,783	190,882
Lease operations.....	1,707	3,158	3,857	4,701	2,968
Other receivables.....	69,195	128,011	114,961	95,233	83,279
Other assets	2,611	4,831	3,884	2,358	1,256
LIABILITIES	513,395	949,781	811,172	708,549	521,273
Current liabilities and non-current liabilities	482,740	893,069	760,431	672,430	491,336

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
Deposits.....	226,767	419,519	376,851	337,564	270,841
Money market borrowing.....	105,258	194,727	142,175	160,820	91,130
Funds from acceptance and issue of securities.....	15,764	29,163	13,485	7,362	3,479
Interbank accounts.....	1,751	3,240	18	21	21
Interdepartmental accounts.....	968	1,790	3,688	3,229	2,496
Borrowings.....	6,586	12,185	8,597	6,370	7,627
Local onlendings—official institutions.....	25,959	48,024	50,763	31,390	22,436
Foreign onlendings.....	55	101	97	99	98
Derivative financial instruments.....	2,399	4,438	5,297	4,724	3,895
Other liabilities.....	97,061	179,563	159,460	120,848	89,311
Deferred income.....	172	318	300	—	—
Stockholders' equity.....	30,656	56,713	50,441	36,119	29,937
Capital.....	17,904	33,123	33,078	18,567	13,780
Capital reserves.....	—	—	—	5	5
Revaluation reserves.....	3	5	6	7	7
Revenue reserves.....	10,968	20,290	16,889	17,301	15,977
Asset valuation adjustments.....	384	711	468	270	199
Retained earnings (accumulated losses).....	1,134	2,097	—	—	—
Treasury shares.....	(1)	(1)	—	(31)	(31)

Consolidated Statement of Income Data

	Nine months ended September 30,			Year ended December 31,		
	2011	2011	2010	2010	2009	2008
	<i>(in millions of U.S.\$)</i>			<i>(in millions of R\$)</i>		
Income from financial intermediation.....	41,958	77,623	59,732	82,459	65,729	57,116
Expenses from financial intermediation.....	(30,940)	(57,239)	(41,459)	(56,124)	(47,496)	(44,296)
Gross income from financial intermediation.....	11,018	20,384	18,273	26,335	18,233	12,819
Other operating income (expenses).....	3,619	(6,695)	(5,868)	(7,925)	(4,641)	(1,150)
Operating income.....	7,399	13,689	12,405	18,410	13,592	11,669
Non-operating income.....	117	216	372	370	1,844	413
Income before taxes and profit sharing.....	7,517	13,906	12,777	18,780	15,435	12,082
Income tax and social contribution.....	(1,811)	(3,350)	(3,895)	(5,321)	(3,903)	(2,145)
Profit sharing.....	(729)	(1,348)	(1,181)	(1,756)	(1,385)	(1,134)
Minority interest.....	—	—	—	—	(1)	—
Net income.....	4,977	9,208	7,701	11,703	10,148	8,803

Financial Ratios

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
Ratios				
<i>Profitability</i>				
Return on average assets (ROA) ⁽¹⁾⁽⁵⁾ (%).....	1.4	1.5	1.7	2.0
Return on average equity (ROE) ⁽²⁾ (%).....	23.5	27.0	30.7	32.5
<i>Asset Quality</i>				
Total overdue transactions/total loan portfolio (%) ⁽³⁾	3.9	3.7	5.1	4.0
Provision for doubtful loans/total loan portfolio (%) ⁽³⁾	4.6	4.8	6.2	6.1
<i>Liquidity</i>				
Total loan portfolio/total assets (%) ⁽³⁾	42.4	44.2	42.5	43.1
<i>Capital Adequacy</i>				
Stockholders' equity/total assets (%)	6.0	6.2	5.1	5.7
Total liabilities as a multiple of stockholders' equity	16.7x	16.1x	19.6x	17.4x
Capital Ratio (%) ⁽⁴⁾	13.9	14.1	13.8	15.2

- (1) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2011.
- (2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2011.
- (3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2.682/99.
- (4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

RISK FACTORS

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

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

Risks Relating to the Bank and the Brazilian Banking Industry

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2011, 54.6% of the Bank's balance sheet consisted of credit, leasing and securities transactions (including Federal Government securities), the return on which is subject to fluctuations in exchange and interest rates and other macroeconomic factors. Banco Múltiplo's securities portfolio was comprised of (i) 73.0% of securities linked to an inter-bank certificate of deposit (*Certificado de Depósito Interbancário*) ("CDI") or to the average SELIC rate (*Taxa Média SELIC*) ("TMS"), (ii) 25.3% of securities with a fixed rate of interest, and (iii) 1.7% of securities linked to other indexes, making the majority of the portfolio securities with a floating rate of interest. The Bank has investments abroad, as well as external funding, that may adversely impact its profitability in the event of a significant foreign exchange variation of the *real* against foreign currencies. For more information regarding the Bank's foreign currency risk and its related strategy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments."

As of September 30, 2011, the Bank's net exchange position was short in the amount of R\$1.3 billion. The Bank's overall exchange exposure, calculated in accordance with Central Bank Circular No. 3,389, totaled R\$1,258 million.

The Bank is subject to all risks associated with long-term credit operations, whether related to economic activity, interest rate levels, mismatch of funding periods or changes in the Central Bank's requirements. As of September 30, 2011, the Bank had mismatches between its fixed and variable interest-earning assets and fixed and variable interest-bearing liabilities, respectively, of 18.8 and 17.1 months, respectively. In the event of changes in interest rates, any public securities having a fixed rate of interest would lead to an adverse financial impact, whether on results for securities classified as "trading securities" or on stockholders' equity for securities classified as "available for sale." None of these factors is under the Bank's control, and may adversely affect the Bank's.

As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank.

The Federal Government, through the National Treasury, is the Bank's controlling shareholder and, as a result, the President of Brazil directly appoints the Bank's President, as well as the President of the Central Bank and

the Finance Minister. The Federal Government also appoints the majority of the members of the Bank's Board of Directors. See "Management—Board of Directors."

The Bank's by-laws currently provide that, with respect to the relationship between the Bank and its controlling shareholder, the Federal Government, the Bank is required to: (i) perform certain duties and services in its role as the financial agent of the National Treasury and certain other functions assigned to it by law; (ii) extend financing in respect of governmental interests and execute certain official programs through the Federal Government Treasury funds or funds of any other nature; and (iii) render guarantees in favor of the Federal Government.

The Bank's by-laws also provide that any such actions required to be taken by the Bank as a service provider for the Federal Government are contingent upon certain safeguards, including the placing of funds at the Bank's disposal of which a pre-determined amount is set aside for the reimbursement of financial charges and compensation for the Bank's service, which amount may never be lower than the cost of services to the Bank.

The Federal Government, as the Bank's majority shareholder, will be entitled to:

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

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

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

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

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

The Bank has recently acquired several other banks, including Eurobank, and may merge or acquire other banks and, consequently, may be subject to risks related to such transactions. For example, the Bank may (i) inaccurately value the target bank, considering it may not achieve the forecasted results and, therefore, the investments may not deliver the expected returns; (ii) encounter problems when integrating products, systems, technology, staff and facilities, which can adversely affect the Bank's internal controls, procedures and policies; (iii) fail to achieve expected operational and financial synergies with any such merger or acquisition, which may result in adverse effects on the Bank's business, operational results and cash flow; (iv) not fully assess potential contingencies of the target companies; and (v) as successor to the target company's business, be held liable for the target company's liabilities, including those generated prior to the transaction, as well as be exposed to risks related to the acts of the previous management team of the target company and potential liabilities for acts that occurred prior to the transaction.

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

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

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

Minimum capital adequacy requirements imposed on the Bank following the implementation of the Basel II Accord may negatively impact the Bank's results of operations and financial condition.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for risk-based capital adequacy, commonly referred to as the "Basel II Accord." The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. As part of its implementation, the Central Bank has proposed new capital adequacy regulations, which among other provisions contain changes to the risk weighting for different categories of loans.

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

In addition, pursuant to CMN Resolution No. 3,490 of August 29, 2007, and Central Bank Circular No. 3,383 of April 30, 2008 the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceeding, personnel or systems, including due to external events). Resolution No. 3,490 became effective as of July 1, 2008 and required a portion of banks' equity to cover operational risks. The risk-weighted capital ratio required of the Bank and all other banks in Brazil is currently 11.0% of risk-based exposure. The Bank's Basel ratio was 13.8% as of December 31, 2009, compared to 15.2% as of December 31, 2008. As of September 30, 2011, the Bank's Basel ratio was 13.9%, compared to 14.1% as of December 31, 2010.

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

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

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which will be presented to Seoul G20 Leaders summit in November. The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The Central Bank has been discussing with Brazilian banks how to standardize a schedule for the implementation of Basel III in Brazil, and the preliminary regulation has been published in Communication

Nº 20,615 of February 17, 2011. The definitive regulations are expected to be published by the end of 2011. The new rules are expected to be implemented gradually by the central banks of various countries between 2013-2019. If as a result of the Basel III regulatory capital limits the Bank increases its own capital limits, it could negatively impact the Bank's results and may make it more difficult for the Bank to maintain these higher ratios. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy" and "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

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

As the Bank's business continues to expand by means of acquisitions, its risk-weighted capital ratio could decrease without the Bank raising additional regulatory capital. Any such decrease in the ratio increases the Bank's risk profile, which represents an increased risk that the Bank will not be able to meet Brazilian capital adequacy current or future requirements.

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

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

PREVI offers two distinct plans: (i) a defined contribution plan (*Plano Previ Futuro*), or the Defined Contribution Plan and (ii) a defined benefit plan (*Plano de Benefícios No. 1*), or the Defined Benefit Plan. The Bank's contributions to the Defined Contribution Plan totaled R\$158 million for the nine months ended September 30, 2011 and R\$120 million for the nine months ended September 30, 2010. As there was an accumulated surplus for the Defined Benefit Plan from 2007 to 2010, contributions by participants, beneficiaries (retirees and pensioners) and the Bank (as plan sponsor) were suspended for that period.

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

In the first nine months of 2011, the Bank used amounts from the Surplus Destination Fund (leaving an outstanding balance of R\$4,111 million as of September 30, 2011) to create (i) a contribution fund (*Fundo de Contribuição*), or the Contribution Fund, with a balance of R\$1,199 million as of September 30, 2011, to cover the suspension of contributions for three fiscal years; and (ii) a utilization fund (*Fundo de Utilização*), or the Utilization Fund, with a balance of R\$2,644 million as of September 30, 2011, to be made available to the Bank once it satisfies the legal requirements applicable to the benefit plans. These funds are readjusted on a monthly basis in accordance with actuarial targets (INPC rate plus 5%/year).

For the period from 2011 to 2013, also under the November 2010 memorandum of understanding, contributions to the Defined Benefit Plan will remain suspended. This suspension is conditional upon the Plan's contingency reserve remaining above 25% of actuarial obligations, as determined by Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

According to explanatory note 27 (Employee Benefits) to the Bank's consolidated Financial Statements as of September 30, 2011, the Bank had a R\$12,688 million surplus, accounted for as "Other Receivables – Actuarial Assets" related to the Defined Benefit Plan, in addition to the amounts in the funds discussed above. The Bank calculates the surplus based on management criteria that includes estimates and assumptions of a long-term actuarial and financial nature, in accordance with CVM Deliberation No. 600/2008, as well as application and interpretation of regulatory rules in force as of the calculation date. Accordingly, any inaccuracy in estimates and assumptions could result in discrepancies between the amount recorded and the amount actually realized, resulting in a negative impact on the Bank's results of operations.

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

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

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

In compliance with Deliberation No. 600 of October 7, 2009 of the CVM, the Bank recorded R\$1,795 million in provisions arising from this actuarial liability on its balance sheet as of December 31, 2010 and R\$1,770 million as of September 30, 2011. However, the Bank cannot estimate if this accrued amount (or any other amount that may be accrued in the future) will be sufficient to cover potential liabilities in the event of changes in the actuarial assumptions underlying the calculation of this obligation or in the event the Bank is required to increase retirement and pension benefits amounts beyond the amounts set forth in PREVI's benefit plans. Accordingly, a significant increase in the Bank's actual liability in excess of the amount of its provisions may adversely affect the Bank's financial results.

The Bank's ability to charge payments due from payroll deduction loan transactions depends on the effectiveness and validity of agreements entered into with, and the credit risk of, private employers and public sector entities, as well as on borrowers keeping their jobs.

The Bank has been entering into an increased number of payroll deduction loan transactions. To the extent that this expansion continues, part of the Bank's revenues will result from payments due from payroll deduction loan transactions, which will be directly deducted from employees' or retirees' paychecks. These deductions could be suspended if the agreements entered into with borrowers' employers or public sector entities are terminated, or if an employee of either private or public sector entities has his or her employment contract terminated by the employer, or otherwise ceases employment.

In the case of termination of these agreements, the Bank's collection system of payroll deduction loans will be compromised and a new collection system may be necessary, which may not be as effective as the current one, or may have high operating costs. In this case, the Bank could need to redirect the related business to riskier credit lines with higher interest rates that could reduce the number of potentially participating customers. If an employee has his or her employment contract terminated by the employer, leaves the job, or dies, the payment of the payroll deduction loan may depend exclusively on the financial ability of the borrower or his/her successors to repay the loan. Similarly, if private employers suffer losses or any type of bankruptcy or liquidation event, they may not be able to pay their employees.

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

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

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

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

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

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

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

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

The Bank's agribusiness credit portfolio accounts for 21.7% of its total credit portfolio as of September 30, 2011. While the total credit portfolio earned an annual average spread of 8.8% during the third quarter of 2011, the average annual spread on the Bank's agribusiness credit portfolio was 5.4%, and of 14.9% and 6.3% on the consumer credit portfolio and on the corporate credit portfolio, respectively. Additionally, the performance of the Bank's agribusiness credit portfolio is subject to factors that are beyond the Bank's control, such as the price of agricultural commodities, weather conditions, crop failures and the Federal Government's policy relative to agricultural credit and agribusiness. As an institution controlled by the Federal Government and the principal agricultural finance agent of Brazil, the Bank may be required to increase the size of its agricultural credit portfolio and implement government agribusiness programs in order to meet political guidelines and governmental goals. See "Business—Description of Products and Services—Agribusiness Loans," for a discussion of the Bank's rural lending business.

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

The Bank faces significant competition from other large Brazilian and international banks, domestically and abroad. The Brazilian banking industry experienced a period of consolidation in the 1990s, when a number of Brazilian banks were liquidated and several important state-owned and private banks were sold. Competition increased during this period as foreign banks entered the Brazilian market through the acquisition of Brazilian financial institutions. The privatization of state-owned banks also made the Brazilian banking and financial services markets more competitive.

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

Although banking products in Brazil continue to have low access rates when compared to more developed countries, access has been significantly increasing throughout recent years, and currently 39.5% of the population, according to IPEA, still does not have a bank account. Additionally, both banks and non-financial companies have increasingly explored new business opportunities in response to various factors including (i) increased upward social mobility; (ii) the major sporting events that will take place in the country in 2014 (FIFA World Cup) and 2016

(Olympics Games); and (iii) government economic development programs (such as the Economic Acceleration Program (*Programa de Aceleração do Crescimento*) ("PAC"), *Microcrédito Produtivo Orientado* and *Minha Casa, Minha Vida*).

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

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

The Bank invests in debt securities issued by the Federal Government that are high liquidity instruments. As of September 30, 2011, 13.4% of the Bank's assets consisted of securities issued by the Federal Government. As of September 30, 2011, the consolidated net indebtedness of the Brazilian public sector, in accordance with the economic indexes published by the Central Bank totaled R\$1,481.3 billion, or 37.2% of Brazil's gross domestic product ("GDP"). At the end of August 2011, this amount was R\$1,549.9 billion, or 39.2% of Brazil's GDP.

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

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

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

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

Increases in the base interest rate could adversely affect the Bank's results of operations, by reducing demand for its credit, increasing its cost of funds and increasing the risk of client default. Decreases in the base interest rate could also adversely affect the Bank's results of operations, by decreasing the interest income the Bank earns on its assets linked to the SELIC rate and by lowering margins.

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

Pursuant to current Brazilian banking regulations, the Bank is required to allocate 68% of its savings deposits and 28% of its demand deposits to agricultural loans. The currently applicable rates will be decreased by one percentage point annually until they return to their prior levels, of 65% and 25%, respectively, starting on July 1, 2014.

The total amounts required to be applied to these loans can directly influence the profitability of the Bank's business in view of two factors: (i) if the Bank does not achieve the minimum levels required for these loans, it must deposit the difference as compulsory deposits with the Central Bank, which generally do not yield returns as high as other investments; and (ii) in addition to ordinary credit risks, loans to the agricultural sector have tended to involve factors that are beyond the Bank's control, such as weather conditions, price of agricultural commodities and cost of production. For further information, see "Regulation of the Brazilian Banking Industry."

As of September 30, 2011, the Bank met all minimum levels required for housing sector loans. As the Bank's housing sector loan portfolio has been continuously growing, the Bank will require further capital allocation to meet the needs of projected business. The main risks related to housing sector loans include changes in the Bank's ability to process these loans, changes in regulations applicable to the housing sector and macroeconomic risks related to the Brazilian economy, which could adversely affect the Bank's financial situation and results of operations.

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

The Central Bank has periodically varied the amount of reserves that banks in Brazil (including the Bank) are required to maintain with the Central Bank in relation to amounts of demand funding, savings deposits, time-limited funding, microfinancing, foreign exchange and certain credit transactions, often to increase or decrease money supply for the purposes of managing the economy. Financial institutions (including the Bank) must comply with reserve requirements by depositing cash with the Central Bank. Some of the cash deposited with the Central Bank in satisfaction of reserve requirements does not earn interest, and even in those cases where the Central Bank pays interest, the rate is significantly less than that which the Bank would be able to earn through other investments. See "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines." There is no assurance that the Central Bank will not further increase reserve requirements or impose new reserve or compulsory deposit requirements that could negatively affect the Bank's liquidity, funding strategy, lending growth or profitability.

Any restrictions on bank loan interest rates may adversely affect the Bank by decreasing the Bank's revenues and limiting its ability to make loans.

Decree No. 22,626 of April 7, 1933, also known as the Usury Law (*Lei de Usura*), prevents any person or entity from charging interest rates higher than twice the legal interest rate. However, the Banking Restructuring Law No. 4,595/64, together with various Court decisions, have exempted banks from this prohibition. Any changes to the courts' views about this exemption or an amendment in the applicable laws and regulations limiting the interest rates that the Bank can charge on loans may reduce the amount of interest the Bank may charge on certain of its loans, which may adversely affect the Bank's results of operations.

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

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

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

Under CMN Resolution No. 3,655, the total amount of deferred tax credits (not including those resulting from temporary differences) as a portion of the Tier 1 regulatory capital value cannot exceed 20.0% after January 2010 and 10.0% after January 2011; any amounts in excess of those limits must be deducted from the Bank's Tier 1 regulatory capital value. The Bank has reported substantial taxable income and expects, based on an internal probability study, to generate taxable income in the future. Accordingly, the Bank accounts for all of its tax credits classified under assets. If the Bank is unable to maintain its taxable income in the future, it may be compelled by the

Central Bank to reduce or write-down its deferred tax credits and as a result its assets and/or stockholders' equity would be negatively affected. Any such write-off or reduction could have an adverse effect on the Bank's financial condition and results of operations.

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

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

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

The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law.

Law No. 6,024 of March 13, 1974 as amended (the "Financial Institutions Liquidation Law") empowers the Central Bank to extra-judicially intervene in the operations or to liquidate financial institutions owned by the private sector or Brazilian state governments (but not of the Federal Government). The Bank, as an entity with majority ownership by the Federal Government, is therefore not subject to intervention or to extra-judicial liquidation by the Central Bank. Furthermore, according to Law No. 11,101 of February 9, 2005 (the "New Bankruptcy Law"), companies with government-owned and privately owned stocks (mixed-capital company, or *sociedades de economia mista*) such as the Bank, are not subject to bankruptcy proceedings. In this context, in the case of the Bank, only the Federal Government, as the controlling entity of the Bank, has the authority to intervene and liquidate the Bank.

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

However, there can be no assurance that the New Bankruptcy Law, the Brazilian Corporations Law or the Financial Institutions Liquidation Law will not be amended in the future, either by means of an action by the Brazilian Congress or through a provisional measure by the President of Brazil, thus changing the Bank's legal status. Should any such change occur, it may have an adverse effect on the Bank, including the Bank's ability to meet its payment obligations. See also "—Risks Relating to the Notes—The Noteholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Notes. The Noteholders' remedies if the Bank breaches other provisions of the Notes may be even more limited."

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

The Bank holds, directly or indirectly, equity interests in several financial and non-financial companies in Brazil and abroad. The equity in the earnings of these subsidiary and/or associated companies is included in the results of operations of the Bank. These investments contributed to 22.9% of Banco Múltiplo's net income for the nine month period ended September 30, 2011.

The Bank's results of operations may be adversely affected due to the different business activities developed by the Bank's subsidiaries and associated companies. In addition, there can be no assurance that the Bank

will receive any dividends or distributions from these subsidiaries or associated companies when they present negative financial results.

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

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

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

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

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

Risks Relating to Brazil

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

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

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

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

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

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

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

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

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

Adverse external factors, such as those triggered by and enhancing the global financial crisis, can deteriorate Brazil's economic condition and the ability of customers in the banking system to make payments, which could adversely affect the Bank's results of operations and hinder the implementation of its strategies. See also "—Risks Relating to the Bank and the Brazilian Banking Industry— The Bank's international operations are concentrated principally in Europe, United States of America, Japan and Latin America. Any changes in the economy of any of these countries or regions may adversely affect the Bank's business" and "—The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries" for more information on risks arising from foreign markets.

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

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

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

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

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

Although until the beginning of the international financial crisis during 2008, Brazil's principal financial indicators showed important improvements, the crisis caused a significant deceleration in Brazil's GDP growth in 2009, when the rate was negative 0.6%, a decrease from 5.2% in 2008. Events such as this, which aggravate both the domestic and worldwide economies can adversely affect the Bank's income. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could negatively affect the number of the Bank's customers, as well as the level of transactions they enter into. See also "—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations" and "—Risks Relating to the Bank and the Brazilian Banking Industry—The Bank's international operations are concentrated principally in Europe, United States of America, Asia and Latin America" for more information regarding the effects of external factors on Brazil and the Bank.

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

In the past, the Federal Government implemented various economic plans and used a number of exchange rate policies, including, among others, periodic mini devaluations, exchange controls, currency bands and floating exchange rates, which is in use since 1999. Following the global financial crisis in 2008 and the subsequent decrease in liquidity in the market, exchange rates between the *real* and the U.S. dollar and other currencies fluctuated significantly. As of December 31, 2008, the exchange rate between the *real* and the U.S. dollar was R\$2.34 per U.S.\$1.00, representing a 31.9% depreciation of the *real* since December 31, 2007, according to the Central Bank. With the easing of the financial crisis during 2009 and 2010, the *real* returned to appreciating, reaching R\$1.74 per U.S.\$1.00 (an appreciation of 25.5% compared to the end of 2008) and by the end of 2010, the *real* reached R\$1.67 per U.S.\$1.00 (an appreciation of 4.3% compared to the end of 2009). In the first half of 2011 the *real* continued to appreciate, as on June 30, 2011, the exchange rate between the *real* and the U.S. dollar was R\$1.56 to U.S.\$1.00 (an appreciation of 6.3% compared to December 31, 2010), according to the Central Bank. With the worsening of foreign economies, particularly with the increase in the risk of another recession in the United States and of possible defaults by the Greek government, the exchange rate returned to volatility, reaching R\$1.59 to U.S.\$1.00 by the end of August 2011, increasing again to R\$1.85 to U.S.\$1.00 as of September 30, 2011 and decreasing again to R\$1.76 to U.S.\$1.00 as of November 10, 2011. The Bank cannot be certain that the exchange rate between the *real* and the U.S. dollar will stabilize at current levels. For more information regarding the exchange rate between the *real* and the U.S. dollar, see "Exchange Rate Information."

As of September 30, 2011, approximately 11.1% of the Bank's assets and 11.3% of its liabilities were linked to the U.S. dollar, Euro, Japanese Yen and the British pound. Depreciation of the *real* in relation to the U.S. dollar may result in significant adverse effects on the Bank's activities, since it increases the cost of foreign funding required for settling the Bank's obligations expressed or indexed to the U.S. dollar. Additionally, a depreciation of the *real* would also impair the ability of the Bank's clients to pay their obligations expressed or indexed to the U.S.

dollar. Any depreciation would also reduce the U.S. dollar value of distributions and dividends and the U.S. dollar equivalent of the market price of the Bank's shares. For more information regarding the Bank's foreign currency risk and its related strategy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments".

Depreciations of the *real* could also create additional inflationary pressures in Brazil that may adversely affect the Bank. Depreciations generally make it more difficult to access foreign financial markets and may prompt government intervention, including recessionary governmental policies. In contrast, appreciation of the *real* may lead to a deterioration of Brazil's current account and the balance of payments, driven mainly by an increase in imports. Any of the foregoing could adversely affect the Bank. Fluctuations in exchange rates can also negatively affect the Bank through its investments abroad and foreign funding.

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

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

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

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

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

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

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

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

In the past, Brazil has experienced high rates of inflation. Certain measures and plans adopted by the Federal Government to combat inflation have had negative effects on the Brazilian economy. Annual inflation rates were 8.9% in 1999, 6.0% in 2000, 7.7% in 2001, 12.5% in 2002, 9.3% in 2003, 7.6% in 2004, 5.7% in 2005, 3.1% in 2006, 4.5% in 2007, 5.9% in 2008, 4.3% in 2009 and 5.9% in 2010, respectively, as measured by the IPCA. The accumulated inflation rate for the twelve months ended June 30, 2011 was 6.7%. The twelve month increase in the IPCA as of September 30, 2011 was 7.3%. The Federal Government's measures to control inflation have often

included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. In addition, other tools can be used to change monetary policy, including, among others, increases in compulsory deposits and requiring greater availability of capital so that banks can make loans. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, can have negative effects on the Brazilian economy, contributing to increased economic uncertainty and heightened volatility in the Brazilian securities markets, which could generate adverse effects on the Bank.

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

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

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

Risks Relating to the Notes and the Guarantee

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

According to Brazilian bankruptcy regulations, in the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security for the Bank's employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral, and taxes and court fees and expenses, among others, will have preference over any other claim, including in respect of the Notes and the Guarantee. 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. The Noteholders' remedies if the Bank breaches other provisions of the 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 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. Neither the Noteholders nor the trustee may declare the principal amount of any outstanding Notes to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of sums due and unpaid on the Notes. Furthermore, if it is determined that the bankruptcy of the Bank is against Brazilian public policy, national sovereignty or public morality, a court in Brazil will not enforce a bankruptcy ruling from a 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 Notes.

In the event of a breach of any of the Bank's obligations under the Notes and the Indenture (other than a breach that results in a Payment Default), a holder of Notes will not be entitled to accelerate or institute bankruptcy proceedings and will only be entitled to certain rights and remedies provided under New York, 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 or senior to the Notes.

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

If the Bank is unable to make payments on the Notes or the Guarantee 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.

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 Notes issued by the Bank acting through its Grand Cayman branch or payment under the guarantee 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 Notes. However, the Bank cannot give any assurance that other remittance mechanisms will be available, and even if they are available in the future, it cannot give any assurance that payment on the Notes would be possible through such mechanisms.

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

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

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

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

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

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

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

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 a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

The Notes and the Guarantee 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 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, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum or any applicable supplement.

USE OF PROCEEDS

The net proceeds from the sale of the Notes are estimated to be approximately U.S.\$496,568,700 million after deduction of certain expenses (before deduction of fees and commissions payable to the Initial Purchasers). The Bank expects to use the net proceeds for general corporate purposes.

EXCHANGE RATE INFORMATION

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

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

Prevailing regulations permit that all proceeds from the export of goods or services be kept in bank accounts outside of Brazil and eventually used abroad, without any need to repatriate such amounts. Permission to maintain 100% of such funds abroad was originally introduced by CMN Resolution No. 3,548, of March 12, 2008, ("Resolution 3,548/08") which amended CMN Resolution No. 3,389, of August 4, 2006. CMN Resolution 3,548/08 was then revoked by CMN Resolution No. 3,719, of April 30, 2009 ("Resolution 3,719/09") which expressly foresees in its article two the same provision established by Resolution 3,548/08.

Based on Resolution 3,719/09, local exporters are now allowed to keep up to 100% of their export proceeds abroad and freely dispose of such amounts (including transferring them to foreign third parties), with due regard for the rules issued by the CMN and by the Federal Revenue Office in Brazil. Such proceeds held abroad, however, cannot be lent by Brazilian exporters.

The *real* depreciated against the U.S. dollar by 18.7% in 2001 and 52.3% in 2002. Although the *real* appreciated 18.2%, 8.1%, 11.8%, 8.7% and 17.2% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively, in 2008, as a result of the international financial and economic crisis, the *real* depreciated against the U.S. dollar by 31.9%. In 2009, the *real* appreciated by 25.5% against the U.S. dollar and in 2010, the *real* appreciated by 4.3% against the U.S. dollar. As of December 31, 2010, the *real*/U.S. dollar exchange rate was R\$1.67 per U.S.\$1.00. As of September 30, 2011, the *real*/U.S. dollar exchange rate was R\$1.85 per U.S.\$1.00.

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

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

For the year Ended December 31,	Selling rates of reais per U.S.\$1.00			
	Period-end	Average ⁽¹⁾	High	Low
	<i>(reais per U.S. dollar)</i>			
2006	2.1380	2.1761	2.3711	2.0586
2007	1.7713	1.9479	2.1556	1.7325
2008	2.3370	1.8346	2.5004	1.5593
2009	1.7412	1.9976	2.4218	1.7024
2010	1.6662	1.7593	1.8811	1.6554
2011 (through November 21, 2011)	1.8061	1.6559	1.9016	1.5345

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

Month	Selling rates of reais per U.S.\$1.00			
	Period-end	Average ⁽¹⁾	High	Low
		<i>(reais per U.S. dollar)</i>		
January 2011	1.6734	1.6749	1.6912	1.6510
February 2011	1.6612	1.6680	1.6776	1.6612
March 2011	1.6287	1.6591	1.6757	1.6287
April 2011	1.5733	1.5864	1.6194	1.5654
May 2011	1.5799	1.6135	1.6339	1.5747
June 2011	1.5611	1.5870	1.6108	1.5611
July 2011	1.5563	1.5639	1.5828	1.5345
August 2011	1.5872	1.5989	1.6334	1.5551
September 2011	1.8544	1.7498	1.9016	1.6040
October 2011	1.6885	1.7726	1.8856	1.6885
November 2011 (through November 21, 2011)	1.8061	1.7600	1.8061	1.7270

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

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

CAPITALIZATION

The following table sets forth the current and non-current liabilities and stockholders' equity of the Bank as of September 30, 2011 and as adjusted, to reflect the issuance of the Notes in this offering in an aggregate principal amount of U.S.\$500,000,000. The information set forth below in the column heading "Actual" is derived from the Bank's unaudited consolidated financial statements as of September 30, 2011, prepared in accordance with Brazilian GAAP and included elsewhere in this Offering Memorandum.

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

From September 30, 2011 to the date of this Offering Memorandum there has been no material change in the capitalization of the Bank.

	As of September 30, 2011			
	Actual		Adjusted ⁽¹⁾	
	<i>(in millions of U.S.\$)⁽²⁾</i>	<i>(in millions of R\$)</i>	<i>(in millions of U.S.\$)⁽²⁾</i>	<i>(in millions of R\$)</i>
Current liabilities				
Deposits	165,133	305,496	165,133	305,496
Deposits received under security repurchase agreements	99,942	184,893	99,942	184,893
Funds from acceptance and issue of securities	7,121	13,175	7,121	13,175
Interbank and interdepartmental accounts	2,719	5,031	2,719	5,031
Borrowings	5,304	9,813	5,304	9,813
Local and foreign onlendings—official institutions	9,948	18,403	9,948	18,403
Derivative financial instruments	2,034	3,762	2,034	3,762
Other liabilities	42,433	78,501	42,433	78,501
Total current liabilities	334,635	619,075	334,635	619,075
Non-current liabilities				
Deposits	61,634	114,022	61,634	114,022
Deposits received under security repurchase agreements	5,316	9,835	5,316	9,835
Funds from acceptance and issue of securities	8,642	15,987	8,642	15,987
Borrowings	1,282	2,372	1,282	2,372
Local and foreign onlendings—official institutions	16,066	29,722	16,066	29,722
Derivative financial instruments	365	675	365	675
Other liabilities	54,628	101,061	55,128	101,986
Total non-current liabilities	147,933	273,674	148,433	274,599
Deferred income	172	318	172	318
Total stockholders' equity ⁽³⁾	30,656	56,713	30,656	56,713
Total capitalization ⁽⁴⁾	513,395	949,781	513,895	950,706

(1) As adjusted to reflect the issuance of the Notes in this offering.

(2) Solely for the convenience of the reader, real amounts as of September 30, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2011, of R\$1.85 to US\$1.00. The U.S. dollar equivalent information should not be construed to imply that the real amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

(3) The Bank's capital stock consisted of 2,860,729,247 common shares as of September 30, 2011.

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

SELECTED FINANCIAL INFORMATION

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

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

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of September 30, 2011. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's September 2011 Financial Statements for further information.

The assets and liabilities of SH1 and SH2, in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of September 30, 2011. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's financial statements as of September 2011. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's September 2011 Financial Statements for further information.

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

Solely for the convenience of the reader, *real* amounts as of September 30, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2011, of R\$1.85 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data—Assets

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
ASSETS	513,395	949,781	811,172	708,549	521,273
Current assets and non-current assets	513,395	949,781	791,403	708,549	521,273
Cash and cash equivalents.....	11,063	20,466	9,745	7,843	5,545
Short-term interbank investments.....	85,088	157,413	107,579	168,398	119,408
Securities and derivative financial instruments	85,862	158,844	143,867	124,337	86,909
Internal portfolio.....	53,661	99,273	85,718	74,934	46,347
Subject to repurchase agreements.....	29,125	53,882	51,326	26,886	22,638
Deposits with the Brazilian Central Bank.....	25	46	—	18,408	14,007
Pledged in guarantee.....	1,944	3,596	5,199	2,647	1,641
Derivative financial instruments.....	1,106	2,046	1,623	1,463	2,276
Interbank accounts	51,604	95,468	89,526	26,592	21,287
Brazilian Central Bank Deposits.....	48,462	89,654	87,035	24,280	20,882
Others.....	3,143	5,814	2,491	2,312	405
Interdepartmental accounts	91	169	258	295	228

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
Loan operations	194,105	359,095	317,726	261,783	190,882
Public sector	4,600	8,510	7,261	6,388	4,040
Private sector	199,135	368,400	326,899	273,080	200,020
(Allowance for loan losses).....	(9,630)	(17,816)	(16,434)	(17,685)	(13,829)
Lease operations	1,707	3,158	3,857	4,701	2,968
Public/Private Lease and sublease receivables	1,823	3,372	4,048	4,932	3,039
(Allowance for lease losses).....	(116)	(214)	(191)	(231)	(71)
Other receivables	69,195	128,011	114,961	95,233	83,279
Receivables on guarantees honored	41	76	75	91	71
Foreign exchange portfolio	15	28,000	11,878	8,671	20,914
Income receivable	583	1,079	943	563	413
Negotiation and intermediation of securities	852	1,576	383	436	347
Specific credits.....	604	1,117	1,030	932	846
Insurance, pension plans and funding	903	1,670	1,109	908	441
Sundry	57,162	105,749	101,115	85,313	61,625
(Provision for other losses)	(679)	(1,256)	(1,572)	(1,682)	(1,377)
Other assets	2,611	4,831	3,884	2,358	1,256
Other assets.....	248	459	388	364	308
(Provisions for devaluation).....	(100)	(185)	(177)	(176)	(170)
Prepaid expenses.....	2,463	4,557	3,673	2,170	1,118
Permanent	12,068	22,326	19,770	17,010	9,512
Investments	4,296	7,948	8,128	6,645	1,524
Property and equipment in use.....	2,816	5,210	4,904	4,214	3,339
Leased assets.....	1	1	—	1	4
Intangible.....	4,856	8,984	6,452	5,677	4,041
Deferred charges	99	184	286	472	604

Consolidated Balance Sheet Data—Liabilities

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
LIABILITIES	513,395	949,781	811,172	708,549	521,273
Current liabilities and non-current liabilities	482,740	893,069	760,431	672,430	491,336
Deposits	226,767	419,519	376,851	337,564	270,841
Demand deposits.....	31,143	57,614	63,503	56,459	51,949
Savings deposits.....	51,628	95,512	89,288	75,742	54,965
Interbank deposits.....	7,344	13,586	18,998	11,619	14,065
Time deposits.....	136,652	252,806	204,652	193,516	149,618
Sundry	0	0	410	229	243
Money market borrowing	105,258	194,727	142,175	160,820	91,130
Funds from acceptance and issue of securities	15,764	29,163	13,485	7,362	3,479
Funds from mortgage bills, real estate bills, credit bills and related bills	6,811	12,600	2,691	1,269	248
Funds from debentures.....	955	1,766	1,623	1,496	21
Foreign securities.....	7,999	14,798	9,171	4,597	3,210
Interbank accounts	1,751	3,240	18	21	21
Interdepartmental accounts	968	1,790	3,688	3,229	2,496
Borrowings	6,586	12,185	8,597	6,370	7,627
Domestic loans—official institutions.....	12	23	45	165	2,750
Domestic loans—other institutions	50	93	49	86	109
Foreign borrowings.....	6,524	12,069	8,504	6,119	4,768
Local onlendings—official institutions	25,959	48,024	50,763	31,390	22,436
National treasury.....	913	1,689	1,549	2,101	3,485
BNDES	14,866	27,503	26,978	19,630	11,168
Federal Bank (CEF).....	145	268	147	146	—
FINAME	8,806	16,292	14,046	8,381	6,585
Other institutions	1,228	2,272	8,043	1,133	1,199
Foreign onlendings	55	101	97	99	98
Derivative financial instruments	2,399	4,438	5,297	4,724	3,895

	As of September 30,		As of December 31,		
	2011	2011	2010	2009	2008
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
Other liabilities	97,061	179,563	159,460	120,848	89,311
Collection and payment of taxes and social contributions	2,074	3,836	297	377	252
Foreign exchange portfolio	16,048	29,689	29,506	12,174	15,964
Social and statutory	1,311	2,425	1,992	2,625	1,838
Taxes and social security	15,011	27,770	27,613	24,297	17,571
Negotiation and intermediation of securities	433	801	1,676	528	402
Financial and development Funds	2,003	3,705	3,568	4,135	2,457
Hybrid capital and debt instruments	1,552	2,872	3,362	3,516	1,185
Special operations	6	11	—	206	2
Subordinated debt	16,051	29,694	23,412	18,553	11,772
Insurance, pension plans and funding	22,684	41,965	32,370	17,339	12,675
Others	19,890	36,796	35,664	37,098	25,192
Deferred income	172	318	300	—	—
Stockholders' equity	30,656	56,713	50,441	36,119	29,937
Capital	17,904	33,123	33,078	18,567	13,780
Capital reserves	—	—	—	5	5
Revaluation reserves	3	5	6	7	7
Revenue reserves	10,968	20,290	16,889	17,301	15,977
Asset valuation adjustments	384	711	468	270	199
Retained earnings (accumulated losses)	1,134	2,097	—	—	—
Treasury shares	(1)	(1)	—	(31)	(31)

Consolidated Statement of Income Data

	Nine months ended September 30,			Year ended December 31,		
	2011	2011	2010	2010	2009	2008
	<i>(in millions of U.S.\$)</i>			<i>(in millions of R\$)</i>		
Income from financial intermediation	41,958	77,623	59,732	82,459	65,729	57,116
Loans	25,008	46,264	37,689	51,733	40,515	33,221
Leases	975	1,804	2,366	3,033	2,310	1,166
Securities	12,789	23,659	17,102	23,238	21,350	20,692
Derivative financial instruments	(572)	(1,058)	(1,669)	(2,239)	(1,223)	(1,283)
Foreign exchange, net	—	—	544	1,083	686	464
Compulsory deposits	2,869	5,308	2,310	3,586	816	1,910
Insurance, pension plans and funding	890	1,646	1,389	2,025	1,275	946
Expenses from financial intermediation	(30,940)	(57,239)	(41,459)	(56,124)	(47,496)	(44,296)
Deposits and funds obtained in the money market	(21,468)	(39,715)	(28,030)	(38,756)	(30,146)	(25,532)
Borrowings and onlendings	(3,155)	(5,837)	(2,632)	(3,473)	(2,510)	(8,685)
Leases	(705)	(1,304)	(1,703)	(2,218)	(1,663)	(852)
Foreign exchange portfolio	(305)	(564)	—	—	—	—
Insurance, pension plans and funding	(570)	(1,055)	(962)	(1,433)	(781)	(622)
Allowance for loan losses	(4,737)	(8,764)	(8,132)	(10,244)	(12,396)	(8,606)
Gross income from financial intermediation	11,018	20,384	18,273	26,335	18,233	12,819
Other operating income (expenses)	(3,619)	(6,695)	(5,868)	(7,925)	(4,641)	(1,150)
Banking service fees	(4,990)	(9,232)	8,308	11,641	10,172	9,089
Banking fees	2,153	3,983	3,559	4,226	3,339	2,722
Personnel expenses	(5,758)	(10,652)	(9,567)	(13,020)	(11,838)	(8,870)
Other administrative expenses	(5,275)	(9,759)	(9,538)	(13,040)	(11,212)	(7,917)
Tax expenses	(1,692)	(3,130)	(2,757)	(3,750)	(3,333)	(2,635)
Equity in the earnings (losses) of affiliates and subsidiary companies	216	399	(10)	(46)	(989)	1,394
Insurance, pension plans and funding	946	1,750	1,397	1,888	1,574	892
Other operating income	5,237	9,688	9,214	14,093	16,973	11,780
Other operating expenses	(4,435)	(8,205)	(6,473)	(9,917)	(9,327)	(7,605)
Operating income	7,399	13,689	12,405	18,410	13,592	11,669
Non-operating income	117	216	372	370	1,844	413
Income before taxes and profit sharing	7,517	13,906	12,777	18,780	15,435	12,082

	Nine months ended September 30,			Year ended December 31,		
	2011	2011	2010	2010	2009	2008
	<i>(in millions of U.S.\$)</i>			<i>(in millions of R\$)</i>		
Income tax and social contribution.....	(1,811)	(3,350)	(3,895)	(5,321)	(3,903)	(2,145)
Profit sharing	(729)	(1,348)	(1,181)	(1,756)	(1,385)	(1,134)
Minority interest	—	—	—	—	(1)	—
Net income	4,977	9,208	7,701	11,703	10,148	8,803

Financial Ratios

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
Ratios				
<i>Profitability</i>				
Return on average assets (ROA) ⁽¹⁾⁽⁵⁾ (%).....	1.4	1.5	1.7	2.0
Return on average equity (ROE) ⁽²⁾ (%).....	23.5	27.0	30.7	32.5
<i>Asset Quality</i>				
Total overdue transactions/total loan portfolio (%) ⁽³⁾	3.9	3.7	5.1	4.0
Provision for doubtful loans/total loan portfolio (%) ⁽³⁾	4.6	4.8	6.2	6.1
<i>Liquidity</i>				
Total loan portfolio/total assets (%) ⁽³⁾	42.4	44.2	42.5	43.1
<i>Capital Adequacy</i>				
Stockholders' equity/total assets (%).....	6.0	6.2	5.1	5.7
Total liabilities as a multiple of stockholders' equity.....	16.7x	16.1x	19.6x	17.4x
Capital Ratio (%) ⁽⁴⁾	13.9	14.1	13.8	15.2

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2011.

(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2011.

(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682/99.

(4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

OTHER STATISTICAL AND FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read together with the Bank's Consolidated Financial Statements contained elsewhere herein as well as with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The financial and statistical information presented herein refers to the years ended December 31, 2010, 2009 and 2008 and the nine months ended September 30, 2011 and 2010.

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

Average Balance Sheet and Interest Rate Data

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

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

Consolidated Average Balance Sheet and Interest Rate Data

	For the nine months ended					
	September 30, 2011			September 30, 2010		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	<i>(in millions of R\$, except percentages)</i>					
Assets						
Consolidated interest-earning assets⁽¹⁾						
Available funds held in foreign currency.....	1,105	186	23.0	744	65	11.8
Securities and interbank investments without hedge	301,772	23,659	10.6	274,266	17,102	8.4
Credit and leasing operations ⁽²⁾	353,321	44,642	17.6	297,527	36,241	16.6
Interest-earning compulsory deposits.....	70,481	5,308	10.2	37,111	2,310	8.4
Total	726,679	73,795	13.8	609,647	57,174	12.4
Consolidated non-interest-earning assets⁽¹⁾						
Tax credits.....	22,641			22,377		
Other assets	119,121			92,350		
Permanent assets	27,386			27,182		
Total	169,147			141,909		
Total average consolidated assets.....	895,826			751,556		

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

(2) Interest calculated based on income from loans plus the sum of leasing income and expenses, less recovery of written-off loans.

	For the year ended December 31,								
	2010			2009			2008		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
Assets									
Consolidated interest-earning assets⁽¹⁾									
Available funds held in foreign currency.....	743	86	11.6	633	139	22.0	1,028	113	11.0
Securities and interbank investments without hedge.....	274,676	23,238	8.5	247,751	21,350	8.6	154,383	20,496	13.3
Credit and leasing operations.....	305,339	51,689	16.9	236,124	40,244	17.0	176,747	33,173	18.8
Interest-earning compulsory deposits.....	42,237	3,586	8.5	12,332	816	6.6	19,809	1,910	9.6
Total	622,995	78,600	12.6	496,840	62,549	12.6	351,967	55,692	15.8
Consolidated non-interest-earning assets⁽¹⁾									
Tax credits.....	22,349			20,525			14,619		
Other assets.....	96,194			75,309			57,394		
Permanent assets.....	27,235			19,824			7,881		
Total	145,778			115,658			79,894		
Total Average Consolidated Assets ...	768,773			612,498			431,861		

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

	For the nine months ended September 30,					
	2011			2010		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
<i>(in millions of R\$, except percentages)</i>						
Consolidated interest-bearing liabilities⁽¹⁾						
Savings deposits.....	91,234	(5,09)	7.5	81,017	(4,231)	7.0
Interbank deposits.....	13,943	(664)	6.4	11,357	(446)	5.3
Time deposits.....	229,359	(16,308)	9.6	193,964	(11,255)	7.8
Money market borrowing.....	183,693	(15,079)	11.1	159,923	(11,150)	9.4
Foreign borrowings.....	9,633	(3,333)	48.6	8,915	(543)	8.2
Onlending.....	50,707	(2,019)	5.3	36,831	(1,743)	6.4
Financial and development funds and subordinated debt.....	29,078	(485)	2.2	24,779	(345)	1.9
Foreign securities debt.....	14,368	(1,189)	11.2	9,964	(376)	5.1
Mortgage backed-security.....	9,143	(1,073)	15.9	3,035	(292)	13.1
Total	631,159	45,236	9.7	529,785	(30,383)	7.7
Other consolidated liabilities⁽¹⁾						
Demand deposits.....	59,083			55,760		
Others.....	151,613			124,771		
Stockholders' equity.....	53,971			41,241		
Total	264,667			221,771		
Total average consolidated liabilities	895,826			751,556		

(1) Based on the average of the final balances of accounting balance sheets for each month of the relevant period.

	For the year ended December 31,								
	2010			2009			2008		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	<i>(in millions of R\$, except percentages)</i>								
Consolidated interest-bearing liabilities⁽¹⁾									
Savings deposits ⁽²⁾ ...	82,697	(5,597)	6.8	68,410	(4,406)	6.4	50,347	(3,869)	7.7
Interbank deposits	13,396	(805)	6.0	10,269	(788)	7.7	6,776	(432)	6.4
Time deposits	195,492	(15,550)	8.0	179,790	(13,452)	7.5	111,241	(10,582)	9.5
Deposits received under security repurchase agreement.....	159,325	(15,362)	9.6	115,836	(10,640)	9.2	91,309	(9,825)	10.8
Foreign borrowings ..	8,968	(577)	6.4	5,405	(192)	3.5	3,704	(6,915)	186.7
Onlending.....	40,154	(2,645)	6.6	27,519	(1,788)	6.5	19,690	(1,282)	6.5
Financial and development funds and subordinated debt	25,265	(455)	1.8	18,622	(530)	2.8	13,119	(487)	3.7
Foreign securities debt	11,743	(452)	3.8	3,833	(129)	3.4	2,381	(215)	9.0
Mortgage backed-security.....	1,652	(221)	13.4	540	(18)	3.4	136	—	—
Total	538,692	(41,443)	7.7	430,224	(31,943)	7.4	298,703	(33,607)	11.3
Other consolidated liabilities⁽¹⁾									
Demand deposits	57,033			48,397			43,307		
Others.....	129,575			101,319			63,013		
Stockholders' equity .	43,473			32,559			26,838		
Total	230,080			182,275			133,158		
Total average consolidated liabilities.....	768,773			612,499			431,861		

(1) Calculated based on the average of the final balances of accounting balance sheets for each month of the relevant period.

(2) Interest is calculated as expenditures from savings deposits less reversal of restatement charges on savings deposits.

Changes in Interest Income and Expenses—Volume and Rate Analysis

The following tables show the changes in the Bank's interest income and expense due to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in the average interest rate on these assets and liabilities for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, for the year ended December 31, 2010 compared to the year ended December 31, 2009 and for the year ended December 31, 2009 compared to the year ended December 31, 2008. Volume variations have been calculated based on changes of the Bank's average balances over the relevant period, and interest rate variations have been calculated based on changes in average interest rates on the Bank's interest-earning assets and interest-bearing liabilities. The average rate variation was calculated by the variation in the interest rate in the period multiplied by the average balance of assets generating income or by the average balance of liabilities generating expenses in the previous period. The net variation is the difference between the interest income of the present period and that of the previous period. The variation by average volume is the difference between the net variation and that resulting from the average rate.

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

	For the nine months ended September 30,		
	2011/2010		
	Average volume ⁽¹⁾	Average rate ⁽²⁾	Net change ⁽³⁾
	<i>(in millions of R\$)</i>		
Consolidated interest-earning assets			
Available funds held in foreign currency.....	61	60	120
Securities and interbank investments without hedge	2,157	4,401	6,558
Credit and leasing operations	7,049	1,352	8,402
Interest-earning compulsory deposits	2,513	485	2,998
Sub-total average consolidated assets⁽⁴⁾	11,885	6,193	18,077
Consolidated interest-bearing liabilities			
Savings deposits	(570)	(285)	(855)
Interbank deposits	(123)	(95)	(218)
Time deposits	(2,517)	(2,536)	(5,053)
Money market borrowing	(1,951)	(1,978)	(3,929)
Foreign borrowings	(249)	(2,541)	(2,790)
Onlending.....	(552)	277	(275)
Financial and development funds and subordinated debt	(72)	(68)	(140)
Foreign securities debt.....	(364)	(449)	(813)
Commercial Paper.....	(717)	(64)	(780)
Sub-total average consolidated liabilities⁽⁴⁾	(7,266)	(2,587)	(14,853)

- (1) Change in interest income (interest-earning assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in volumes, calculated by subtracting the net change from the average rate.
- (2) Change in interest income (profitable assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in rates, calculated according to the following formula: (interest for the current period/balance of the current period) x balance of the previous period) — (Interest for the previous period).
- (3) Total change in income from interest (interest-earning assets) or interest expense (interest-bearing liabilities) occurring due to fluctuation in volume and rate calculated by subtracting the interest for the current period from the interest for the previous period.
- (4) Total is not the sum of the interest-earning assets or interest-bearing liabilities, because the calculations of fluctuations due to the rate and volume of each item are not weighted. Thus, total amounts refer to only changes on account of rate and volume of interest-earning assets or interest-bearing liabilities.

For the year ended December 31,

	2010/2009			2009/2008		
	Average volume ⁽¹⁾	Average rate ⁽²⁾	Net change ⁽³⁾	Average volume ⁽¹⁾	Average rate ⁽²⁾	Net change ⁽³⁾
	<i>(in millions of R\$)</i>					
Consolidated interest-earning assets						
Available funds held in foreign currency.....	13	(66)	(53)	(87)	113	26
Securities and interbank investments without hedge.....	2,278	(389)	1,889	8,046	(7,192)	854
Credit and leasing operations	11,717	(272)	11,445	10,121	(3,050)	7,071
Interest-earning compulsory deposits	2,539	231	2,770	(495)	(599)	(1,094)
Sub-total average consolidated interest-earning assets⁽⁴⁾	15,916	135	16,051	18,239	(11,382)	(6,857)
Consolidated interest-bearing liabilities						
Savings deposits	(967)	(224)	(1,191)	(1,162)	625	(537)
Interbank deposits	(188)	171	(17)	(268)	(88)	(356)
Time deposits	(1,249)	(848)	(2,097)	(5,129)	2,259	(2,870)
Deposits received under security repurchase agreement.....	(4,193)	(530)	(4,724)	(2,254)	1,439	(815)
Foreign borrowings	(229)	(156)	(386)	(60)	6,784	6,723
Onlending.....	(832)	(24)	(856)	(509)	3	(506)
Financial and development funds and subordinated debt.....	(120)	195	75	(157)	114	(43)
Foreign securities debt.....	(304)	(18)	(323)	(49)	135	86
Mortgage-backed securities.....	(149)	(54)	(203)	(13)	(5)	(18)
Sub-total average consolidated liabilities⁽⁴⁾	(8,345)	(1,155)	(9,500)	(9,765)	11,429	1,664

- (1) Change in interest income (interest-earning assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in volumes, calculated by subtracting the net change from the average rate.
- (2) Change in interest income (profitable assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in rates, calculated according to the following formula: (interest for the current period/balance of the current period) x balance of the previous period—(Interest for the previous period).
- (3) Total change in income from interest (interest-earning assets) or interest expense (interest-bearing liabilities) occurring due to fluctuation in volume and rate calculated by subtracting the interest for the current period from the interest for the previous period.
- (4) Total is not the sum of the interest-earning assets or interest-bearing liabilities, because the calculations of fluctuations due to the rate and volume of each item are not weighted. Thus, total amounts refer to only changes on account of rate and volume of interest-earning assets or interest-bearing liabilities.

Net Interest Margin and Spread

The following table sets out the Bank's average interest-earning assets, average interest-bearing liabilities, net interest income, as well as a comparison between net interest margin and net interest spread for the periods indicated:

	For the nine months ended September 30,	
	2011	2010
	<i>(in millions of R\$, except percentages)</i>	
Total average interest-earning assets	726,679	609,647
Total average interest-bearing liabilities.....	631,159	529,785
Net financial operations income ⁽¹⁾	29,602	25,335
Interest income.....	73,795	55,717
Interest expense	(45,236)	(30,383)
Net interest income from other items ⁽²⁾	1,260	1,300
Interest-bearing liabilities/interest-earning assets	86.9%	86.9%
Average yield on average interest-earning assets ⁽³⁾	13.8%	12.4%
Average yield on average interest-bearing liabilities ⁽⁴⁾	9.7%	7.7%
Net interest spread ⁽⁵⁾	4.3%	4.6%
Net interest margin ⁽⁶⁾	5.3%	5.6%

- (1) Interest income less interest expense.
- (2) Includes derivatives, debt assumption contracts, foreign exchange portfolio, recovery of write-offs, gold loans, credit guarantor fund, foreign exchange gain/loss abroad and other income from financial intermediation.
- (3) Interest income divided by average interest-earning assets.
- (4) Interest expense divided by average interest-bearing liabilities.
- (5) Difference between average yield on interest-earning assets and average rate of interest-bearing liabilities.
- (6) Net interest income divided by average interest-earning assets.

	For the year ended December 31,		
	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>		
Total average interest-earning assets	622,995	496,841	351,967
Total average interest-bearing liabilities.....	538,692	430,224	298,703
Net financial operations income ⁽¹⁾	36,936	30,606	22,086
Interest income	78,600	62,549	55,692
Interest expense	(41,664)	(31,943)	(33,607)
Interest-bearing liabilities/interest-earning assets	86.5%	86.6%	84.9%
Average yield on average interest-earning assets ⁽²⁾	12.6%	12.6%	15.8%
Average yield on average interest-bearing liabilities ⁽³⁾	7.7%	7.4%	11.3%
Net interest spread ⁽⁴⁾	4.9%	5.2%	4.6%
Net interest margin ⁽⁵⁾	5.9%	6.2%	6.3%

(1) Interest income less interest expense.

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

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

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

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

Return on Equity and Assets

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

	For the nine months ended September 30,		For the year ended December 31,		
	2011	2010	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>				
Net income	9,208	7,701	11,703	10,148	8,803
Average total assets ⁽¹⁾	895,826	751,556	768,773	612,498	431,861
Average stockholders' equity ⁽¹⁾	53,971	41,241	43,280	33,028	27,100
Return on average assets (ROA)(%) ⁽²⁾	1.4	1.4	1.5	1.7	2.0
Return on average equity (ROE)(%) ⁽³⁾	23.5	25.0	27.0	30.7	32.5
Stockholders' equity/total assets(%) ^{(4) (5)}	6.0	6.0	6.2	5.1	5.7
Dividend payout ratio (dividends/net income)(%).....	40.0	40.0	40.0	40.0	40.0

(1) Based on monthly averages.

(2) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2011.

(3) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2011.

(4) Prior to 2008, the Bank's consolidated balance sheet included only the assets of financial companies within the Banco do Brasil group. Since 2008, the Bank's consolidated balance sheet has included the assets of all companies within the Banco do Brasil group.

(5) Based on stockholders' equity and total assets as of the end of each period.

Securities Portfolio

The following table sets out the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities as of September 30, 2011 and as of December 31, 2010, 2009 and 2008. Trading securities and securities available for sale are stated at market value and held-to-maturity securities have been valued at amortized cost. See the notes to the Financial Statements included elsewhere in this Offering Memorandum for a description of the accounting policies applied to account for securities portfolio and for additional information on the portfolio as of those dates.

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

	As of September 30, 2011	As of December 31,		
		2010	2009	2008
		<i>(in millions of R\$)</i>		
Trading securities	63,154	50,445	38,274	26,136
Government bonds.....	49,678	39,463	32,682	23,498
Financial Treasury Bills.....	11,014	10,196	16,131	6,585
National Treasury Bills.....	15,013	13,356	7,093	6,815
National Treasury Notes.....	19,316	13,557	7,664	8,576
Rural debts.....	378	28	50	—
Federal government securities—other.....	0	—	—	1,498
Brazilian external debt.....	195	147	215	22
Other countries external debt.....	812	966	625	2
Others.....	2,950	1,213	904	—
Private bonds.....	13,476	10,982	5,592	2,638
Debentures.....	1,930	2,755	1,377	953
Promissory notes.....	91	16	320	53
Shares of publicly-traded companies.....	2,418	1,736	697	259
Investment fund units.....	3,418	1,314	550	110
Rural Product Certificates—Commodities.....	175	233	193	—
Bank Certificates of Deposit (CDBs).....	4,848	3,876	1,784	1,231
Eurobonds.....	72	51	13	32
Others.....	525	1,001	658	—
Securities available for sale	75,364	75,142	62,161	38,374
Government bonds.....	47,301	55,543	50,088	33,446
Financial Treasury Bills.....	30,025	36,508	35,857	23,619
National Treasury Bills.....	4,641	5,893	4,570	2,531
National Treasury Notes.....	4,688	6,437	6,002	3,741
Rural debts.....	9	9	11	11
Brazilian external debt.....	3,162	2,841	2,822	2,758
Foreign government bonds.....	4,633	3,733	594	750
Others.....	143	122	230	38
Private bonds.....	28,064	19,599	12,073	4,928
Debentures.....	17,325	13,611	8,534	1,325
Promissory Notes—Commercial Papers.....	3,617	1,401	1,367	2,745
Ballots Credit Banking.....	97	25	30	29
Quotas of investment funds (Cotas de Fundos de Investimento)	3,254	1,420	376	150
Shares.....	1,051	1,103	213	21
Rural Product Certificates—Commodities.....	492	447	510	562
Ballots Credit Banking.....	116	396	125	91
Eurobonds.....	0	—	39	—
Others.....	2,113	1,196	879	5
Held-to-maturity securities	18,116	16,496	22,439	20,123
Government bonds.....	17,863	16,393	22,162	20,123
Financial Treasury Bills.....	11,480	9,979	12,361	15,701
National Treasury Notes.....	6,186	6,118	4,671	3,900
National Treasury Bills.....	75	166	5,003	315
Rural debts.....	-	—	—	—
Brazilian external debt.....	123	130	126	173
Foreign government bonds.....	0	—	—	33
Others.....	21	—	—	—
Private bonds.....	253	103	277	—
Certificates of deposit.....	142	0	0	0
Others.....	111	103	277	—
Total	156,635	142,243	122,874	84,633

Maturity Distribution

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

As of September 30, 2011						
No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total	
<i>(in millions of R\$)</i>						
Maturity in days (market value)						
By portfolio	8,538	6,491	18,775	14,840	107,990	156,635
a) Own portfolio	8,538	6,491	9,150	8,185	64,369	96,735
b) Linked to repurchase transactions.....	—	—	9,374	6,024	40,680	56,258
c) Linked to Central Bank	—	—	17	—	46	46
d) Linked to guarantees	—	—	250	451	2,894	3,595

As of December 31, 2010						
No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total	
<i>(in millions of R\$)</i>						
Maturity in days (market value)						
By portfolio	4,740	8,298	14,538	13,042	101,466	142,084
a) Own portfolio	4,721	6,684	3,468	3,919	66,764	85,556
b) Linked to repurchase transactions.....	19	1,598	10,811	7,976	30,925	51,329
c) Linked to Central Bank	—	—	—	—	—	—
d) Linked to guarantees	1	17	258	1,146	3,777	5,199

As of September 30, 2011						
No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 year to 10 years	Due after 10 years	Total	
<i>(in millions of R\$)</i>						
Maturity in years (market value)						
By type	8,538	40,107	93,445	11,676	2,869	156,635
Trading securities	5,780	19,027	36,964	1,352	31	63,154
Securities available for sale	2,758	17,087	42,453	10,320	2,747	75,364
Securities held to maturity	—	3,993	14,028	4	91	18,116

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

Central Bank Compulsory Deposits

The Bank is required either to maintain certain deposits with the Central Bank or to purchase and hold Federal Government securities as compulsory deposits. The following table shows the amounts of these deposits as of September 30, 2011 and as of December 31, 2010, 2009 and 2008:

	As of September 30, 2011		As of December 31,					
			2010		2009		2008	
	R\$	% of total	R\$	% of total	R\$	% of total	R\$	% of total
<i>(in millions of R\$, except percentages)</i>								
Non-interest-earning deposits.....	16,372	18.3	20,414	23.5	11,919	27.9	12,439	35.7
Interest-earning deposits.....	73,281	81.7	66,621	76.5	30,768	72.1	22,450	64.3
Deposits.....	73,281	81.7	66,621	76.5	12,361	29.0	8,443	24.2
Bonds	0	0	0	0	18,407	43.1	14,007	40.1
Total	89,654	100.0	87,035	100.0	42,687	100.0	34,889	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	As of December 31,		
	September 30,	2010	2009	2008
	2011			
<i>(in millions of R\$)</i>				
Credit transactions	376,911	334,160	279,469	204,060
Loans and acquisition of receivables.....	166,329	149,037	129,829	85,249
Borrowings	116,610	104,006	80,858	54,983
Rural and agro-industrial credit	87,465	77,639	67,167	63,683
Real estate financing	6,506	3,476	1,611	145
Financing of infrastructure and development.....	1	1	4	—
(Allowance for credit losses).....	(17,816)	(16,433)	(17,685)	(13,179)
Other credits with similar characteristics	22,272	20,159	16,430	17,129
ACCs	11,285	9,055	8,193	11,143
Credit cards operations	10,544	10,624	7,748	6,023
Guarantees (avais) and surety (fiança)	75	75	91	71
Others	367	404	398	472
(Allowance for other credit losses).....	(580)	(690)	(702)	(579)
Leasing.....	3,372	4,047	4,931	3,038
(Allowance for lease losses)	(214)	(191)	(231)	(71)
Total	383,945	341,051	282,211	210,979

Credit Transactions—Maturity

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

		Overdue operations									
		As of September 30, 2011	As of December 31, 2010	As of September 30, 2011							
		Total portfolio	AA	A	B	C	D	E	F	G	H
		<i>(in millions of R\$)</i>									
Installments											
Falling Due											
<i>(in days)</i>											
01 to 30	663	1,540	—	—	111	130	60	48	39	43	232
31 to 60	448	388	—	—	71	118	40	34	27	30	128
61 to 90	384	303	—	—	64	68	37	33	26	29	126
91 to 180	1,041	863	—	—	171	179	103	91	73	79	346
181 to 360	1,880	1,626	—	—	294	308	188	161	125	138	664
Over 360.....	5,404	3,767	—	—	702	690	499	462	386	419	2,247
Installments											
Overdue											
<i>(in days)</i>											
01 to 14	240	124	—	—	35	55	34	28	21	20	46
15 to 30	430	298	—	—	123	90	37	29	20	25	106
31 to 60	551	499	—	—	23	179	61	52	33	42	161
61 to 90	465	395	—	—	1	20	109	64	39	41	192
91 to 180	843	739	—	—	1	10	26	98	119	105	486
181 to 360	989	796	—	—	—	2	3	15	18	68	883
Over 360.....	540	580	—	—	—	51	—	1	3	5	480
Subtotal	13,877	11,919	—	—	1,595	1,900	1,196	1,115	929	1,045	6,097

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

Loans Falling Due operations

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

(1) Transactions with third party risk linked to the Funds and Government Programs, mainly Pronaf, Proceca, FAT, BNDES and FCO. Includes the amount of overdue payments totaling R\$151 million, which are in accordance with rules defined in each program for reimbursement from managers, not involving a credit risk for the Bank.

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

Credit Transactions by Economic Activity

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

	As of September 30, 2011	As of December 31,		
		2010	2009	2008
<i>(in millions of R\$, except percentages)</i>				
Public Sector	8,510	7,261	6,388	4,040
Government	2,791	2,773	2,716	2,754
Direct management	2,428	2,450	2,556	2,690
Indirect management	363	323	160	64
Corporate activities	5,719	4,488	3,672	1,287
Industry	3,782	2,554	2,126	926
Commerce	—	—	—	10
Financial companies	169	126	151	343
Other services	1,768	1,808	1,392	9
Housing companies	—	—	2	—
Private Sector	394,045	351,105	294,441	220,767
Rural commerce direct management	64,331	57,988	54,769	51,009
Industry financial companies indirect management	120,972	105,234	84,799	71,909
Commerce	44,812	40,126	32,175	24,991
Financial companies	927	1,173	1,011	743
Individuals	91,439	98,275	81,295	41,629
Housing industry financial companies	5,052	2,932	1,457	63
Other services commerce private sector	66,513	45,377	38,935	30,424
Total	402,555	358,366	300,82	224,80

Rating of the Credit Transactions Portfolio

The table below sets out the rating of the Bank's credit transactions by risk levels for the periods indicated, where "AA" represents minimum credit risk and category "H" represents an extremely high credit risk, according to the applicable regulation issued by the CMN.

Risk Level	As of September 30, 2011	
	Credit transactions	% of total
	<i>(in millions of R\$, except percentages)</i>	
AA.....	114,700	28.5
A.....	90,842	22.6
B.....	131,947	32.8
C.....	40,517	10.0
D.....	8,250	2.0
E.....	2,977	0.7
F.....	1,570	0.4
G.....	1,618	0.0
H.....	10,134	2.5
Total	402,555	100.0

Risk Level	As of December 31,					
	2010		2009		2008	
	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total
	<i>(in millions of R\$)</i>					
AA.....	97,838	27.3	75,508	25.1	63,858	28.4
A.....	78,895	22.0	95,115	31.6	42,670	19.0
B.....	120,647	33.7	79,428	26.4	72,997	32.5
C.....	38,349	10.7	25,449	8.5	24,403	10.9
D.....	8,013	2.2	9,073	3.0	8,151	3.6
E.....	2,239	0.6	2,943	1.0	2,988	1.3
F.....	1,405	0.4	1,715	0.6	1,238	0.6
G.....	1,205	0.3	1,480	0.5	1,421	0.6
H.....	9,779	2.7	10,118	3.4	7,081	3.1
Total	358,366	100.0	300,829	100.0	224,808	100.0

Capital Requirements

The following table sets out the Regulatory Capital Value used for calculation of capital to risk-weighted assets, minimum capital required by the regulation, the capital to risk-weighted assets ratio, and the excess of the Bank's regulatory capital as compared to the minimum required on a full consolidation basis as of September 30, 2011 and as of December 31, 2010, 2009 and 2008:

	As of December 31,			
	As of September 30, 2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
RE—Referential equity amount	77,202	66,928	58,264	43,391
Tier 1	58,832	52,397	41,068	31,201
Shareholders' equity.....	56,713	50,441	36,199	13,780
Revaluation reserves.....	(5)	(6)	(7)	(7)
Deferred assets.....	(175)	(227)	(242)	(513)
Mark-to-market.....	(387)	(203)	(85)	(29)
Tax credit excl. RE's Tier 1—Res.3,059.....	(0)	(22)	(22)	(22)
Additional Provision to the minimum required by resolution CMN 2682/1999.....	0	—	2,782	1,835
Hybrid capital and debt instruments – Level I.....	2,688	2,415	2,524	—
Tier 2	23,754	19,763	18,023	12,910
Mark-to-market.....	387	203	85	29
Subordinated debt Qualifying as Capital	23,363	18,738	16,060	11,729
Funds obtained from the FCO.....	14,275	13,456	12,422	11,057
Funds obtained abroad.....	4,180	1,370	400	672
Funds obtained from the CDB.....	2,514	2,830	3,237	—
Funds raised in Financial Letters.....	2,394	1,083	—	—
Hybrid capital and debt instruments – Level II.....	—	816	853	1,145
Revaluation reserves.....	5	6	7	7
Deduction from the RE	(5,385)	(5,233)	(4,387)	(720)
Financial instruments excluded from RE.....	(5,385)	(5,233)	(4,387)	(720)
RRE – Required referential Equity Amount	61,009	52,297	42,749	31,500
Credit risk ⁽¹⁾	57,470	48,901	40,161	30,980
Market risk ⁽²⁾	106	31	286	119
Operating risk ⁽³⁾	3,433	3,365	2,302	401
Surplus of stockholders' equity: RE - RRE.....	16,194	14,630	10,955	11,891
Capital ratio	13.9	14.1	13.8	15.2

- (1) Referring to the PEPR portion, pursuant to Circular No. 3,360 of September 12, 2007, as amended. Until June 2008 (Basel I Accord), this item was comprised of the portions of the APR requirement and swap requirement. Starting in July 2011, the weighing factor of risk for exposures with respect to loan and leasing operations contracted with individuals and exceeding a term of 24 months changed to 150% pursuant to Circular No. 3,515/2010 dated December 6, 2010.
- (2) Referring to PCAM, PJUR, PCOM and PACS portions, Circulars No. 3,361 to 3,364, 3,366 and 3,368, all dated September 12, 2007; and Circular No. 3,389. Until June 2008 (Basel I Accord), this item was comprised of the portions of the foreign exchange exposure requirement and interest rate exposure requirement.
- (3) Referring to the POPR portion, a new requirement in the Basel II Accord, pursuant to Circular No. 3,383.

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

The following discussion contains an analysis of the consolidated results of operations of the Bank for the nine months ended September 30, 2011 and for the years ended December 31, 2010, 2009 and 2008. The following discussion should be read in conjunction with the Financial Statements and the reports and the notes thereto included elsewhere herein. The Financial Statements of Banco do Brasil have been prepared in accordance with Brazilian GAAP. The accounting practices adopted by Brazilian GAAP differ from those adopted by International Financial Reporting Standards and US GAAP. Certain information included herein is derived from unaudited management accounting records.

Introduction

Brazilian Economic Conditions

The financial condition and results of operations of the Bank are directly affected by general economic conditions prevailing in Brazil and are especially affected by variables such as GDP, inflation, interest rates, exchange rate variations and Federal Government tax policies. Additionally, the development of the Brazilian economy affects the demand for banking products and services.

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

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

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

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

The *real* depreciated against the U.S. dollar by 31.9% in 2008. During 2009, the *real* appreciated against the U.S. dollar and as of December 31, 2009 the *real*/U.S. dollar exchange rate was R\$1.74 per U.S.\$1.00, which reflected an increase of 25.5% compared to December 2008. The *real* continued to appreciate in 2010, reaching R\$1.67 per U.S.\$1.00 at year end, which reflected an increase of 4.3% compared to December 2009. Inflation, as measured by the IPCA and the IGP-M, was 5.9% and 9.8%, respectively, for the year ended December 31, 2008. The trend of periodic reductions of interest rates was temporarily reversed during 2008 when the Brazilian Committee for Monetary Policy (*Comitê de Política Monetária*) ("COPOM") increased the target SELIC rate by 250 basis points. As a result, the SELIC rate was 13.66% as of December 31, 2008. However, in response to the effects

of the financial crisis in the Brazilian economy, in 2009 the Central Bank began reducing the target SELIC rate again, to a level of 8.75% as of December 31, 2009. During 2010, due to inflationary pressure, the Central Bank began gradually increasing the target SELIC rate, which reached 10.75% in July 2010, where it stood as of December 31, 2010. In the first nine months of 2011, the Central Bank maintained its tightening monetary policy, further increasing the rate to 12.25% on January 31, 2011 and to 12.50% in July 2011. However, evaluating other factors, particularly volatility in foreign economies, which could have had a deflationary pressure on Brazil's economy, as well as in order to reinforce Brazil's domestic fiscal policy to fight inflation, the Central Bank countered market expectations and reduced the rate to 12.00% at a meeting held on August 31, 2011, and again to 11.50% at a meeting held on August 19, 2011, where it remains as of the date of this Offering Memorandum.

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

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

	Nine months ended September 30,		Year ended December 31,		
	2011	2010	2010	2009	2008
Real GDP growth in %	—	8.4	7.5	(0.6)	5.2
Inflation (IGP-M) ⁽¹⁾ in %	4.1	7.9	11.3	(1.7)	9.8
Inflation (IPCA) ⁽²⁾ in %	5.0	3.6	5.9	4.3	5.9
SELIC rate ⁽³⁾ in %	11.90	10.66	10.67	8.65	13.67
<i>Real</i> (appreciation)/depreciation vs. U.S. dollar over the period in % ⁽⁴⁾	11.3	(2.7)	(4.3)	(25.5)	31.9
Exchange rate at end of period—U.S.\$1.00 ⁽⁵⁾	R\$1.85	R\$1.69	R\$1.67	R\$1.74	R\$2.34
Average exchange rate at end of period—U.S.\$1.00 ⁽⁵⁾	R\$1.63	R\$1.78	RS1.76	RS1.99	RS1.84

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

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

(3) Annualized SELIC interest rate.

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

(5) Source: Central Bank.

Overview of the Bank

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2010, according to data published by Economática. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

- (i) Banking services: includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;
- (ii) Investments: includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;

- (iii) Asset management: includes buying, selling and custody of marketable securities, management of third-party portfolios and establishment, organization and administration of investment funds;
- (iv) Insurance, pension plans and financing: includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;
- (v) Payment services: includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and
- (vi) Other businesses: includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

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

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

Acquisition of Nossa Caixa

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

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

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

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

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

Consolidation of non-financial affiliated companies and subsidiaries

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

Sale of Visanet (newly renamed Cielo) holdings

On June 30, 2009, the Bank announced the sale of part of its holdings, through BB Investimentos, in Visanet (which has since changed its name to Cielo), a company that manages the relationship between banks and

merchants for the use of credit cards carrying the "Visa" brand, in Visanet's initial public offering of its shares. The Bank sold shares representing 7.1% of the capital stock of Visanet, resulting in revenue before taxes and expenses in the amount of R\$1,415 million, which the Bank recorded in the Financial Statements under "Non-operating income."

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

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

Acquisition of interest in Banco Votorantim

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

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

Factors Affecting Financial Condition and Results of Operations

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

Brazilian Economic Volatility

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

The Bank does not play an active role in the implementation of the Brazilian government's currency policies. The Bank trades foreign currency mostly as an agent for its clients, including the Central Bank. The Central Bank also trades foreign currency through other commercial banks and dealers.

Interest Rates

In general, increases in interest rates allow the Bank to increase its revenue from loans due to higher rates that the Bank is able to charge. However, such an increase may adversely affect the Bank's results of operations as a result of reduced overall demand for loans and greater risk of default by the Bank's clients. In addition, high interest

rates affect the Bank's funding costs, particularly time deposits and interbank deposits, and can adversely affect the Bank's profitability if the Bank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce the Bank's revenue from loans as a result of lower rates on the Bank's loans. This revenue decrease could be offset by an increase in the volume of the Bank's loans resulting from higher demand for loans and/or a decrease in the Bank's funding costs.

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

The following table sets out the effective SELIC rate as of September 30, 2011 and as of December 31, 2010, 2009 and 2008, as reported by the Central Bank.

As of	SELIC rate⁽¹⁾
September 30, 2011	11.90%
December 31, 2010	10.67%
December 31, 2009	8.65%
December 31, 2008	13.67%

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

Capital Adequacy

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

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

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

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

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

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

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

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

As of September 30, 2011, the Bank's capital ratio was 13.9%. The Bank's Tier 1 and Tier 2 capital totaled R\$58,833 million and R\$23,755 million, respectively.

As of the date of this Offering Memorandum, the Bank's capital ratio was 13.9%. The Bank's Tier 1 and Tier 2 capital totaled R\$82,587 million. See "—Capital Adequacy Information" for further information regarding the Bank's compliance with capital adequacy regulations.

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

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

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

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

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

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

Adjusted Results of Operations

The Bank has included, in its discussion of its results of operations, certain line items on an adjusted basis. The purpose of this presentation is to reflect recurring income and expenses by excluding certain material non-recurring items. In presenting these adjusted line items, the Bank does not intend to exclude all non-recurring or extraordinary items, but only certain material non-recurring items, in order to give investors a sense of the Bank's results on a recurring basis.

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

Critical Accounting Policies

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

Provision for Credit Risk

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

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

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

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

Contingencies

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

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

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

- General category – Proceedings related to lawsuits considered similar and common, and the amount of which is not considered material according to statistics by category of lawsuit, type of jurisdiction (small claims court or regular courts) and plaintiff. In labor and civil claims related to economic plans, the amounts considered are the average amounts of payment of lawsuits ended in the last 24 months and 12 months, respectively, for determination of the obligations amount; and

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

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

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

Revenue Recognition

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

Tax Credits

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

- presentation of the history of taxable income or revenues for purposes of income tax and social contribution, as applicable, confirming that any of the situations described above took place during at least three of the past five years, which period must include the reference year; and
- in the event of expected generation of profits or future taxable income for purposes of income tax and social contribution, as applicable, in subsequent periods, based on the technical appraisal which would determine the probability of realization of future obligations with taxes and contributions which would allow the realization of tax credits within ten years.

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

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

Long Term Assets

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

- *Long-term receivables* – the amounts under the headings "Interbank Investments of Liquidity," "Marketable Securities and Derivative Financial Instruments," and "Credit and Leasing Operations," as well as investment of resources in the pre-payment of expenses involving obligations by third parties, are included in this category, if constituting realizable rights after the end of the twelve months following the balance sheet for the current fiscal year.
- *Investments* – investments in subsidiary and affiliates with significant influence or with 20% interest in the voting capital and in other companies owned by the same group or which are jointly controlled are evaluated on the equity method based on the shareholders' equity of the subsidiary

or affiliate. The financial statements of agencies and foreign subsidiaries are adjusted to the accounting criteria effective in Brazil and translated into *reais* at current rates, as set forth in BACEN Circulars No. 2,397/1993 and No. 2,571/1995 and their effects are recognized in the result for the period. The other permanent investments are evaluated at acquisition cost, less provision for losses and reduction to recoverable value – impairment, when applicable.

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

- *Fixed Assets in use* – fixed assets are valued at acquisition cost, less related depreciation, which amount is calculated on the straight line basis on an annual basis for buildings and improvements (4%), vehicles (20%), data processing systems (20%) and other items (10%).
- *Deferred Assets* – deferred assets are recorded at acquisition or formation cost, net of related accumulated amortizations. They contemplate, mainly, expenditures to restructuring the company and expenditures in third party properties, made up to September 20, 2008, arising from installation of facilities and amortized by rates calculated based on the rental period, and with acquisition and development of systems, amortized at the annual rate of 20%.
- *Intangible Assets* – intangible assets correspond to the rights related to assets designed to maintain the company or exercised with this purpose, including the acquired goodwill. An asset complies with the criterion of identification of intangible asset, according to CMN Resolution No. 3,642/2008, when it is separated from the entity or sold, transferred or licensed, leased or exchanged individually or jointly for an agreement, related asset or liability, regardless of the intention of use by the entity or which results from contractual or other legal rights, regardless of whether such rights are transferable or separable from the entity or from other rights and obligations.

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

Useful life of Non-Current Assets

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

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

Source: Cosif

Pension Plans

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

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

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

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

- (1) 10% of the present value of the total actuarial obligation of the defined benefit; and
- (2) 10% of the fair value of the plan assets.

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

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

Criteria for Test of Assets Impairment

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

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

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

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

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

Results of Operations

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

Nine months ended September 30, 2011 compared to the nine months ended September 30, 2010

The Bank's recorded net income of R\$9,208 million in the first nine months of 2011, an increase of 19.6% over net income of R\$7,701 million for the first nine months of 2010, as a result of the factors described below.

Income from financial intermediation

The following table sets out the principal components of the Bank's income from financial intermediation in the nine months ended September 30, 2011 and 2010:

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Loans.....	46,264	37,689	22.8
Leasing.....	1,804	2,366	(23.8)
Securities.....	23,659	17,102	38.3
Financial derivatives.....	(1,058)	(1,669)	(36.6)
Foreign exchange portfolio.....	—	544	—
Compulsory investments.....	5,308	2,310	129.8
Insurance, pension and saving bonds operations.....	1,646	1,390	18.4
Income from financial intermediation.....	77,623	59,732	30.0

*n.m. defined as not meaningful.

The Bank's income from financial intermediation increased by 30.0% from R\$59,732 million for the nine months ended September 30, 2010 to R\$77,623 million for the nine months ended September 30, 2011, primarily due to the factors described below.

Income from loans increased by 22.8% from R\$37,689 million for the nine months ended September 30, 2010 to R\$46,264 million for the nine months ended September 30, 2011. This increase mainly reflects an increase in the overall lending activity of the Bank and principally resulted from:

- an increase of 23.7%, or R\$4,972 million, in income from lending activities from (i) an increase of R\$4,332.4 million from increases in average balances, particularly with respect to consumer loans (R\$3,227.3 million), BB Giro Empresa Flex (R\$746 million), BB Giro (R\$393 million) and Cheque Especial (R\$253 million); (ii) an increase of R\$387 million in income from foreign lending activities, consisting of R\$233 million in average balances and loan revenues from Banco Patagonia, consolidated from April 2011 and (iii) an increase of R\$265 million in the loan revenues of Banco Votorantim, consisting of R\$147 million in revenues from CCBs and R\$97 million from loan assignments;

- a 21.1% increase (R\$1,674 million) in revenue from financing transactions, mainly as a result of increases in average balances, particularly with respect to (i) BB Capital de Giro à Exportação (R\$639 million); (ii) CDC (R\$370 million) and (iii) loan revenues of Banco Votorantim (R\$952 million), mainly consisting of revenues from vehicle financing (CDC Veículos);
- an increase of 22.6% (R\$849 million) in revenue from rural and agro industrial financings, mainly those linked to Savings Gold resources from increases in average balances and the TR rate (from 0.47% for the first nine months of 2010 to 0.99% for the first nine months of 2011); and
- an increase of 14.5% (R\$353 million) in the recovery of write-offs.

Income from leasing decreased by 23.8% from R\$2,366 million for the nine months ended September 30, 2010 to R\$1,804 million for the nine months ended September 30, 2011, primarily because this product has faced competition from other lines of vehicle financing with simpler contractual requirements and lower interest rates.

Income from securities increased by 38.3% from R\$17,102 million for the nine months ended September 30, 2010 to R\$23,659 million for the nine months ended September 30, 2011. This increase primarily resulted from:

- an increase of 23.8% (R\$2,104 million) in revenue from third party portfolios due to increases in average balances and the TMS rate (from 7.03% for the first nine months of 2010 to 8.71% for the first nine months of 2011);
- an increase of R\$2,067 million in revenue from securities abroad, mainly resulting from foreign exchange variations between the *real* and the U.S. dollar (a devaluation of 11.30% for the first nine months of 2011 as compared to an appreciation of 2.70% for the first nine months of 2010), the Japanese Yen (a devaluation of 17.48% for the first nine months of 2011 as compared to a devaluation of 7.95% for the first nine months of 2010) and the Euro (a devaluation of 11.94% for the first nine months of 2011 as compared to an appreciation of 7.85% for the first nine months of 2010); and
- an increase of 28.8% (R\$2,183 million) in income from fixed income securities, mainly as a result of (i) an increase of R\$1,103 million in average balances of national treasury bills (*Letras do Tesouro Nacional* or "LTN") and debentures and (ii) an increase of R\$412 million from U.S. Treasury operations from foreign exchange variations between the *real* and the U.S. dollar.

The Bank's loss from financial derivatives decreased from a loss of R\$1,669 million for the nine months ended September 30, 2010 to a loss of R\$1,058 million for the nine months ended September 30, 2011, representing a 36.6% (R\$611 million) decrease. These transactions are part of the bank's strategy to hedge against its foreign exchange exposure.

Income from the Bank's foreign exchange portfolio decreased to a loss of R\$565 million for the nine months ended September 30, 2011, compared to an income of R\$544 million for the nine months ended September 30, 2010, primarily due to exchange variations between the *real* and the U.S. dollar (a devaluation of 11.30% for the first nine months of 2011 as compared to an appreciation of 2.70% for the first nine months of 2010) and the Japanese Yen (a devaluation of 17.48% for the first nine months of 2011 as compared to a devaluation of 7.95% for the first nine months of 2010).

Income from compulsory investments increased by 129.8% from R\$2,310 million for the nine months ended September 30, 2010 to R\$5,308 million for the nine months ended September 30, 2011. This increase was mainly due to one-time changes in the rates and rules for complying with the compulsory and additional deposit requirements of the Central Bank relating to time deposits and demand deposits, and to increases in average balances and the TR and TMS rates.

Income from insurance, pension plan and saving bonds operations increased from R\$1,390 million for the nine months ended September 30, 2010 to R\$1,646 million for the nine months ended September 30, 2011, mainly due to a R\$500 million increase in revenue from investment funds and a R\$117 million increase in revenue from fixed income securities. This increase was partially offset by a R\$374 million increase in financial expenses.

Expenses from financial intermediation

The following table sets out the principal components of the Bank's expenses from financial intermediation for the nine months ended September 30, 2011 and 2010:

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Money market funds.....	(39,714)	(28,030)	41.7
Borrowings, assignments and onlending	(5,837)	(2,632)	121.8
Leases.....	(1,304)	(1,703)	(23.4)
Foreign exchange portfolio.....	(565)	—	—
Financial expenses from provisions on insurance, pension and saving bonds operations.....	(1,055)	(962)	9.7
Allowance for loan losses.....	(8,764)	(8,132)	7.8
Expenses from financial intermediation	(57,239)	(41,459)	38.1

The Bank's expenses from financial intermediation increased by 38.1% from R\$41,459 million for the nine months ended September 30, 2010 to R\$57,239 million for the nine months ended September 30, 2011. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 41.7% from R\$28,030 million for the nine months ended September 30, 2010 to R\$39,714 million for the nine months ended September 30, 2011. This increase was mainly the result of (i) an increase of 44.9% (R\$5,053 million) in expenses from time deposits, mainly as a result of increases in average balances and interest rates, consisting of BB Aplic DI (R\$1,489 million), Cetip bonds (R\$1,343 million), judicial deposits (R\$945 million) and CDB DI swap (R\$748 million); (ii) an increase of R\$3,929 million in expenses from repurchase agreements, due to increases in average balances and the TMS rate; (iii) an increase of R\$855 million in expenses related to savings deposits, mainly due to an increase in average balances and in the TR rate; (iv) an increase of R\$813 million in securities abroad, due to foreign exchange variations between the *real* and the U.S. dollar and (v) an increase of R\$491 million in expenses from LFs primarily due to new funding.

Expenses from borrowings, assignments and onlendings increased by 121.8%, from R\$2,632 million for the nine months ended September 30, 2010 to R\$5,837 million for the nine months ended September 30, 2011. This increase was primarily due to foreign exchange variations between the *real* and the U.S. dollar, the Japanese Yen and the Euro.

The Bank's allowance for loan losses increased by 7.8% (representing R\$632 million) from R\$8,132 million for the nine months ended September 30, 2010 to R\$8,764 million for the nine months ended September 30, 2011. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Additional allowance for loan losses with credit characteristics.....	(8,935)	(8,204)	8.9
Additional allowance for loan losses without credit characteristics.....	171	72	138.9
Total	(8,764)	(8,132)	7.8

Gross income from financial intermediation

As a result of the foregoing factors, the Bank's gross income from financial intermediation increased by 11.6% from R\$18,273 million for the nine months ended September 30, 2010 to R\$20,384 million for the nine months ended September 30, 2011.

Other operating income (expenses)

The following table sets out the principal components of the Bank's other operating income (expenses) for the nine months ended September 30, 2011 and 2010:

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Fee income	9,232	8,308	11.1
Banking fees income	3,983	3,559	11.9
Personnel expenses.....	(10,653)	(9,568)	11.3
Other administrative expenses.....	(9,759)	(9,538)	2.3
Taxes	(3,130)	(2,757)	13.5
Equity in the earnings (losses) of affiliates and subsidiary companies	399	(10)	—
Insurance, pension and saving bonds operations	1,750	1,397	25.3
Other operating revenues.....	9,688	9,214	5.1
Other operating expenses	(8,205)	(6,473)	26.8
Total other operating income (expenses)	(6,695)	(5,868)	14.1

The Bank's total other operating expense increased by 14.1% from R\$5,868 million for the nine months ended September 30, 2010 to R\$6,695 million for the nine months ended September 30, 2011, due to the factors described below.

The Bank's fee income increased by 11.1% from R\$8,308 million for the nine months ended September 30, 2010 to R\$9,232 million for the nine months ended September 30, 2011. This increase was mainly due to (i) a 23.1% increase (representing R\$438 million) in revenue from credit and debit card transactions; (ii) a 15.7% increase (representing R\$311 million) in revenue from fund administration; (iii) an increase of R\$147 million in revenue from Banco Patagonia, consolidated from April 2011; (iv) a 20% increase (representing R\$88 million) in revenues from collections and (v) an 83.8% increase (representing R\$66 million) in revenue from consortium administration.

Banking fees income increased by 11.9% (representing R\$424 million) from R\$3,559 million for the nine months ended September 30, 2010 to R\$3,983 million for the nine months ended September 30, 2011. The increase was mainly due to (i) an 8.0% increase (R\$146 million) in revenue from services packages; (ii) a 15.6% increase (R\$145 million) from income from credit and registration operations; (iii) an increase of R\$72 million in income from investment funds management and (iv) a 5.4% increase (R\$26 million) from income from credit card fees.

Personnel expenses increased by 11.3% from R\$9,568 million for the nine months ended September 30, 2010 to R\$10,653 million for the nine months ended September 30, 2011. This increase was mainly the result of (i) a 15.5% increase (representing R\$670 million) in expenses from compensation; (ii) a 10.4% increase (representing R\$164 million) from employee social benefits; (iii) a 6.5% increase (representing R\$84 million) in benefits and (iv) a 3.7% increase (representing R\$56 million) in administrative personnel provisions. These increases are primarily due to salary readjustments and the acquisition of a controlling interest in Banco Patagonia. In addition, expenses from provisions for losses associated with labor lawsuits increased R\$69 million from R\$594 million for the first nine months of 2010 to R\$663 million for the first nine months of 2011.

Other administrative expenses increased by 2.3% from R\$9,538 million for the nine months ended September 30, 2010 to R\$9,759 million for the nine months ended September 30, 2011, primarily due to (i) a 10.5% increase (representing R\$93 million) in expenses from third party services; (ii) a 26.8% increase (R\$76 million) in expenses related to maintenance and servicing.

Taxes increased from R\$2,757 million for the nine months ended September 30, 2010 to R\$3,130 million for the nine months ended September 30, 2011, a 13.5% increase (representing R\$373 million). This increase was primarily due to an increase in the Bank's tax base, which resulted in a R\$213 million increase in COFINS tax, R\$62 million in ISSQN tax and R\$38 million in Pasep/PIS tax.

The Bank's equity in the income (losses) of affiliates and subsidiary companies increased from a loss of R\$10 million for the nine months ended September 30, 2010 to an income of R\$399 million for the nine months

ended September 30, 2011. This increase was primarily the result of an increase in foreign exchange variations between the *real* against the U.S. dollar (a devaluation of 11.30% for the first nine months of 2011 as compared to an appreciation of 2.70% for the first nine months of 2010).

Other operating income from insurance, pension and saving bonds operations increased by 25.3% from R\$1,397 million for the nine months ended September 30, 2010 to R\$1,750 million for the nine months ended September 30, 2011. This R\$353 million increase was primarily the result of revenues and expenses attributable to the Mapfre Group, which was consolidated starting in June 2011.

The following table sets out the principal components of the Bank's other operating income and other operating expenses for the nine months ended September 30, 2011 and 2010, which increased, respectively, from R\$9,214 million and R\$6,473 million for the first nine months of 2010 to R\$9,688 million and R\$8,205 million for the first nine months of 2011:

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Other operating income			
PREVI–Restatement of actuarial assets.....	2,451	2,378	3.1
Equalizations of rates - harvest.....	1,714	1,785	(4.0)
Restatement of guarantee deposits.....	1,115	875	27.4
Readjustment negative exchange/reclassification of balances	948	849	11.7
Update on allocation of surplus funds – Plan 1	763	143	433.6
Recovery of charges and expenses	567	1,290	(56.0)
Reversal of provisions (labor, civil and tax).....	234	573	(59.2)
Credit card transactions.....	209	148	41.2
Administrative expenses – Reversal of provisions	10	105	(90.5)
Administrative expenses – Reversal of provisions	114	119	(4.2)
Dividends received.....	27	49	(44.9)
Others.....	1,536	900	70.7
Other operating income	9,688	9,214	5.1

	Nine months ended September 30,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Other operating expenses			
Readjustment negative exchange/reclassifications of balances.....	(1,061)	(444)	139.0
From non-financial associated companies.....	(1,196)	(883)	35.4
Premiums paid to clients	(1,043)	(436)	139.2
Credit/debit card transactions	(871)	(658)	32.4
Actuarial liabilities	(720)	(868)	(17.1)
Failures/fraud and other losses	(404)	(186)	117.2
Business partners.....	(460)	(878)	(47.6)
Amortization of goodwill	(432)	(157)	173.4
Restatement of guarantee deposits.....	(323)	(337)	(4.2)
Amortizations/early settlement of contracts	(211)	(125)	68.8
Discounts granted on renegotiations.....	(207)	(259)	(20.1)
Restatement of hybrid capital and debt instruments	(164)	(230)	(28.7)
Premium life insurance –consumer credit.....	(132)	(148)	(10.8)
ATM Network.....	(112)	(90)	24.4
Restatement of funds to be returned to the National Treasury	(42)	(32)	31.3
INSS.....	(28)	(21)	33.3
Restatement of interest on own capital/Dividends.....	(41)	(43)	(4.7)
PREVI–actuarial adjustment	(19)	(18)	5.6
Fees for the use of Sisbacen	(13)	(12)	8.3
Expenses for Proagro	(10)	(49)	(79.6)
Updates from the acquisition of investments.....	—	(72)	—
Others.....	(716)	(526)	36.1
Other operating expenses	(8,205)	(6,473)	26.8

*n.m. means not meaningful.

Other operating income increased by 5.1% from R\$9,214 million for the nine months ended September 30, 2010 to R\$9,688 million for the nine months ended September 30, 2011. This increase was mainly due to (i) a R\$638 increase in PREVI's destination funds, of which R\$390 were allocated to the Surplus Destination Fund,

R\$168 million to the Utilization Fund and R\$80 million to the Contribution Fund; (ii) a R\$275 increase in the Midwest Constitutional Financing Fund – FCO and (iii) a 27.5% increase (representing R\$240 million) in judicial deposits. This increase was partially offset by (i) a decrease of 61.8% (representing R\$350 million) attributable to a reduced reversal of labor provisions related to judicial claims; (ii) R\$191 million attributable to the reclassification of "Money Market Operating Expenses – Savings Deposits" and (iii) a decrease of 90.6% (representing R\$95 million) attributable to a reversal of provisions related to personnel expenses.

Other operating expenses increased by 26.8% from R\$6,473 million for the nine months ended September 30, 2010 to R\$8,205 million for the nine months ended September 30, 2011. This R\$1,732 million increase was primarily due to (i) an increase of R\$617 million for exchange readjustments and reclassification of balances; (ii) an increase of 139.3% (representing R\$607 million) in expenses related to the renegotiation to maintain the portfolio of judicial deposits, particularly with the judiciaries of the States of São Paulo and Rio de Janeiro; (iii) an increase of 174.2% (representing R\$274 million) for amortizations of investment premiums; (iv) an increase of 117.1% (representing R\$218 million) from the conclusion of proceedings related to errors, fraud and other losses, partially offset by the reversal of provisions for other credits and (v) an increase of 32.3% (representing R\$213 million) in expenses related to credit and debit card transactions. This increase was partially offset by a decrease of 17.0% (representing R\$148 million) in updates to actuarial obligations.

Operating income

The Bank's operating income totaled R\$13,689 million for the nine months ended September 30, 2011, an increase of 10.4% (representing R\$1,284 million) compared to the nine months ended September 30, 2010, for the reasons discussed above.

Non-operating income

The Bank's non-operating income consists of (i) profit on sale of investments, (ii) capital gains, (iii) provisions or reversal of the devaluation of assets, (iv) profit from the sale of assets, (v) disposal of property (vi) rental income, and (vii) other non-operating income. Non-operating income decreased R\$155 million from R\$372 million for the nine months ended September 30, 2010 to R\$217 million for the nine months ended September 30, 2011. Non-operating income in 2010 was higher than in 2011 mainly as a result of (i) the sale of our ownership interest in Visa Inc. in the first nine months of 2010 (R\$49 million); and (ii) the reconciliation of capital gains at BB Seguros, mainly due to a change in the Bank's percentage ownership in Brasilprev from 49.99% to 74.99% (R\$90 million).

Income tax and social contribution

Expenses from income tax and social contribution decreased by 14.0% to R\$3,350 million for the nine months ended September 30, 2011 compared to R\$3,895 million for the nine months ended September 30, 2010. The reasons for this increase are discussed below.

Income tax is calculated at the rate of 15%, plus a surtax of 10%. Social contribution is calculated at the rate of 15% for financial and insurance companies and 9% for all other companies. The decrease in income tax and social contribution expenses was mainly due to the application of tax credits and the Bank's fiscal hedge program. The Bank's revaluation of written-off credit operations permitted it to use tax credits totaling R\$386 million. The Bank's fiscal hedge program (described in "—Derivative Financial Instruments") also decreased by R\$364 million as a result of the decrease in a tax/structural hedge. This hedge is structured by the Bank to reduce the volatility of results after taxes as gains from foreign exchange variations on investments abroad are not subject to taxation and the losses do not result in a deduction in our tax basis.

The Bank's deferred tax assets totaled R\$23,772 million for the nine months ended September 30, 2011, an increase of R\$1,201 million compared to R\$22,571 million for the nine months ended September 30, 2010.

Profit sharing

Profit sharing for the employees and board members of the Bank increased 13.9% from R\$472 million for the nine months ended September 30, 2010 to R\$538 million for the nine months ended September 30, 2011.

Net Income

As a result of the foregoing factors, the Bank's net income increased by 19.6% to R\$9,208 million for the nine months ended September 30, 2011 from R\$7,701 million for the nine months ended September 30, 2010.

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

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

Income from financial intermediation

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

	Year ended December 31,		
	2010	2009	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Loans.....	51,733	40,515	27.7
Leases.....	3,033	2,310	31.3
Securities.....	23,238	21,350	8.8
Derivative financial instruments.....	(2,239)	(1,223)	83.1
Foreign exchange, net	1,083	686	57.9
Compulsory deposits.....	3,586	816	339.5
Insurance, pension plans and funding.....	2,025	1,275	58.8
Income from financial intermediation	82,459	65,729	25.5

The Bank's income from financial intermediation increased by 25.5% from R\$65,729 million in 2009 to R\$82,459 million in 2010, primarily due to the factors described below.

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

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

- an increase of 121.5% increase, or R\$133 million, in housing financing revenue due to the increases in average balances.

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

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

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

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

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

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

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

Expenses from financial intermediation

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

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

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

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

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

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

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

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

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

Gross income from financial intermediation

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

Other operating income (expenses)

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

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

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

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

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

Personnel expenses increased by 10.0% from R\$11,838 million in 2009 to R\$13,020 million in 2010. This increase was mainly the result of an increase of 17.9% (representing R\$938 million) in expenses from compensation, a 15.7% increase (representing R\$300 million) from employee social benefits, a 18.5% increase (representing R\$274 million) in benefits expenses and a 16.7% increase (representing R\$246 million) in administrative personnel provisions. These increases are primarily due to salary readjustments and an increase in

headcount. These expenses were also increased in the amount of R\$308 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010. This increase was also a result of an increase in expenses associated with labor claims from R\$1,375 million in 2009 to R\$776 million in 2010.

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

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

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

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

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

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

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

*n.m. means not meaningful.

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

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

Operating income

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

Non-operating income

The Bank's non-operating income consists of (i) income from the sale of investments, (ii) provisions or reversal of the devaluation of assets, (iii) income from the sale of assets, (iv) sale of real estate and (v) other income.

Non-operating income decreased from R\$1,844 million for the year ended December 31, 2009 to R\$370 million for the year ended December 31, 2010, mainly as a result of partial sale of our ownership interest in Cielo in 2009.

Income tax and social contribution

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

Income tax is calculated at the rate of 15%, plus a surtax of 10%. Social contribution is calculated at the rate of 15% for financial and insurance companies and 9% for all other companies. The increase in income tax and social contribution expenses was mainly due to a higher tax base and to the application of tax credits in 2009 related to the Bank's having revalued the probability of a favorable outcome in a direct unconstitutionality action (number 4101/DF) brought against the increase in social contribution tax rate. The Bank's revaluation recognized the rate increase from 9% to 15% activating tax credits equaling R\$1,213 million. This increase was partially offset in the amount of R\$561 million from the Bank's fiscal hedge program as a result of increased exchange variation and a decrease in the amount of R\$557 million from tax efficiencies. Income tax and social contribution expenses also increased in the amount of R\$241 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

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

Profit sharing

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

Net Income

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

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

The Bank's net income increased by 15.3% from R\$8,803 million for the year ended December 31, 2008, to R\$10,148 million for the year ended December 31, 2009 as a result of the factors described below.

Income from financial intermediation

The following table sets out the principal components of the Bank's income from financial intermediation in 2009 and 2008:

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Loans.....	40,515	33,221	22.0
Leases.....	2,310	1,166	98.1
Securities.....	21,350	20,692	3.2
Derivative financial instruments.....	(1,223)	(1,283)	(4.7)
Foreign exchange, net	686	464	47.8
Compulsory deposits.....	816	1,910	(57.3)
Insurance, pension plans and funding.....	1,275	946	34.7
Income from financial intermediation	65,729	57,116	15.1

The Bank's income from financial intermediation increased by 15.1% from R\$57,116 million in 2008 to R\$65,729 million in 2009, primarily due to the factors described below.

Income from loans increased by 22.0% from R\$33,221 million in 2008 to R\$40,515 million in 2009. This increase mainly reflects an increase in the overall lending activity of the Bank and is principally derived from:

- an increase of 28.1%, or R\$4,989 million in income from lending activities, mainly from (i) an increase in revenue arising from consumer loans, mainly from consumer direct loans, representing R\$2,295 million and working capital loans to small businesses, including the Bank's own products: BB Giro Empresa Flex, representing R\$1,002 million, BB Giro, representing R\$180.0 million, BB Giro Rápido, representing R\$153 million and BB Capital de Giro Mix Pasep, representing R\$146 million, resulting primarily from an increase in the average volume of these loans, (ii) revenue arising from loans of R\$2,936 million from the consolidation of credit transactions from the merger of Banco Nossa Caixa and (iii) an increase of R\$373 million resulting from the inclusion in the Bank's consolidated statement of income of proportional revenue arising from loans through Banco Votorantim beginning in the fourth quarter of 2009. This increase was partially offset by a reduction of R\$2,298 million (from R\$1,569 million profit in 2008 to R\$729 million loss in 2009) in revenue from credit transactions under Resolution No. 2,770, dated August 30, 2000, mainly due to the appreciation of the *real* against the Japanese Yen (27.1% appreciation in 2009, as compared with a devaluation of 62.9% in 2008);
- a 30.6% increase, or R\$1,647 million in revenue from financing transactions, primarily from (i) credit cards transactions, representing R\$646 million, CDC, representing R\$413 million and foreign working capital financing, representing R\$189 million resulting mainly from an increase in the average volume of these loans, (ii) an increase by R\$630 million resulting from the inclusion in the Bank's consolidated statement of income of proportional revenue from financing by Banco Votorantim beginning in the fourth quarter of 2009 and (iii) an increase of R\$20 million from the consolidation of the financing operations of Banco Nossa Caixa. This increase was partially offset by a reduction of R\$258 million in revenue from loans for the acquisition of goods and services, mainly due to lower average volume of these financings; and
- an increase in income from the transfer of credits to Ativos S.A., an increase in loan recoveries and an increase in income from the recovery of bad debts as a result of the consolidation of Banco Nossa Caixa.

Income from leases increased by 98.1% from R\$1,166 million in 2008 to R\$2,310 million in 2009, primarily due to an increase in the volume of leasing operations in 2009.

The table below describes income from loans, adjusted for the two non-recurring events mentioned above (revenue from equalization and assignment of credits to Ativos S.A.). Adjusted income from loans is not a GAAP measure under Brazilian GAAP, does not represent income from loans for the periods presented and should not be considered an alternative to income from loans. Adjusted income from loans does not have a standardized meaning and, accordingly, the Bank's definition may not be comparable to that of other companies. The Bank uses adjusted income from loans to present income from loans without the effects of extraordinary accounting or accounting reclassifications, which affect the historical analysis of revenue. Accordingly, the measurement allows the comparison of revenues in several periods.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Income from loans	40,515	33,221	22.0
Revenue from equalization.....	1,773	1,352	31.1
Assignment of credits to Ativos S.A.....	(633)	(67)	n.m.
Adjusted income from loans	41,656	34,506	20.7

Income from securities increased by 3.2% from R\$20,692 million in 2008 to R\$21,350 million 2009. This increase was primarily due to (i) an increase of 57.8%, representing R\$4,174 million in income from third-party portfolio, largely due to the increase in the average balance of this portfolio, representing R\$3,658 million, the consolidation of the average balance of Nossa Caixa, representing R\$314 million starting in April 2009 and the proportional consolidation of Banco Votorantim's income from the third-party portfolio, representing R\$227 million

during the fourth quarter of 2009 and (ii) an increase of 8.1%, representing R\$705 million in income from stock and fixed income securities, primarily as a result of an increase in the volume of the portfolio due to the consolidation of Nossa Caixa, representing R\$1,704 million starting in April 2009 and the proportional consolidation of Banco Votorantim's income from stock and fixed income securities, representing R\$157 million during the fourth quarter of 2009. This increase was partially offset by (i) a decrease of 13.7%, representing R\$1,152 million in income from stock and securities tied to TMS rates (9.9% in 2009, compared to 12.5% in 2008) and the appreciation of the *real* against the U.S. dollar (appreciation of 25.6% in 2009, compared to a devaluation of 32.0% in 2008), (ii) a decrease of 99.9%, representing R\$3,729 million in income from investments in foreign securities, primarily due to the appreciation of the *real* against the U.S. dollar and (iii) a decrease of R\$490 million (from income of R\$376 million in 2008 to a loss of R\$115 million in 2009) in income from negotiable securities, mainly due to a decrease of R\$570 million resulting from a mark-to-market adjustment of the NTN-F, which was partially offset by the proportional consolidation of Banco Votorantim's income from securities held for sale, representing R\$74 million in the fourth quarter of 2009.

In 2008, income from securities was positively affected by the sale of some of the Bank's shares in Visanet (now Cielo), which resulted in a non-recurring gain of R\$196 million, as explained in the table below. The Bank believes that the adjustment is helpful in order to present income from securities excluding non-recurring items in order to enhance year-on-year comparability. Adjusted income from securities is not a GAAP measure under Brazilian GAAP and it does not have a standardized meaning. Accordingly, the Bank's definition may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Income from securities	21,350	20,692	3.2
Income from the sale of Visanet (now Cielo)	—	(196)	—
Adjusted income from securities	21,350	20,496	4.2

The Bank's loss from derivative financial instruments decreased by 4.7%, from a loss of R\$1,283 million in 2008 to a loss of R\$1,223 million in 2009. This decrease in losses was mainly the result of a decrease, representing R\$1,790 million in losses from interest rate swaps and exchange rate swaps, resulting mainly from (i) the increased appreciation of the *real* against the U.S. dollar (appreciation of 25.6% in 2009, compared to a devaluation of 32.0% in 2008) and the Japanese Yen (appreciation of 27.1% in 2009, compared to a devaluation of 62.9% in 2008), representing R\$1,169 million and (ii) the decrease in TMS rates (9.9% in 2009, compared to 12.5 in 2008) and CDI rates (9.9% in 2009, compared to 12.4% in 2008) on borrowings, representing R\$690 million. This decrease in losses was partially offset by an increase of R\$755 million in losses from foreign exchange hedges and an increase of R\$1,161 million in losses from currency futures contracts, in each case, mainly as a result of the volatility of the *real* against the U.S. dollar (appreciation of 25.6% in 2009, compared to a devaluation of 32.0% in 2008).

Income from net foreign exchange transactions increased by 47.8% from R\$464 million in 2008 to R\$686 million in 2009, primarily due to the appreciation of the *real* against the U.S. dollar (appreciation of 25.6% in 2009, compared to a devaluation of 32.0% in 2008), the Japanese Yen (appreciation of 27.1% in 2009, compared to a devaluation of 62.9% in 2008) and the Euro (appreciation of 22.3% in 2009, compared to devaluation of 24.1% in 2008).

Income from compulsory deposits decreased by 57.3% from R\$1,910 million in 2008 to R\$816 million in 2009. This decrease was mainly due to the Central Bank requirement under Circular No. 3,419/2008 that additional compulsory deposits be linked to federal securities.

Expenses from financial intermediation

The following table sets out the principal components of the Bank's expenses from financial intermediation for 2009 and 2008:

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Deposits and funds obtained in the money market	(30,146)	(25,532)	18.1
Borrowings and onlendings.....	(2,510)	(8,685)	(71.1)
Leases.....	(1,663)	(852)	95.1
Insurance, pension plans and funding.....	(781)	(622)	25.6
Allowance for loan losses.....	(12,396)	(8,606)	44.0
Expenses from financial intermediation	(47,496)	(44,297)	7.2

The Bank's expenses from financial intermediation increased by 7.2% from R\$44,296 million in 2008 to R\$47,496 million in 2009. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 18.1% from R\$25,532 million in 2008 to R\$30,146 million in 2009. This increase was mainly the result of growth by 76.5% of the portfolio of funds obtained in the money market, totaling R\$160,821 million in 2009 compared to R\$91,130 million in 2008. The decrease of the basic interest rate (SELIC) in 2009 (9.9%) against 2008 (12.5%) has partially offset the substantial growth of remunerated funding. The variation in the balance of this Sources of funding derived from the increase in repurchase transactions, mainly backed by LFT, which represented a more feasible option for large investors to make investments tied to SELIC, in view of the strategy adopted by the National Treasury to increase interest in pre-fixed securities in the composition of public debt. Specifically, this increase was caused by (i) a 27.1% increase, or R\$2,870 million, in expenses from time deposits, mainly due to the increase in their average balance (R\$1,556 million), the consolidation of R\$1,140 million of expenses related to funds from Nossa Caixa beginning in April 2009 and the proportional consolidation of Banco Votorantim's expenses from time deposits in the fourth quarter of 2009, representing R\$240 million, partially offset by a R\$66 million decrease in expenses from foreign time deposits, (ii) an increase of 8.3%, or R\$814 million in expenses from repurchase transactions (such as expenses from the sale of securities with repurchase obligations), of which R\$671 million resulted from the consolidation of the expenses of Nossa Caixa starting in April 2009 and R\$286 million resulted from the proportional consolidation of Banco Votorantim's expenses from repurchase transactions in the fourth quarter of 2009, partially offset by a R\$129 million decrease of expenses from foreign repurchase transactions, (iii) an increase of 14.2%, or R\$594 million, in expenses from savings deposits, of which R\$553 million resulted from the consolidation of the expenses and readjustment of Nossa Caixa starting in April 2009 and R\$41 million resulted from interest rate expenses and monetary readjustment of savings deposits due to the increase in their average balance in 2009 (R\$9,545 million) and (iv) an increase of 82.3%, or R\$356 million, in expenses from interbank deposits, of which R\$408 million resulted from the increase in their average balance in 2009, representing R\$4,441 million and R\$286 million resulted from the proportional consolidation of Banco Votorantim's expenses from interbank deposits in the fourth quarter of 2009, partially offset by a R\$80 million decrease in expenses from overnight and foreign savings deposits.

In analyzing the performance of expenses from deposits and funds obtained in the money market, the income from savings deposits is calculated and recorded based on the respective monthly anniversaries of the deposit dates. Moreover, at the closing of each month, proportional charges are recorded in order to comply with the accrual basis.

The recording of proportional charges is offset in the subsequent period in the expenses from deposits and funds obtained in the money market line item, except for amounts relating to June and December, which are recorded in other operating income in January and July. This occurs due to the closing of balances on the determination of results in each six-month period.

The Bank believes it is helpful to present proportional savings charges on an adjusted basis so that total expenses accurately reflect the related amounts. Accordingly, the calculation of adjusted expenses from deposits and funds obtained in the money market presents the expenses relating to deposits and funds obtained in the money market, less non-recurring reversals of restatement charges on savings deposits. Adjusted expenses from deposits and funds obtained in the money market are not a GAAP measure under Brazilian GAAP and do not have a standardized meaning. Accordingly, the Bank's definition may not be comparable to that of other companies. The table below supports these amounts.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Expenses from deposits and funds obtained in the money market.....	(30,146)	(25,532)	18.1
Reversal of restatement charges on savings deposits.....	387	332	16.6
Adjusted expenses from deposits and funds obtained in the money market	(29,759)	(25,200)	18.1

Expenses from borrowings and onlendings decreased by 71.1%, from R\$8,685 million in 2008 to R\$2,510 million in 2009. This decrease was due to the effect of the appreciation of the *real* against the Dollar (by 25.5%), the Euro and the Japanese Yen on foreign borrowings and onlendings, resulting in (i) a R\$3,737 million reduction in foreign borrowings, (ii) a R\$1,505 million reduction in foreign onlendings and (iii) a R\$1,482 million increase in expenses related to foreign loans. This overall reduction was partially offset by (i) an increase in the volume of onlendings from governmental agencies, mainly BNDES, totaling R\$302 million and FINAME, a BNDES subsidiary that specializes in equipment financing, totaling R\$192 million and (ii) a 39.7% reduction in the credit onlending portfolio from the National Treasury.

Expenses from leases increased by 95.1%, from R\$852 million in 2008 to R\$1,663 million in 2009, mainly due to the increase in the volume of the Bank's leasing operations in 2009.

Expenses from insurance, pension plans and funding increased by 25.6%, from R\$622 million in 2008 to R\$781 million in 2009. This increase is mainly due to the consolidation of the Bank's non-financial subsidiaries, which operate in insurance, retirement and pension plan and capitalization segments. These non-financial subsidiaries were only partially consolidated for 10 months in 2008 as compared to full consolidation for the entire 2009 year.

The Bank's allowance for loan losses increased by 44.1% from R\$8,606 million in 2008 to R\$12,396 million in 2009. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Additional allowance for loan losses with credit characteristics.....	11,633	6,925	68.0
Additional allowance for loan losses	676	1,594	(57.6)
Additional allowance for loan losses without credit characteristics.....	88	87	1.1
Total	12,396	8,606	44.1

Despite the improvement of the Brazilian economic environment, the Bank maintained a conservative position in respect to allowance for loan losses and percentage of its credit portfolio. Such increase is due to (i) the expansion of the Bank's overall credit operations, which increased 87.2% in comparison with 2007 and 33.8% in comparison with 2008, (ii) increase in delinquency due to the global financial crisis and (iii) expenses in connection with Banco Votorantim and Banco Nossa Caixa.

Gross income from financial intermediation

As a result of the foregoing factors, the Bank's gross income from financial intermediation increased by 42.2% from R\$12,819 million in 2008 to R\$18,233 million in 2009.

Adjusted gross income from financial intermediation

The Bank's income from financial intermediation is affected by other items relating to financial intermediation which, due to the financial institution accounting chart (COSIF), are not recorded in income (loss) from financial intermediation.

These items include: (i) foreign exchange gains (losses) on financial assets and liabilities of facilities abroad recorded in equity in the earnings (losses) of subsidiaries and affiliates, (ii) gains (losses) deriving from

negative foreign exchange adjustments of assets and liabilities denominated in foreign currencies recorded in Banco Múltiplo in other operating income/expenses, (iii) tax effect, recorded in tax expenses (indirect taxes) and expenses from income tax and social contribution on net income, used to reduce gains (losses) from hedging transactions for purposes of hedging against the Bank's foreign exchange exposure, which are recorded in financial intermediation and (iv) income from special operations and specific credits, subject to financial assets recorded in other credits and recorded in other operating income.

Accordingly, the Bank's management believes that the disclosure of a non-GAAP measurement, set forth in the table below, that reconciles adjusted gross income from financial intermediation with gross income from financial intermediation, may be useful to investors. Adjusted gross income from financial intermediation is not a GAAP measure under Brazilian GAAP and does not have a standardized meaning. Accordingly, the Bank's definition may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Gross income from financial intermediation	18,233	12,819	42.2
Allowance for loan losses.....	12,396	8,606	44.0
Gross income from financial intermediation without allowance	30,629	21,425	43.0
Equalization income.....	1,773	1,352	31.1
Transfer of Credits to Ativos S.A.....	(633)	(67)	n.m.
Income from sale of Visanet.....	—	(196)	—
Reversal of restatement charges on savings deposits.....	387	332	16.6
Foreign exchange gains (losses) on financial assets/liabilities abroad.....	(1,042)	941	(210.7)
Gains (losses) deriving from foreign exchange adjustments.....	2,589	253	n.m.
Tax effect—hedging from the structural foreign exchange exposure	(776)	334	n.m.
Income from special operations and specific credits	133	140	(5.0)
Adjusted gross income from financial intermediation	33,060	24,514	34.9

As set forth in the table above, on an adjusted basis the Bank recorded R\$33,060 million in 2009 compared to R\$24,514 million in 2008, which reflects the growth of total assets of the Bank from 2008 to 2009.

Other operating income (expenses)

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

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Banking service fees.....	10,172	9,089	11.9
Banking fees.....	3,339	2,722	22.7
Personnel expenses.....	(11,838)	(8,870)	33.5
Other administrative expenses.....	(11,212)	(7,917)	41.6
Tax expenses	(3,333)	(2,635)	26.5
Equity in the earnings (losses) of affiliates and subsidiary companies	(989)	1,394	(171.0)
Insurance, pension plans and funding.....	1,574	892	76.4
Other operating income.....	16,973	11,780	44.1
Other operating expenses	(9,327)	(7,605)	22.6
Other operating expenses	(4,641)	(1,150)	303.6

The Bank's other operating expenses increased by 303.6% from R\$1,150 million in 2008 to R\$4,641 million in 2009, primarily due to the factors described below.

Banking service fees increased by 11.9% from R\$9,089 million in 2008 to R\$10,172 million in 2009. This increase was mainly due to (i) an increase of 21.5%, or R\$440 million, in fees from credit and debit card transactions, (ii) an increase of 53.0%, or R\$139 million in fees from insurance, pension plans and funding services and (iii) an increase of 136.5%, or R\$95 million in income from services rendered to affiliates. Income from banking service fees resulting from the consolidation of Nossa Caixa totaled R\$370 million in 2009.

Banking fees increased by 22.7% from R\$2,722 million in 2008 to R\$3,340 million in 2009. The main increase was due to income from services packages and registration, in the amount of R\$269 million. The increase in banking fees is also derived from the growth in the Bank's business, mainly due to (i) an increase in the number of clients, (ii) increase in the number of accounts, and (iii) increase in consumer lending, due to the consolidation of Nossa Caixa, which totaled R\$434 million in 2009.

Personnel expenses increased by 33.5% from R\$8,870 million in 2008 to R\$11,838 million in 2009. This increase was mainly the result of (i) the consolidation of Nossa Caixa, which added 14,102 new employees to the Bank's staff and resulted in added personnel expenses totaling R\$1,353 million in 2009, (ii) an increase of 14.7%, or R\$164 million, in salaries resulting from salary adjustments in accordance with a collective bargaining agreement, (iii) an increase of 53.0%, or R\$402 million, in provisions for labor-related claims in which the Bank is a party, (iv) an increase of 12.3%, or R\$175 million, in charges resulting from salary adjustments in accordance with the collective bargaining agreement and (v) an increase of 14.7%, or R\$164 million, in benefits resulting from salary adjustments in accordance with the collective bargaining agreement.

The Bank considers the expenses relating to labor claims discussed above to be non-recurring, and unrelated to current personnel expenses. In addition, the Bank considers expenses relating to the voluntary dismissal plan of Nossa Caixa, R\$215 million, to also be non-recurring.

Accordingly, after excluding these non-recurring items, the total amount of adjusted personnel expenses was R\$8,112 million and R\$10,248 million in 2008 and 2009, respectively, as set forth in the table below. Adjusted personnel expenses is not a GAAP measure under Brazilian GAAP and does not have a standardized meaning. Accordingly, the Bank's definition of adjusted personnel expenses may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Personnel expenses	(11,838)	(8,870)	33.5
Voluntary dismissal plan (Nossa Caixa).....	215	—	—
Labor claims.....	1,375	758	81.4
Adjusted personnel expenses	(10,248)	(8,112)	26.3

Other administrative expenses increased by 41.6% from R\$7,917 million in 2008 to R\$11,212 million in 2009. This increase was mainly due to (i) amortization in the amount of R\$1,467 million, consisting of R\$1,408 million related to expenses from costs for building business relationships, previously recorded under other operating expenses; (ii) cost related to services for the Brazilian Financial System in the amount of R\$276 million; (iii) legal claims in the amount of R\$270 million and (iv) data processing in the amount of R\$256 million.

The Bank's civil claims mainly consisted of differences between inflation rates and the rate used to restate financial investments during the period of the following economic plans: Collor Plan, Bresser Plan and Summer Plan (*Plano Verão*). The Bank considers these expenses, totaling R\$617 million in 2008 and R\$899 million in 2009, to be non-recurring and unrelated to the Bank's administrative activities.

In 2009, pursuant to a Central Bank resolution, business fees paid to clients were recorded in other administrative expenses. The Bank has excluded these amounts, totaling R\$1,408 million for comparability purposes.

Accordingly, after excluding the placement of chips in credit cards in 2008 (R\$54 million), civil claims and the business fee reclassification, other administrative expenses totaled R\$7,234 million in 2008 and R\$8,904 million in 2009. The table below shows the amounts of adjusted other administrative expenses. Adjusted other administrative expenses is not a GAAP measure under Brazilian GAAP and does not have a standardized meaning. Accordingly, the Bank's definition of adjusted other administrative expenses may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Other administrative expenses	(11,212)	(7,917)	41.6
Civil claims	900	629	43.1
Accounting reclassification—business fee	1,408	—	—
Installation of chips in the card base.....	—	54	—
Adjusted other administrative expenses	(8,904)	(7,234)	23.1

Personnel expenses and other administrative expenses, together, administrative expenses, after excluding non-recurring items, totaled R\$15,346 million in 2008 against R\$19,152 million in 2009, which represents a 24.8% increase. Adjusted administrative expenses is not a GAAP measure under Brazilian GAAP and does not have a standardized meaning. Accordingly, the Bank's definition of total adjusted administrative expenses may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Personnel expenses	(11,838)	(8,870)	33.5
Voluntary dismissal plan (Nossa Caixa).....	215	—	—
Labor claims.....	1,375	758	81.4
Other administrative expenses	(11,212)	(7,917)	41.6
Civil claims	900	629	43.1
Accounting reclassification—business fee	1,408	—	—
Installation of chips in the card base.....	—	54	—
Adjusted administrative expenses	(19,152)	(15,346)	24.8

The Bank's tax expenses include IPTU, ITR, ISSQN, COFINS and PASEP. Tax expenses increased by 26.5% from R\$2,635 million in 2008 to R\$3,333 million in 2009. This increase was primarily due to: (i) the consolidation of Nossa Caixa, with tax expenses totaling R\$219 million in 2009 and (ii) an increase in expenses from COFINS (R\$572 million) and PASEP (R\$71 million).

The Bank's equity in the income (losses) of affiliates and subsidiary companies decreased from earnings of R\$1,394 million in 2008 to a loss of R\$989 million in 2009. This decrease was primarily the result of the 25.5% appreciation of the *real* against the U.S. dollar in 2009, compared to the 32.0% depreciation in 2008, and the corresponding effect on the U.S. dollar denominated capital of the Bank's offshore branches, which are recorded in this line item.

Other operating income from insurance, pension plans and funding transactions increased by 76.4% from R\$892 million in 2008 to R\$1,574 million in 2009. This increase was primarily the result of the consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plans and funding segments, which were consolidated beginning in March 2008, for the entirety of 2009, as compared to partial consolidation for only 10 months in 2008.

Other operating income increased by 44.1% from R\$11,780 million for the year ended December 31, 2008 to R\$16,973 million for the year ended December 31, 2009. This increase was mainly due to (i) an increase of 411.7% (R\$4,166 million) in foreign exchange gains resulting from the appreciation of the *real* against the U.S. dollar and the Japanese Yen (25.6% and 27.1%, respectively in 2009, as compared to depreciation of 32.0% and 62.9%, respectively, in 2008) affecting the currency-linked obligations on the Bank, generating an income of negative foreign exchange adjustments, (ii) income of R\$754 million resulting from the reversal of provisions for civil and tax claims, (iii) income of R\$733 million resulting from the reversal of provisions for labor claims, (iv) an increase of 31.2%, or R\$422 million, in income from rate equalization operations under Law No. 8,427 of May 27, 1992, (v) an increase of 41.1%, or R\$309 million, in the recovery of fees and expenses and (vi) income of R\$158 million from the consolidation of Nossa Caixa. This increase was partially offset by a decrease of 22.0% (R\$1,189 million) in the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1.

Other operating expenses increased by 22.6% from R\$7,605 million in 2008 to R\$9,327 million for year ended December 31, 2009. This increase was primarily due to (i) an increase of 259.0%, or R\$1,967 million, in foreign exchange loss adjustments resulting from the appreciation of the *real* against the U.S. dollar and the Japanese Yen, (ii) the consolidation of R\$500 million of other operating expenses from Nossa Caixa, (iii) R\$470 million from the proportional consolidation of Banco Votorantim's expenses from provisions for loan losses in the fourth quarter of 2009, (iv) payment of R\$291 million to the State of São Paulo in respect of the acquisition of Nossa Caixa, (v) R\$217 million in expenses related to assaults and break-ins, mainly due to improvements in the Bank's criteria for recognition of these expenses as effective losses, which are partially accounted for as a reversal of provisions in allowance for loan losses, corresponding to R\$124 million and (vi) an increase of 53.2%, or R\$264 million in expenses related to credit and debit card transactions. This increase was offset by the recognition of an actuarial loss of R\$1,289 million in 2009 relating to CASSI contributions, by a R\$709 million in premiums paid to clients for loyalty, and by a decrease in expenses from the amortization of PREVI's actuarial assets.

Non-operating income

The Bank's non-operating income consists of (i) income from the sale of investments, (ii) provisions or reversal of the devaluation of assets, (iii) income from the sale of assets, (iv) sale of real estate and (v) other income.

Non-operating income increased by 346.9% from R\$413 million for the year ended December 31, 2008 to R\$1,844 million for the year ended December 31, 2009, mainly as a result of income of R\$1,625 million from the sale by BB Investimentos of its shares held in Cielo (formerly Visanet) in Visanet's IPO concluded in June 2009 and income of R\$64 million and R\$77 million from the sale by BB Investimentos and Banco Múltiplo, respectively, of their shares held in Visa Incorporated.

Income tax and social contribution

Income tax is calculated at the rate of 15% and surtax of 10%. Social contribution, as of May 1, 2008, is calculated taking into account the rate of 15% for financial and insurance companies and 9% for other companies (prior to April 30, 2008, the rate was 9% for all companies). Expenses from income tax and social contribution increased by 81.9% to R\$3,903 million in 2009 compared to R\$2,145 million in 2008. This increase was due to the 41.8%, or R\$1,508 million, increase in income tax and 40.0%, or R\$833 million, increase in social contribution on net income resulting from the increase in the taxable and contribution income base in 2009 and from the effect of the Bank's fiscal hedging structure given the appreciation of the *real* against the U.S. dollar, which was partially offset by an increase in deferred tax credits recorded in 2009, corresponding to R\$4,128 million compared to 2008 (R\$3,545 million) due primarily to R\$1,213 million in credits from the positive re-assessment of the probability of success of the Bank's unconstitutionality claim in respect of the increase in social contribution tax from 9% to 15% in March 2009.

Profit sharing

Participation in profits distributed to the employees and board members of the Bank increased 22.1% from R\$1,134 million in 2008 to R\$1,385 million in 2009.

Net Income and recurring net income

As a result of the foregoing factors, the Bank's net income increased by 15.3% to R\$10,148 million for the period ended December 31, 2009 from R\$8,803 million for period ended December 31, 2008.

The Bank's management believes that a presentation of net income that excludes non-recurring events, denoted as recurring income, is helpful to investors. Therefore, the Bank has excluded the impact of certain applicable non-recurring events listed in the table below from net income. Recurring income is not a GAAP measure under Brazilian GAAP and does not have a standardized meaning. Accordingly, the Bank's definition of recurring income may not be comparable to that of other companies.

	Year ended December 31,		
	2009	2008	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Net income	10,148	8,803	15.3
Sale of interest in Visanet (now Cielo)	(141)	(361)	(60.9)
Sale of investments (Telemar)	—	(142)	—
Revaluation of consolidated interests	—	(241)	—
Economic plans	(157)	372	(142.2)
Assignment of credits	(633)	(67)	844.8
Tax efficiency	—	(412)	53.6
Substitution of the card base	—	54	—
Contingent liabilities (BESC)	—	360	—
Tax credit (BESC)	—	(194)	—
PREVI—Recognition of actuarial gains	—	(5,326)	—
Cassi—Recognition of actuarial losses	—	1,259	—
Additional allowance for loan losses	676	1,594	(57.6)
Provision for labor, civil and tax claims	1,367	—	—
Tax credits—Differential of CSLL rate	(1,213)	—	—
Sale of investments—Visanet Brasil	(1,625)	—	—
Voluntary Dismissal Plan—BNC	215	—	—
Reversal of labor charges	(644)	—	—
Tax effects and profit sharing on extraordinary items	513	986	(48.0)
Recurring net income	8,506	6,685	27.2

Liquidity and Capital Resources

Overview

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

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

Sources and Uses of Funds

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

	As of September 30,		As of December 31,				
	2011	2010	2009	2008	Var. % September 30, 2011/ December 31, 2010	Variation (2010/2009) (%)	Variation (2009/2008) (%)
	<i>(in millions of R\$, except percentages)</i>						
Sources	564,549	498,334	428,587	334,523	13.3	16.3	28.1
Total deposits	419,519	376,851	337,564	270,841	11.3	11.6	24.6
Domestic onlending	48,024	50,764	31,390	22,436	(5.4)	61.7	39.9
Financial and development funds	3,705	3,568	4,135	2,458	3.8	(13.7)	68.2
FCO (Subordinated debt)	29,694	23,412	18,553	11,772	26.8	26.2	57.6
Commercial papers	14,366	4,314	2,765	269	233.0	56.0	927.3
Foreign borrowings ⁽¹⁾	29,956	21,228	14,582	12,120	41.1	45.6	20.3

Allowance for loan losses	19,286	18,197	19,598	14,627	6.0	(7.1)	34.0
Uses.....	564,549	498,334	428,587	334,523	13.3	16.3	28.1
Available funds	72,340	52,933	103,478	88,834	36.7	(48.8)	16.5
Loan portfolio	402,555	358,366	300,829	224,808	12.3	19.1	33.8
Compulsory deposits.....	89,654	87,035	24,280	20,882	3.0	258.5	16.3
Indicators (%)							
Loan portfolio/Total deposits	96.0	95.1	89.1	83.0	0.9	6.7	7.4
Loan portfolio/Sources	71.3	71.9	70.2	67.2	(0.8)	2.5	4.4
Available funds/Sources.....	12.8	10.6	24.1	26.6	20.6	(56.0)	(9.1)

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

The loan portfolio/sources ratio was 71.3% as of September 30, 2011 and 71.9% as of December 31, 2010, as compared to 70.2% as of December 31, 2009 and 67.2% as of December 31, 2008. Available funds, as measured by the difference between sources, loan portfolio and compulsory deposits, was R\$72,340 million as of September 30, 2011, as compared to R\$52,933 million as of December 31, 2010, R\$103,478 million as of December 31, 2009 and R\$88,834 million as of December 31, 2008. As of September 30, 2011 and December 31, 2010, available funds accounted for 12.8% and 10.6% of the Bank's sources, respectively.

As of September 30, 2011, the Bank had a 36.7% increase in available funds, as compared to December 31, 2010. The 12.3% increase of the loan portfolio as of September 30, 2011 was supported by the 11.3% increase of deposits. The loan portfolio/sources index decreased by 0.8%, as compared to December 31, 2010.

Sources of Funds

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

The representative volume of demand and savings deposits in relation to total deposits, which was 41.4% as of December 31, 2010, reduces the weighted average cost of the Bank's funding and given their spreads adds stability to the Bank's cash flows.

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

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
Non-federal government sources				
Demand deposits	57,614	63,503	56,459	51,949
Savings deposits	95,512	89,288	75,742	54,965
Interbank deposits	13,586	18,998	11,619	14,065
Time deposits	252,806	204,652	193,516	149,619
Other deposits	0	410	229	243
Total deposits.....	419,519	376,851	337,564	270,841
Funds obtained in the money market.....	194,728	142,175	160,821	91,130
Total non-federal government sources.....	614,247	519,026	498,385	361,972
Federal government sources				
Onlending funds	48,024	50,764	31,390	22,436
Special operations	11	—	206	2
Total federal government sources.....	48,035	50,764	31,596	22,439
Total funding.....	662,282	569,790	529,981	384,410

Deposit Accounts

The Bank's deposits totaled R\$419,519 million as of September 30, 2011, an increase of 11.3% as compared to December 31, 2010. As of December 31, 2010, the balance of total deposits from consumers and

companies, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R\$376,851 million, representing an increase of 10.4% compared to R\$337,564 million as of December 31, 2009.

One of the reasons for this growth was the growth in savings deposits of 17.9% in 2010 compared to 2009, which deposits made up 23.7% of total deposits as of the end of 2010. Another important factor was the growing trend in time deposits over 2010. These deposits grew 5.8% versus 2009 and totaled R\$204,652 million as of the end of 2010. The Brazilian currency deposit accounts of consumers and companies, which include demand deposits and savings accounts, accounted for 40.5% of the Bank's total non-federal government funding as of December 31, 2010 (compared to 39.2% as of December 31, 2009). As of September 30, 2011, the Bank had a total volume of currency deposit accounts (demand and savings) of R\$153,126 million, an increase of 0.2% compared to R\$152,791 million as of December 31, 2010 and R\$132,200 million as of December 31, 2009.

Demand Deposits. Demand deposits, which are credit balances in current accounts held with the Bank and no interest is paid to the depositor, totaled R\$57,614 million as of September 30, 2011, compared to R\$63,503 million, R\$56,459 million and R\$51,949 million as of December 31, 2010, 2009 and 2008, respectively), which accounted for 13.7% of the Bank's total deposits by amount (compared to 16.9%, 16.7% and 19.2% as of December 31, 2010, 2009 and 2008, respectively).

According to Central Bank data, as of December 31, 2010, the Bank held 32.5% of the total balance of demand deposits in Brazil, compared to 33.5% and 32.4% as of December 31, 2009 and 2008, respectively, which corresponded to the largest demand deposit base in Brazil.

As of September 30, 2011, the Bank had approximately 35.8 million demand deposit accounts, compared to 35.9 million, 35.0 million and 30.4 million as of December 31, 2010, 2009 and 2008, respectively, of which approximately 93.8% were accounts of individuals (compared to 93.9%, 93.7% and 93.8% as of December 31, 2010, 2009 and 2008, respectively).

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

Savings deposits. As of September 30, 2011, savings deposits totaled R\$95,512 million, compared to R\$89,288 million, R\$75,742 million and R\$54,965 million as of December 31, 2010, 2009 and 2008, respectively, accounting for 22.8% of the total deposits maintained at the Bank (compared to 23.7%, 22.4% and 20.3% as of December 31, 2010, 2009 and 2008, respectively).

As of September 30, 2011, the Bank had approximately 24.1 million savings deposit accounts (compared to 23.6 million, 23.4 million and 18.5 million as of December 31, 2010, 2009 and 2008, respectively), of which approximately 99.3% were in the names of individuals (compared to 93.3%, 99.3% and 98.4% as of December 31, 2010, 2009 and 2008, respectively).

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

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

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

Time deposits. Time deposits totaled R\$252,806 million as of September 30, 2011 and R\$204,652 million as of December 31, 2010 (compared to 193,516 million and R\$149,619 million as of December 31, 2009 and 2008, respectively), accounting for 60.3% and 54.3% of the total deposits maintained at the Bank, respectively, (compared to 57.3% and 55.2% as of December 31, 2009 and 2008, respectively). The increases over these periods resulted from the Bank's strategic focus on increasing its time deposits base, from the incorporation of the results of Nossa Caixa and from the consolidation of the results of Banco Votorantim.

With respect to time deposits, 66.2% of the deposits were for consumer and corporate clients as of September 30, 2011. As of September 30, 2011, 30.2% of total time deposits related to escrow deposits. Together, these deposits accounted for more than 96.4% of total time deposits. As of December 31, 2010, 62.9% of time deposits were in local currency and 30.5% were in remunerated escrow deposits. The acquisition of Banco Nossa Caixa was the main driver for the 72.5% growth in escrow deposits from 2008 to 2009.

	As of September 30,	As of December 31,		Variation September 30, 2011/De cember 31, 2010 (%)	Variation 2010/2009 (%)	Variation 2009/2008 (%)
	2011	2010	2009			
				<i>(in millions of R\$, except percentages)</i>		
Consumer and corporate customers.....	167,457	129,162	122,783	100,745	29.6	5.2
Escrow.....	76,354	64,688	57,480	33,326	18.0	12.5
Special funds and programs..	8,481	10,347	12,895	15,458	(18.0)	(19.8)
Other	514	455	358	89	13.0	(27.1)
Total time deposits.....	252,806	204,652	193,516	149,618	23.5%	5.8%
						29.3%

Other deposits. The Bank derives float income from acting as a collection agent for various federal and state taxes and for social security contributions. As of December 31, 2010, the Bank collected 25.2% of all Federal Government taxes, respectively, compared to 23.3% as of December 31, 2009 and 23.2% as of December 31, 2008. In addition, the Bank acts as a paying agent for the Federal Government social security system.

Uses of funds

The percentage of the Bank's assets represented by Federal Government securities was 12.1% as of September 30, 2011, compared to 13.7% as of December 31, 2010, 14.8% as of December 31, 2009 and 14.8% as of December 31, 2008.

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

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
	<i>(in millions of R\$)</i>			
Loans and discounted bills	166,329	149,037	129,829	85,249
Financing ⁽¹⁾	116,610	104,006	80,858	54,983
Rural and agribusiness financing	87,465	77,639	67,167	63,683
Real estate financing	6,506	3,476	1,611	145
Financing of Infrastructure and development	1	1	4	—
Total	376,911	334,159	279,469	204,060

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

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

Indebtedness

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

Moreover, for purposes of the regulatory capital composition, Banco do Brasil classifies funds from the Midwest Financing Constitutional Fund (FCO) as subordinated debt (CMN Vote No. 067/2001 and BACEN Official Letter—Direto No. 1.602/2001), which are eligible to be treated as capital due to the low level of requirements and long period of maintenance of these funds in the Bank. Accordingly, the Bank's Tier 2 regulatory capital totaled R\$19,763 million as of December 31, 2010 and R\$23,755 million as of September 30, 2011.

Indebtedness by type

	As of September 30, 2011	As of December 31, 2010
	<i>(in millions of R\$)</i>	
Loan Obligations		
Domestic		
Agribusiness letters of credit	5,171	275
Financing letters	3,337	208
Foreign		
Notes issued pursuant to medium term notes program	5,144	2,965
Certificates of Deposit (long term)	1,677	2,286
Certificates of Deposit (short term)	3,511	1,290
Loan certificates	—	8
Total	18,842	7,032
Subordinated Debt		
Domestic		
FCO	14,275	13,456
Subordinated CDBs	4,179	3,808
Subordinated financing letters	3,331	1,083
Foreign		
Foreign subordinated debt	4,556	1,614
Total	26,342	19,961
Hybrid Debt Capital Instruments		
Foreign		
Perpetual notes(1)	2,872	3,371
Total	2,872	3,371

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

Lending

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

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

The chart below shows considerable growth in Banco do Brasil's credit portfolio in recent years. Loans to consumers grew by 11.2% for the first nine months of 2011. The corporate portfolio increased by 9.0% in the same period. The credit portfolio for micro and small sized companies reached R\$62,316 million as of September 30, 2011, an increase of 22.4% compared to 2010.

	As of September 30, 2011	As of December 31,			Var. (%)	Var. (%)	
		2010	2009	2008	September 30, 2011/ December 31, 2010	December 31,	
					2010/2009	2009/2008	
<i>(in millions of R\$, except percentages)</i>							
Domestic	372,156	337,921	283,560	209,693	10.1	19.2	35.2
Individuals	125,747	113,096	91,791	48,811	11.2	23.2	88.1
Corporate	163,340	149,810	125,336	97,192	9.0	19.5	29.0
MPE*	62,316	50,916	44,920	34,900	22.4	13.3	28.7
Medium and large consumers....	101,024	98,894	80,416	62,292	2.2	23.0	29.1
Agribusiness	83,069	75,015	66,434	63,690	10.7	12.9	4.3
Abroad	30,400	20,445	17,268	15,115	48.7	18.4	14.2
Total Portfolio	402,555	358,366	300,829	224,808	12.3	19.1	33.8

*Micro and small companies

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

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

Loan Loss History

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

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

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

The Bank's allowance for loan losses totaled R\$18,610 million as of September 30, 2011 and R\$17,315 million as of December 31, 2010, as compared to R\$18,617 million and R\$13,829 million as of December 31, 2009 and 2008, respectively. As of September 30, 2011, transactions in default and allowances for loan losses represented 3.9% and 4.6% 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 182.7% of the principal amount of those transactions. As of December 31, 2010, transactions in default and allowances for loan losses represented 3.7% and 4.8% of the Bank's total credit portfolio, respectively. If only transactions with

one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 182.2% of the principal amount of those transactions. As of December 31, 2009, transactions in default and allowances for loan losses represented 5.1% and 6.2% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 166.3% of the principal amount of those transactions, compared to 218.2% as of December 31, 2008.

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

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
		<i>(in millions of R\$, except percentages)</i>		
Required Provision	16,759	15,549	15,835	12,082
Additional Provision	1,851	1,766	2,782	1,747
Total	18,610	17,315	18,617	13,829

The average risk for the Bank's loan portfolio, when considering required allowances only, decreased by 10 basis points as of September 30, 2011 as compared to December 31, 2010, totaling 4.2% of the portfolio and 1.4% lower than the 5.6% recorded by the National Financial System. The average risk of the credit portfolio, only considering required provisions, was 4.3% in December 31, 2010.

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
Average Risk BB (%)	4.2	4.3	5.3	5.4
Average Risk SFN (%)	5.6	5.6	6.9	5.3

Source: BACEN and Financial Statements of Banco do Brasil

The portion of the Bank's portfolio that was overdue by more than 15 days totaled R\$15,517 million as of September 30, 2011, accounting for 3.9% of the total portfolio. The portion of the portfolio that was overdue by more than 60 days as of September 30, 2011 accounted for 2.5% of the total portfolio and was 20 basis points below the overdue amount calculated as of December 31, 2010. The portion of the portfolio that was overdue by more than 90 days as of September 30, 2011 accounted for 2.1% of the total portfolio.

The portfolio volume overdue by more than 15 days totaled R\$13,437 million, accounting for 3.7% of the total portfolio as of December 31, 2010. The portfolio volume overdue by more than 60 days accounted for 2.7% of the total portfolio. The portfolio volume overdue by more than 90 days accounted for 2.3% of the total portfolio in December 2010, lower than the 5.6% recorded by the National Financial System over the same period, according to Central Bank data.

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

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
		<i>(in millions of R\$, except percentage rates)</i>		
Loans Portfolio	402,555	358,366	300,829	224,808
Past Due Loans + 15 days	15,517	13,437	15,457	8,951
Past Due Loans + 15 days/Loan portfolio	3.9	3.7	5.1	4.0
Past Due Loans + 60 days	10,184	9,505	11,192	6,267
Past Due Loans + 60 days/Loan portfolio	2.5	2.7	3.7	2.8
Past Due Loans + 90 days	8,481	8,164	9,783	5,305
Past Due Loans + 90 days/Loan portfolio	2.1	2.3	3.3	2.4

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
		<i>(in millions of R\$, except percentage rates)</i>		
Write-offs for loss.....	7,741	11,638	9,273	5,051
Recovery.....	(985)	(3,303)	(2,692)	(1,714)
Loss balance	1,418	8,334	6,582	3,336
Net Loss /Credit portfolio—% annualized.....	1.4	2.3	2.2	1.5
Provision (Required + Additional)	18,610	17,315	18,617	13,829
Provision/Credit portfolio—%.....	4.6	4.8	6.2	6.2
Provision/Overdue + 15 days—%.....	119.9	128.9	120.4	154.5
Provision/Overdue + 60 days—%.....	182.7	182.2	166.3	220.7
Provision/Overdue + 90 days—%.....	219.4	212.1	190.3	260.7

Total write-offs for losses in the first nine months of 2011 were R\$7,741 million. Utilizing the loss and recovery index, the Bank recorded lower losses and higher write-offs recovery as compared against the average performance of Brazil's three largest banks. In the first nine months of 2011, the Bank's loss recovery was R\$985 million. The Bank's volume of loss recovery increased from 2008 to 2010, totaling R\$3,303 million in 2010, an increase of 92.7% as compared to 2008 and 22.7% as compared to 2009. The Bank's recovery and loss ratio for the periods indicated is compared against the average recovery and loss ratio of the three largest banks in Brazil in the tables below.

	Losses/Average Portfolio	Recovery/Losses
Nine months ended September 30, 2011		
Banco do Brasil	0.6%	39.0%
Average between the three largest banks in Brazil, other than Banco do Brasil.....	1.1%	29.6%
2010		
Banco do Brasil	3.3%	28.4%
Average between the three largest banks in Brazil, other than Banco do Brasil.....	4.8%	23.9%
2009		
Banco do Brasil	3.5%	29.0%
Average between the three largest banks in Brazil, other than Banco do Brasil.....	5.2%	15.1%
2008		
Banco do Brasil	2.6%	33.9%
Average between the three largest banks in Brazil, other than Banco do Brasil.....	2.7%	19.7%

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

	As of	As of December 31,		
	September 30, 2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
Total lending operations ⁽¹⁾	359,095	317,726	261,783	190,882
Private sector	368,470	326,975	273,080	191,589
Public sector	8,441	7,184	6,388	12,471
Allowances ⁽¹⁾	(17,816)	(16,433)	(17,685)	(13,829)
As a percentage of total lending operations	5.0%	5.2%	6.8%	6.9%
Write-offs ⁽¹⁾	(7,728)	(11,638)	(9,273)	(5,051)
As a percentage of total lending operations	2.2%	3.7%	3.5%	2.6%

(1) Excludes leasing and other receivables.

Loan operations which are assigned a risk level of AA through C accounted for 93.9% of the Bank's total portfolio as of September 30, 2011, an increase of 20 basis points as compared to December 31, 2010. In the National Financial System, loan operations with AA-C risk level accounted for 92.4% of the portfolio as of September 30, 2011.

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

Overdue Operations											
	As of	As of	As of September 30, 2011								
	September 30, 2011	December 31, 2010	Total portfolio	AA	A	B	C	D	E	F	G
	<i>(in millions of R\$)</i>										
Installments											
Falling Due											
<i>(in days)</i>											
01 to 30	663	1,540	—	—	111	130	60	48	39	43	232
31 to 60	448	388	—	—	71	118	40	34	27	30	128
61 to 90	384	303	—	—	64	68	37	33	26	29	126
91 to 180	1,041	863	—	—	171	179	103	91	73	79	346
181 to 360	1,880	1,626	—	—	294	308	188	161	125	138	664
Over 360.....	5,404	3,767	—	—	702	690	499	462	386	419	2,247
Installments											
Overdue											
<i>(in days)</i>											
01 to 14	240	124	—	—	35	55	34	28	21	20	46
15 to 30	430	298	—	—	123	90	37	29	20	25	106
31 to 60	551	499	—	—	23	179	61	52	33	42	161
61 to 90	465	395	—	—	0	20	109	64	39	41	192
91 to 180	843	739	—	—	0	10	26	98	119	105	486
181 to 360	989	796	—	—	—	2	3	15	18	68	883
Over 360.....	540	580	—	—	—	51	—	0	3	5	480
Subtotal	13,877	11,919	—	—	1,595	1,900	1,196	1,115	929	1,045	6,097

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

Current Operations											
	As of	As of	As of September 30, 2011								
	September	December									
	30, 2011	31, 2010	AA	A	B	C	D	E	F	G	H
	Total portfolio		<i>(in millions of R\$)</i>								
Installments											
Falling Due											
<i>(in Days)</i>											
01 to 30	31,194	22,433	7,761	8,391	11,660	2,585	465	117	27	26	162
31 to 60	21,181	17,166	6,189	6,409	6,352	1,769	281	57	17	12	95
61 to 90	18,791	12,727	6,211	4,883	5,651	1,572	264	52	31	18	108
91 to 180.....	37,851	37,734	10,622	9,219	12,790	4,244	618	138	40	33	146
181 to 360.....	65,538	58,816	15,747	16,550	23,613	7,722	1,076	269	78	93	390
Over 360.....	207,494	195,901	64,028	44,012	69,728	20,520	4,260	1,054	439	340	3,133
Installments											
Overdue											
<i>(in Days)</i>											
Up to 14 days	5,581	384	3,095	1,378	558	205	90	175	8	50	23
Other	1,049	1,286	1,049	—	—	—	—	—	—	—	—
Subtotal	388,678	346,447	114,700	90,842	130,352	38,616	7,054	1,863	641	573	4,037

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

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

The tables below set out the total credit portfolio, as well as minimum required allowances in relation to the Bank's lending operations, leasing operations and other credits, and a general table for credit operations and other open credits and integral and partial recovery previously provisioned or charged off as loss and other adjustments as of September 30, 2011 and as of December 31, 2010, 2009 and 2008, respectively:

As of September 30, 2011			
	%	Value of operations	Minimum required allowance
<i>(in millions of R\$, except percentage)</i>			
Risk level			
AA.....	28.5	114,700	—
A	22.6	90,842	454
B.....	32.8	131,947	1,319
C.....	10.1	40,517	1,216
D.....	2.0	8,250	825
E.....	0.7	2,977	893
F.....	0.4	1,570	785
G.....	0.4	1,618	1,132
H.....	2.5	10,134	10,134
Total	100.0	402,555	16,759

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

As of December 31, 2010		
%	Value of operations	Minimum required allowance
<i>(in millions of R\$, except percentage)</i>		
Total	100.0	358,366
		15,549

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

As of December 31, 2008		
%	Value of operations	Minimum required allowance
<i>(in millions of R\$, except percentage)</i>		
Risk level		
AA.....	28.2	63,858
A.....	19.0	42,670
B.....	32.5	72,997
C.....	10.9	24,403
D.....	3.6	8,151
E.....	1.3	2,988
F.....	0.6	1,238
G.....	0.6	1,421
H.....	3.1	7,081
Total	100.0	224,808
		12,079

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

Capital Adequacy Information

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

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

The Central Bank prescribes two forms of financial statement consolidation: the financial conglomerate method, for the consolidation of financial companies, and the economic financial method, for the consolidation of financial and non-financial companies. All capital adequacy information provided below and elsewhere in this Offering Memorandum as of September 30, 2011 and as of December 31, 2010, 2009 and 2008 was prepared on the basis of the financial conglomerate method of consolidation.

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

	As of September 30, 2011	As of December 31		
		Basel II		Basel I
		2010	2009	2008
		<i>(in millions of R\$)</i>		
Regulatory Capital.....	77,202	66,928	53,704	43,391
Tier 1 Capital.....	58,833	52,397	41,068	31,201
Tier 2 Capital.....	23,755	19,763	17,004	12,910
Financial instruments excluded from Regulatory Capital	(5,385)	(5,233)	(4,387)	(720)
RSE/RRE.....	61,009	52,297	42,749	31,500
Credit risk(1).....	57,470	48,901	40,161	30,980
Market risk(2).....	106	31	285	119
Operating risk(3).....	3,433	3,365	2,302	401
Surplus (Deficiency).....	16,194	14,630	10,955	11,891
Capital ratio.....	13.9	14.1	13.8	15.2

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

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

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

As of September 30, 2011 and December 31, 2010, the Bank's capital ratio calculated according to the Basel II Accord criteria was 13.9% and 14.1%, respectively, compared to 13.8% as of December 31, 2009.

As compared to the change in the Bank's capital ratio from 2008 to 2009, the change from 2009 to 2010 reflects the exclusion of the following effects of Banco Votorantim in 2010, in accordance with Central Bank guidelines:

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

Interest rate and exchange rate sensitivity

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

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

- (i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.
- (ii) Banking Book: includes securities not classified in the Trading Book, the main characteristic of which is that they are meant to be held to maturity.

Profile of renegotiation of interest rates

Banco do Brasil recorded R\$871,288 million in interest-earning assets and R\$819,139 million in interest-bearing liabilities as of September 30, 2011, a difference of R\$52,149 million.

The Bank's assets most affected by interest rates are those with pre-established rates, representing 47.8% of the total assets subject to interest. 49.8% of these assets are subject to negotiation periods of less than one month, which significantly reduces the Bank's risks to possible interest rate variations.

With respect to liabilities, the more significant assets are those subject to pre-established rates, which account for 32.5% of the total liabilities subject to interest. Most of these assets, 47.2%, must be negotiated in less than one month. CDI/TMS operations accounted for 26.2% of the total liabilities, which are also negotiated in less than one month.

The table below sets forth the inventory of BB Consolidated operations subject to interest rates and allocated by index and term, as of September 30, 2011:

Assets	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
	<i>(in millions of R\$)</i>						
Previously fixed	190,280	23,928	30,058	48,512	48,725	74,921	416,423
CDI/TMS	210,776	—	—	—	—	—	210,776
TR/TBF/IRP	—	64,338	—	—	—	—	64,338
Price index	—	24,776	—	—	—	—	24,776
TJLP	2,158	23,502	—	—	—	—	25,660
US dollar/ME	30,817	19,356	11,249	22,651	13,575	31,666	129,315
Total interest-earning assets	434,031	155,901	41,306	71,163	62,300	106,587	871,288
Liabilities	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
	<i>(in millions of R\$)</i>						
Previously fixed	143,454	17,594	11,070	25,713	20,339	47,792	265,962
CDI/TMS	214,964	—	—	—	—	—	214,964
TR/TBF/IRP	—	174,702	—	—	—	—	174,702
Price index	—	6,754	—	—	—	—	6,754
TJLP	1,759	23,982	—	—	—	—	25,742
US dollars/ME	26,114	7,232	11,631	21,347	17,409	47,282	131,016
Total interest-bearing liabilities	386,291	230,265	22,701	47,060	37,748	95,074	819,139
Gap	47,740	(74,364)	18,605	24,103	24,552	11,513	52,149
Cumulative gap	47,740	(26,624)	(8,020)	16,084	40,636	52,149	
Cumulative gap as % assets (earning assets)	11.0%	(47.7)%	45.0%	33.9%	39.4%	10.8%	6.0%

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

- (i) interest rate,
- (ii) exchange rate,
- (iii) price of shares, and

- (iv) price of commodities.

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

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

- (i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.
- (ii) Banking Book: includes securities not classified in the Trading Book and meant to be held to maturity.

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

Risk factor	Index and interest rate coupons											
	Assets				Liabilities				Net mismatch			
	As of September 30,	As of December 31,			As of September 30,	As of December 31,			As of September 30,	As of December 31,		
	2011	2010	2009	2008	2011	2010	2009	2008	2011	2010	2009	2008
	<i>(R\$ billions)</i>											
Fixed	416	342	338	235	(266)	(194)	(185)	(112)	150	149	153	122
CDI/TMS/FAC P	211	186	141	108	(215)	(159)	(140)	(128)	(4)	26	1	(20)
IRP/TBF/TR.....	64	61	51	47	(175)	(158)	(138)	(92)	(111)	(97)	(87)	(46)
Price index	25	10	17	10.0	(7)	(7)	(6)	(4)	18	4	11	6
TJLP.....	26	26	31	27	(26)	(26)	(31)	(27)	0	0	0	0
Dollar and other foreign exchange currencies.....	129	106	83	47	(131)	(107)	(86)	(51)	(2)	(2)	(3)	(4)

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

The increase in the TBF/TR positions from 2008 to 2009 resulted mainly from the merger of Banco Nossa Caixa, which held position losses indexed to the TR rate (judicial deposits and savings accounts).

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

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

Foreign exchange exposure

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

Below is a statement of assets, liabilities and derivatives of the Bank, expressed in foreign currencies. The total net position as of September 30, 2011 is a liability of R\$1,320 million, which reflects the tax hedging strategy adopted by the Bank.

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

Currency	As of September 30, 2011	
	Balance sheet accounts	
	Assets	Liabilities
	<i>(in millions of R\$)</i>	
U.S. dollar	74,298	82,191
Euro	10,592	11,120
Pound.....	66	275
Yen	1,387	1,283
Swiss Franc.....	63	22
Gold.....	17	—
Other.....	7,822	7,239
Total	94,245	102,129
Net position		(7,884)
	Derivatives	
	Purchased	Sold
	<i>(in millions of R\$)</i>	
U.S. dollar	16,369	10,085
Euro	2,280	1,952
Pound.....	132	55
Yen	419	479
Switzerland franc.....	—	58
Other.....	181	186
Total	19,381	12,816
Net position		6,565
Total balance sheet and derivatives	113,626	114,946
Total net position		(1,320)
Total net position in U.S. dollar		(712)

Off-Balance Sheet Transactions

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

Derivative Financial Instruments

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

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

- Market Risk Hedges – valuations and devaluations of these instruments and the underlying items they hedge are recorded in accounts of the period's result.

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

Gains (losses) from derivative financial instruments for the first nine months of 2011 and the year ended December 31, 2010 are shown below.

	As of September 30, 2011			
	Book value	Fair value	Gain/(loss) not realized without tax effects	
			Net income	Stockholders' equity
	<i>(in millions of R\$)</i>			
Assets				
Interbank investments	157,413	157,448	34	34
Securities	156,798	156,635	(1,284)	(163)
Adjustment to available-for-sale securities	—	—	(1,121)	—
Adjustment to held to maturity securities	—	—	(163)	(163)
Derivative financial instruments	2,046	2,046	—	—
Credit operations	359,095	359,024	(70)	(70)
Liabilities				
Interbank deposits	13,586	13,779	(193)	(193)
Time deposits	252,806	252,877	(70)	(70)
Obligation related to committed operations	194,728	194,749	(21)	(21)
Borrowings and onlendings	60,310	60,252	58	58
Derivative financial instruments	4,438	4,438	—	—
Other liabilities	179,563	179,464	99	99
Unrealized gain (loss) net of taxes	—	—	(1,448)	(328)
As of December 31, 2010				
	Book value	Fair value	Gain/(loss) not realized without tax effects	
			Income	Stockholders' equity
	<i>(in millions of R\$)</i>			
Assets				
Interbank investments	107,579	107,564	(15)	(15)
Notes and marketable securities	142,243	142,083	285	(160)
Adjustment to securities available for sale	—	—	445	—
Adjustment to securities held to maturity	—	—	(160)	(160)
Derivative financial instruments	1,624	1,624	—	—
Credit operations	317,726	317,801	75	75
Liabilities				
Interbank deposits	18,998	19,007	(9)	(9)
Time deposits	204,652	204,637	15	15
Money market funding	142,175	142,101	74	74
Borrowings and onlendings	59,459	59,417	42	42
Derivative financial instruments	5,297	5,297	—	—
Other obligations	159,459	159,394	65	65
Unrealized gain (loss) net of taxes	—	—	533	88

Guarantee agreements

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

The guarantees provided to third parties amounted to R\$11,460 million on September 30, 2011, R\$12,500 million on December 31, 2010, and R\$12,553 million in 2009, for which a provision considered sufficient was recorded in the amount of R\$113 million on September 30, 2011 (R\$86 million at the end of 2010 and R\$70 million in 2009) and recorded under other obligations.

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

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

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

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

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

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

Unused credit lines

Amongst the commitments assumed by Banco do Brasil, there are credit lines not used in the credit and leasing operations totaling R\$102,546 million as of September 30, 2011 (R\$86,084 million as of December 31, 2010 and R\$74,834 million as of December 31, 2009). Such transactions, when financially concluded, will be recorded on the balance sheet pursuant to the extended credit facility.

Import and export letters of credit

With respect to foreign trade operations in Brazil, import and export letters of credit totaled R\$1,359 million as of September 30, 2011 (R\$1,219 million as of December 31, 2010 and R\$1,263 million as of December 31, 2009). With respect to foreign trade operations abroad, import and export letters of credit totaled R\$1,065 million as of September 30, 2011. In both cases, these transactions become part of Banco do Brasil's credit portfolio when the relevant import and export agreements are executed.

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 2010, the Bank invested R\$1,700 million in expanding its branches and technology and infrastructure, compared to R\$1,349 million in 2009 and R\$1,148.2 million in 2008. The Bank intends to invest approximately R\$2.1 billion to continue projects for modernization and support for the Bank's growth in 2011.

The Bank's Reserves with the Central Bank

The Bank's reserves deposited with the Central Bank totaled R\$89,654 million as of September 30, 2011, compared to R\$87,035 million R\$24,280 million and R\$20,882 million as of December 31, 2010, 2009 and 2008, representing mandatory deposits and other accounts sources mainly due to the increase of the additional mandatory

rates, pursuant to Circular No. 3,486 of 2010. For a discussion of Central Bank's requirements for mandatory reserves, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

Credit and Risk Control

Risk Management at Banco do Brasil

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

Corporate Governance of Risks

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

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

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

Liquidity Risk

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

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

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

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

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

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

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

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

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

In addition, as an additional management mechanism, the ability to generate liquidity from liquidity contingency measures, as set forth in the liquidity contingency plan, is tested monthly through a contingency measures potentiality test, in consideration of the effects of different scenarios, including stress, on the Bank's liquidity and its ability to raise funds.

Credit Risk

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

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

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

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

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

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

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

The performance of these models is monitored with regular testing.

Management of Credit Risk

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

The internal model to calculate the EC is based on actuarial standards used in the banking industry and is associated with an aggregate loss distribution for a given level of confidence. The average of such distribution is expected loss, which represents how much the Bank expects to lose, on average, over a given period of time. EC is

associated with unexpected loss, and is the difference between VaR and PE. The Bank protects itself from expected loss through provisions and it protects itself from capital budget by allocating capital as necessary to cover exposure.

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

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

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

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

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

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

VaR, Sensitivity and Stress Testing

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

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

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

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

The risk factors used considered in the VaR analysis are:

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

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

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

The Bank uses stress tests to simulate its exposures to market risks under extreme conditions, such as financial crisis and economic shocks. These tests are intended to calculate the impacts of plausible events, but with a low probability of occurrence, with respect to regulatory and economic capital requirements. The test simulate exposure on either a retrospective basis (based on historical shocks) or on a prospective basis (based on projections of financial and economic scenarios).

Operational Risk

Policies

The Bank's operational risk policies, which are reviewed annually and approved by the Board of Directors, contain guidance for each area of the Bank and are intended to ensure the effectiveness of the Bank's operational risk management model.

These policies, which meet the provisions required by Basel II and CMN Resolution No. 3,380, are woven into the Bank's operational risk management activities and aim to identify, assess, measure, mitigate, manage and monitor operational risks inherent in the Bank's products, services, activities, processes and systems in consideration of the entire conglomerate.

Management

In complying with the New Basel Accord and CMN Resolution No. 3,380, operational risk is defined as the possibility of losses resulting from failure, fault or unsuitability of internal processes, people and systems or external events.

This concept includes legal risk and highlights the potential causes of an operational risk event. These potential causes, or risk factors, are broken down into sub-factors that identify the operational risks to which the Bank is exposed.

Key Risk Indicators

Key risk indicators are a tool the Bank uses to manage operational risk that consist of one or more combined interrelated variables that make up the Bank's operational process, which are expected to behave within predefined rules, and the variation of which indicates more or less exposure to operational risk

The Bank's key risk indicators are used for the purpose of identifying weaknesses associated with critical operational processes to assist the development of actions the Bank can take to mitigate the risks. Currently the Bank's key risk indicators are linked to the most representative categories of losses: Faults in business; Labor problems; and External Fraud and Theft.

Limits of Exposure to Operating Losses

To ensure effective management of operational risk, the Bank uses operational loss exposure limits, which are designed to establish acceptable levels of operating losses and are monitored monthly by the CRG and operational risk subcommittee.

The Bank has also created an overall operational loss limit to enable management of operational losses within statistically predetermined tolerance levels and identification of process weaknesses that could cause significant losses.

BANKING INDUSTRY OVERVIEW

Evolution of the Brazilian Banking Industry

The Brazilian banking industry has experienced a major structural change, evolving from operating in a high-inflation environment in the 1980s and early 1990s, to operating in a low-inflation environment combined with more macroeconomic and monetary stability as of 1994, when the *Real* was introduced as Brazil's currency.

The monetary stability achieved in 1994 led to sustained growth in credit demand in Brazil. This growth, combined with the loss of inflationary profits, caused the banking industry to improve its efficiency ratios and increase revenues from services. As a result, the banking industry entered a period of rationalization and consolidation. The Federal Government has been monitoring this process closely, creating programs aimed at protecting the economic situation of average Brazilians, including measures to ensure the solvency of institutions and increase competition among private banks. The Federal Government also reduced entry restrictions to foreign banks in the Brazilian market.

In the last three years, in particular since middle 2008, the global banking industry was seriously affected by the financial crisis, which contributed significantly to the reduction of the assets of this industry. The effects of the crisis in Brazil were relatively moderate in comparison with the effects in the United States and Europe. While liquidity in the Brazilian banking sector was, in a certain manner, affected by the financial global crisis, the Central Bank assured availability of enough liquidity in the Brazilian market during this period through several measures, mainly in the fourth quarter of 2008.

Despite that Brazil still has a low penetration ratio in terms of persons utilizing banking products when compared to more developed countries, such penetration has been increasing significantly over the last few years. According to the Brazilian bank association ("*Federação Brasileira de Bancos*" or "FEBRABAN"), approximately 40 million Brazilians have no access to banking services.

The table below shows the evolution of the volume of loans within the Brazilian Financial System which are granted by financial institutions with funds not required to be used for any particular purpose under applicable regulation ("Free Funds").

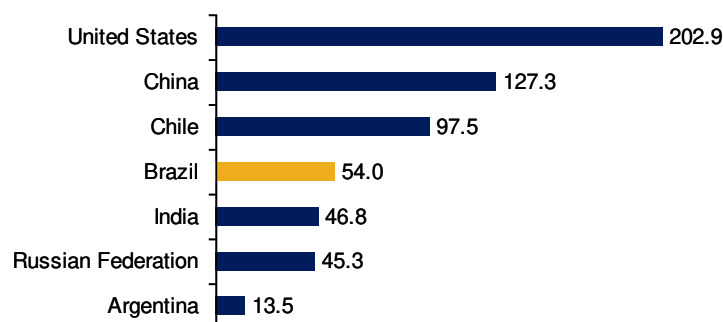
As of December 31,	Consumer loans ⁽¹⁾		Corporate Loans		Total
	(R\$ billions)	(%) of total loans	(R\$ billions)	(%) of total loans	(R\$ billions)
2000	66.4	35.3	121.8	64.7	188.1
2001	82.7	37.4	138.2	62.6	220.9
2002	90.5	37.7	149.7	62.3	240.2
2003	101.0	39.5	154.6	60.5	255.6
2004	138.6	43.6	179.4	56.4	317.9
2005	190.7	47.2	213.0	52.8	403.7
2006	238.0	47.8	260.4	52.2	498.3
2007	317.6	48.1	343.3	51.9	660.8
2008	394.3	45.3	476.9	54.7	871.2
2009	469.9	49.2	484.7	50.8	954.6
2010	560.0	50.2	556.1	49.8	1116.1
As of September 30, 2011	622.0	49.9	625.0	50.1	1,247.0
2000 to 2010 CAGR⁽²⁾	23.8%		16.4%		19.5%

(1) Overdraft loan, consumer credit, real estate loans, loans for acquiring goods, credit cards and others.

(2) CAGR—Compound Annual Growth Rate.

Sources: Central Bank

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



Source: World Bank, 2009

Main Financial Institutions

Brazilian financial system ("Sistema Financeiro Nacional")

The Brazilian financial system is subject to several regulatory and supervisory authorities, including the National Monetary Council ("*Conselho Monetário Nacional*" or "CMN"), the Central Bank, the CVM, the SUSEP, the Complementary Pension Secretariat ("*Secretaria de Previdência Complementar*" or "SPC") and the National Superintendence of Complementary Pension (*Superintendência Nacional de Previdência Complementar—PREVIC*), which are subordinated to several entities and institutions.

Private Sector

The private financial sector of the Brazilian financial system includes, among others, multiple-service banks, commercial banks, investment banks, credit, finance and investment companies, securities dealers, stock brokerage firms, real estate financing companies, leasing companies and factoring companies.

According to the latest information available on the Central Bank's website, updated as of September 30, 2011, there were 2,261 financial institutions regulated and supervised by the Central Bank, including:

- *20 Commercial Banks*—financial institutions that receive current account deposits, grant short- and medium-term loans and are engaged in wholesale and retail banking;
- *14 Investment Banks*—financial institutions specialized in medium- and long-term loans and asset management services. These banks do not hold demand deposits and their main sources of funding are time deposits or foreign loans for local onlending. Their main lending transactions are working capital and loans for fixed capital, securities underwriting and trading, interbank deposits and onlending of foreign loans; and
- *139 Multiple-Service Banks*—financial institutions authorized to engage in multiple financial activities pursuant to applicable laws and regulations governing each type of activity, such as commercial, investment and credit transactions. Such banks are authorized to provide a full range of commercial and investment banking services (including securities underwriting and trading), leasing and other services, such as real estate loans and fund management.

Public Sector

Despite the privatization process both at a federal and state levels, the Federal Government and several state governments still control many major commercial banks and financial institutions, with the purpose of encouraging the development of the Brazilian economy, primarily with respect to the agricultural, industrial and

housing sectors. Such institutions hold a substantial portion of deposits and assets in the financial system and play a major role in relation to savings accounts, mortgage notes and agricultural loans. In addition, development banks act as regional development agencies.

In addition to the Bank itself, the most important Federal Government-controlled banks are:

- *Banco Nacional de Desenvolvimento Econômico e Social—BNDES*: the main agent of the Federal Government's investment policy, providing long-term financing for Brazil's development and to strengthen domestic companies.
- *Caixa Econômica Federal—CEF*: the main agent of the Federal Government's housing policy. CEF accepts demand and savings deposits and provides housing finance, participating in urban infrastructure projects and consumer lending.

In addition to the institutions above, the following are also considered part of the public sector of the Brazilian financial system: (i) state and regional development banks; (ii) state savings banks; and (iii) federal and state-controlled commercial and multiple-service banks.

The Main Markets of the Bank

The Brazilian Consumer Lending Market

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

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

	September 2011		December 2010		December 2009		December 2008		December 2007		December 2006		2006 to 2010 CAGR
	(R\$ billion)	(% of total loans)	(R\$ billion)	(% of total loans)	(R\$ billion)	(% of total loans)	(R\$ billion)	(% of total loans)	(R\$ billion)	(% of total loans)	(R\$ billion)	(% of total loans)	CAGR ⁽¹⁾
Overdraft facilities	21.1	4.3	16.2	3.9	15.8	4.9	16.0	5.9	13.0	5.4	11.8	6.1	8.2
Consumer credit.....	237.7	48.3	204.9	49.1	159.9	50.1	127.9	47.0	100.9	42.0	79.9	41.6	26.5
Financing for vehicles and other goods.....	176.5	35.9	150.7	36.1	103.6	32.4	94.0	34.5	93.9	39.1	74.3	38.7	19.3
Credit card financing ...	35.4	7.2	29.2	7.0	25.7	8.0	22.1	8.1	17.2	7.1	13.4	7.0	21.5
Credit plans	11.8	2.4	7.4	1.8	4.5	1.4	3.6	1.3	2.3	0.9	1.2	0.6	57.6
Other	9.5	1.9	9	2.2	9.9	3.1	8.8	3.2	13.0	5.4	11.3	5.9	(5.5)
Total	491.9	100.0	417.4	100.0	319.4	100.0	272.5	100.0	240.2	100.0	191.8	100.0	21.5

(1) CAGR—Compound Annual Growth Rate.
Sources: Central Bank.

Overdraft Facilities

Overdraft facilities have higher interest rates than other financing alternatives. The overdraft contract is renewed on a monthly basis and the overdue interest is incorporated into the principal amount of the loan, if not paid by the due date.

Consumer credit

Consumer credit is frequently used by consumers who have limited access to credit facilities and is characterized by high interest rates due to the high default rates. Credit is made available in a lump sum to the consumer who repays the loan in monthly installments.

Financing for Vehicles

The vehicle financing market is dominated by the large retail banks, which have gradually taken over the position that was held in the past by the financial companies of vehicles manufacturers. Interest rates in this market are highly competitive. Smaller institutions in this market primarily focus on the used car market. Default rates are relatively low and loans are secured by the financed asset, which can be repossessed and publicly auctioned in the event of default.

Credit Card Financings

The large retail banks are the major players in the credit card financing market. Credit card financings have high rates of default and, consequently, interest rates for consumers are high.

Credit Plans

In-store financing still is the most fragmented of all consumer financing segments in Brazil. Historically, large retailers financed their consumers' purchases, but retailers and banks have recently entered into joint ventures in connection with those financings. In-store financing can be used for durable goods, such as construction materials and home appliances, as well as non-durable goods, such as clothing and food items.

Market for Payroll Deduction loans

Payroll deduction loans increased with the demand for alternative sources of credit. Historically, traditional credit facilities have been expensive for consumers for different reasons, including competition dynamics within the banking industry, the legal and institutional structure of the industry and the nature of underlying credit risks. According to Central Bank statistics, as of December 31, 2006, Brazilian retail banks charged average interest rates of 142.0% per year on overdraft facilities, and 57.2% per year on consumer credit facilities (excluding the payroll deduction loans). At that time, interest rates for vehicle financings were 32.3% per year on average, while the interest rate for payroll deduction loans were 33.3% per year on average. On December 31, 2009, the average rates for overdraft facilities, consumer credit facilities (excluding the payroll deduction loans), vehicle finance and payroll deduction loans were 159.1%, 44.4%, 25.4% and 27.2%. As of September 30, 2011, interest rates for overdraft facilities, consumer credit facilities (excluding payroll deduction loans), vehicle financing and payroll deduction loans were 186.7%, 49.7%, 28.5% and 28.0%, respectively.

The table below shows the payroll deduction loans borrowed by public- and private-sector employees and retirees in the specified periods.

	Public sector & Social Security retirees	Private sector	Total credit	Share of payroll deduction in total consumer financing segment
	<i>(in R\$ millions)</i>			<i>(%)</i>
December 2005	27,902	3,802	31,704	50.0
December 2006	42,124	6,025	48,149	60.3
December 2007	56,179	8,506	64,686	64.1
December 2008	68,201	10,689	78,890	61.7
December 2009	92,961	14,922	107,833	65.7
December 2010	118,236	20,003	138,240	67.5
September 2011.....	132,998	22,143	155,141	65.3

Sources: Central Bank.

Payroll deduction loans have been the fastest-growing form of consumer financing over the last few years. According to information published by the Central Bank, its percentage of total financing to consumers is 65.3% on September 30, 2011. Payroll deduction loans are made available to a segment of the Brazilian population without access to a regular bank account or traditional banking distribution channels.

Agricultural Credit Market

Agribusiness plays a strategic role in the Brazilian economy, primarily by generating funds for the country's trade balance from exports. The agricultural credit market is subject to current regulations and legislation and to the rules set forth by the Rural Credit Manual ("Manual"). Rural credit operations are considered to be those in which National Rural Credit System ("SNCR") institutions supply funds for the purposes specified in the Manual and in accordance with its provisions.

The main objectives of agricultural credit are to: (i) foster agricultural investments in the production, storage, processing and industrialization of agricultural and livestock farming products; (ii) favor the timely and appropriate funding of agricultural and livestock farming production and commercialization; (iii) strengthen the agricultural sector; and (iv) encourage the introduction of rational methods in the production system, aiming at increasing productivity, improving the standard of living of agricultural communities and adequately protecting the soil.

Rural credit can be used for the following purposes: (i) funding; (ii) investment; and (iii) commercialization. Funding credit is used for covering normal production cycle expenses. Investment loans are used for investing in goods or services, the benefits of which are reflected over various production cycles. Commercialization loans are to cover expenses during the post-production phase or to convert into cash the receivables coming from the sale or delivery of products by the producers or their cooperatives.

The funds earmarked for the agricultural sector are divided into regulated and non-regulated funds. Operations secured by regulated funds are subject to the CMN's normal financial charges, in accordance with the underlying goods to which the loans refer.

The regulated agricultural credit funds include: (i) compulsory funds, calculated on demand deposits and subject to the compulsory payments made by financial institutions (MCR 6-2); (ii) official credit operations, monitored by the Ministry of Finance; (iii) the rural savings account, the worker protection fund and the "extra-market" investment fund, when in connection with operations subsidized by the Federal Government in the form of financial charges' equalization; and (iv) others that may be specified by the CMN.

Financial charges on operations covered by non-regulated agricultural credit funds can be freely negotiated between the borrower and the lender.

The total volume of agricultural credit in Brazil has grown significantly over the last few years, from R\$105 billion in 2005 to R\$181 billion in 2010 according to IGBE, with a compounded annual growth rate of 11.5%.

Insurance, Capitalization and Open-Ended Private Pension Plans

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

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

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

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

	As of May 31,			As of December 31,		
	2011	2010	Var. %	2010	2009	Var. %
	<i>(in millions of R\$)</i>					
Insurance						
Direct premium.....	41,115	34,243	20.1	90,081	76,611	17.6
Retained premium.....	38,852	32,606	19.2	85,423	72,340	18.1
Open ended private pension plans—Contributions.....	3,821	3,533	8.2	9,083	8,235	10.3
VGBL—Premiums.....	16,528	13,350	23.8	36,704	30,133	21.8
Capitalizations						
Premiums.....	5,409	4,666	15.9	11,787	9,806	20.2
Provisions.....	18,144	15,852	14.4	17,255	14,938	15.5

Sources: SUSEP

REGULATION OF THE BRAZILIAN BANKING INDUSTRY

General

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

Main Regulatory Agencies

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

- the CMN;
- the Central Bank;
- the Brazilian Securities Exchange Commission (*Comissão de Valores Mobiliários*) (the "CVM");
- Brazil's Private Insurance Regulator (*Superintendência de Seguros Privados*) (the "SUSEP"); and
- the Complementary Pensions Secretariat (*Secretaria de Previdência Complementar*).

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

The CMN

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

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

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

The Central Bank

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

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

The CVM

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

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

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

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

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

Former Article 192(3) of the Brazilian Constitution, enacted in 1988, established a ceiling of 12% per year on bank loan interest rates. Since the enactment of the Brazilian Constitution, however, such rates have not been enforced, as the regulation of such provision was pending. Several attempts were made to regulate the limitation on bank loan interest, but none of them was implemented.

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

With the enactment of the Civil Code in 2002, unless the parties to a loan have agreed to use a different rate or another rate is provided for by law, in principle, the ceiling of the interest rate has been pegged to the interest rate set forth by the Custody and Settlement Special System (*Sistema Especial de Liquidação e Custódia*), established by the Central Bank (the "SELIC rate"). However, there is presently some uncertainty as to whether the SELIC rate or the 12% per annum interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

Financial Bills (*Letras Financeiras*)

Provisional Measure (*Medida Provisória*) No. 472, enacted by the Brazilian government on December 15, 2009, later converted into Law No. 12,249 on June 11, 2010, among other items, created a long-term debt security (*letra financeira* or "LF"), enabling a new category of fund raising by Brazilian financial institutions. On February 25, 2010 the CMN issued Resolution No. 3,836 (CMN Resolution No. 3,836) regulating the issuance of LFs. Pursuant to CMN Resolution No. 3,836, LFs must have a minimum nominal amount of R\$300,000 and a minimum tenor of 24 months. LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations

Principal Limitations and Restrictions on Financial Institutions

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

Restrictions on the Extension of Credit

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

- any company or individual that holds more than 10% of the capital stock of the financial institution;
- any entity whose board of executive officers is made up of the same, or substantially the same, members as that of the financial institution's board of executive officers;
- any company in which the financial institution holds more than 10% of the capital stock, or which is under common control with the financial institution; or
- the executive officers and directors of the financial institution and their family members, and any company in which these persons hold more than 10% of the capital stock, or in which they are also managers.

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

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

Repurchase Transactions

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

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

Foreign Currency Loans

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

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

Asset Management Regulation

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

According to CVM Instruction No. 306 of May 5, 1999, as amended, only individuals or entities authorised 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 specialised technical department to perform asset management activities.

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

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

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

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

Micro-credit Regulation

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

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and Caixa Econômica Federal ("CEF") must allocate 2% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurs, following a specific methodology. According to Resolution No. 4,000 dated August 25, 2011, interest rates on these loans cannot exceed 2% per month (or 4% per month in specific production finance transactions), the repayment term cannot be

less than 120 days, except in specific circumstances, and the principal amount of the loan cannot exceed R\$2,000 for individuals and R\$5,000 for micro-enterprises (or R\$15,000 in specific production finance transactions).

Regulations Aimed at Ensuring the Strength of the Brazilian Financial System

Restrictions on Risk Concentration

Brazilian law prohibits financial institutions from concentrating their risk in only one person or group of related persons. The law prohibits a financial institution from extending credit to any person or group of related persons in an aggregate amount equivalent to 25% or more of the financial institution's reference capital. This limitation applies to any transaction involving the extension of credit, including those involving:

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

Restrictions to Investment

Financial institutions may not:

- hold, on a consolidated basis, permanent assets that exceed 50% of their reference shareholders' equity;
- own real property, other than property for its own offices and service outlets; or
- acquire equity investments in other financial institutions abroad, without prior approval by the Central Bank.

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

Internal Compliance Procedures

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

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

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

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

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

Independent Accountants and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,416 dated October 24, 2006, CMN Resolution No. 3,606 dated September 11, 2008 and CMN Resolution No. 3,771

dated August 26, 2009 ("CMN Resolution No. 3,198") established certain requirements in respect of financial institutions' independent accountants and required financial institutions to have an audit committee.

Independent accountants must audit the financial statements of all financial institutions. Independent accountants can only be hired if they are registered with the CVM, certified in specialised banking analysis by the *Instituto dos Auditores Independentes do Brasil* (the "IBRACON") and if they meet several requirements that assure their independence. Moreover, financial institutions must replace the person, officer, manager, supervisor or any of its members responsible for their independent accounting firm work at least every five consecutive years (requirement established by CMN Resolution No. 3,606, enacted on September 11, 2008 ("Resolution no. 3,606")). Former accountants can be reassigned to the audit team only after three complete years have passed since their prior service.

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

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

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

Audit Committee

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

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

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

- nominate the independent accountant to be elected by the board of directors;
- supervise the work of the independent accountant;
- request that the independent accountant be substituted whenever deemed necessary;
- revise the financial records for each half year period as well as the administrative and auditing reports;

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

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

Financial Reporting Requirements

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

New CMN Regulation for Credit Assignment

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

Capital Adequacy Guidelines

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

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

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

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel II Accord;
- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;

- assign different risk weighting and credit conversion factors to some assets, including a risk weighting of 300% on deferred tax assets other than temporary differences;
- require calculation and report on the minimum capital and capital ratios on a consolidated basis;
- require banks to set aside a portion of their equity to cover operational risks as from July 1, 2008. The required portion of the equity varies from 12% to 15% of average income amounts from financial intermediation; and
- do not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures.

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

- Tier 1 equity is represented by the net shareholders' equity plus the balance of positive income accounts and of the deposit in the linked account for making up for capital deficiency, less the amounts corresponding to the balances of negative income accounts, revaluation reserves, contingency reserves, and special profit reserves concerning mandatory dividends not distributed, preferred shares issued with a redemption clause and preferred shares with cumulative dividends, certain tax credits, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivative financial instruments used for hedging cash flow.
- Tier 2 equity is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, in addition to preferred cumulative stock issued by financial institutions authorised by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivative financial instruments used for hedging the cash flow.

The total amount of Tier 2 equity is limited to the total amount of Tier 1 equity, provided that (i) the total amount of revaluation reserves is limited to 25% of the Tier 1 equity; (ii) the total amount of subordinated debt plus the total amount of redeemable preferred shares with an original term to maturity below 10 years is limited to 50% of the total amount of the Tier 1 equity; and (iii) a 20% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier 1 capital annually for the five years preceding the respective maturities.

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

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

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

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

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

Basel III will require banks to maintain: (i) a minimum common equity capital ratio of 4.5%, (ii) a minimum Tier 1 Capital ratio of 6% and (iii) a minimum total capital ratio of 8%. In addition to the minimum capital requirements, Basel III will require a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. The capital conservation buffer and the countercyclical buffer, if implemented, would restrict discretionary distributions, and, in the case of the countercyclical buffer, require retention of up to an additional 2.5% of risk-weighted assets. The three basic minimum requirements will be phased in first, beginning on January 1, 2013, with a longer implementation period for the capital conservation buffer and other requirements, beginning on January 1, 2016. Basel III also introduces a new leverage ratio. A supervisory monitoring period will begin in 2011 and a parallel testing run of a minimum Tier 1 leverage ratio of 3% will begin in 2013. Basel III will require banks to disclose their leverage ratio and its components beginning January 1, 2015.

In addition, Basel III aims to improve risk coverage by reforming the treatment of counterparty credit risk ("CCR"). Going forward, affected banks generally will, among other things, (i) be required to determine their capital requirement for CCR using stressed inputs, (ii) be subject to a capital charge for potential mark-to-market losses associated with counterparties' deteriorating credit-worthiness, (iii) have to apply longer margining periods to determine their capital requirements with respect to large and illiquid derivative exposures, and (iv) be incentivised to move collateral and mark-to-market exposures to central counterparties.

In relation to liquidity, Basel III implements a net stable funding ratio (the "NSFR") and a liquidity coverage ratio (the "LCR"). The NSFR establishes a minimum amount of stable funding a bank will be required to maintain based on the liquidity of the bank's assets and activities over a one year period. The ratio of available stable funding to the amount of required stable funding must be greater than 100%. The LCR will require affected banks to maintain sufficient high-quality liquid assets to cover 100% of the net cash outflows that could be encountered under an acute stress scenario assuming (i) a significant downgrade of the bank's credit rating, (ii) a partial loss of deposits, (iii) a loss of unsecured wholesale funding, (iv) a significant increase in secured funding haircuts, and (v) increases in derivative collateral calls and substantial calls on off-balance sheet exposures. Expected inflows eligible for netting against outflows will be capped at a maximum of 75% of expected outflows. Basel III provides for an observation period to begin in 2011 and it is contemplated that the NSFR and the LCR, including any revisions, will be introduced as minimum standards beginning January 1, 2018 and 2015, respectively.

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

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

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

The Basel ratio would be increased from the current 11% to the maximum of 13%. The total ratio will be calculated by the sum of three parts: the regulatory capital (*patrimônio de referência*), the conservation capital (to deal with the absorption of losses) and the countercyclical capital (to deal with risks of the macroeconomic environment).

The regulatory capital will continue to be composed by two tiers. Tier 1 capital will have a 6% floor, divided into two portions: common equity (corporate capital and profit reserves) of at least 4.5% and additional equity (hybrid debt and capital instruments authorised by the Central Bank). Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 capital are expected to be maintained as such if they also comply with Basel III requirements, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III requirements, it is estimated that there will be a yearly deduction of 10% on the nominal value of such instruments, starting as from January 1, 2013.

The Basel III requirements also provide for new metrics for analysis of banks. The leverage ratio limits the banks to enter into transactions exceeding a ratio calculated by the division of Tier 1 capital by the bank's total exposure. Such leverage ratio will be capped in 3% of the risk weighted assets as from 2018. The short and long term liquidity ratios are intended to regulate the cash funds of banks by creating an obligation to maintain liquid assets of 30 days for stress scenarios of the financial system and funding with solid and stable capital.

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

Parameters	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory Capital.....	11.0%	11.0%	11.0%	9.875%	9.25%	8.625%	8.00%
Conservative Capital	-	-	-	0.625%	1.25%	1.875%	2.5%
Countercyclical Capital	-	Up to 0.625%	Up to 1.25%	Up to 1.875%	Up to 2.5%	Up to 2.5%	Up to 2.5%

The new rules are expected to start being enacted by the Central Bank at the end of 2011. Currently, the rules in force remain the same, as described above.

The Role of the Public Sector in the Brazilian Banking System

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

Additionally, through Resolution No. 3,656 of December 17, 2008, the CMN amended the by-laws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*) ("FGC") so that it can invest up to 50% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) banking deposits with or without issuance of certificates, leasing bills (*letra de arrendamento mercantil*) and bills of exchange accepted by affiliated institutions, secured by: (a) credit rights constituted or to be constituted from respective transactions, or

(b) other credit rights with an *in rem* or a personal guarantee; and (iii) linked transactions (*operações ativas vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

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

The capital stock of financial institutions may be divided into voting or non-voting shares, where non-voting shares may not exceed 50% of the total capital stock.

Classification of Credit and Allowance for Loan Losses

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

- characteristics of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and
- characteristics of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the loan.

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

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

Note:

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

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

- semi-annually, in any case where the aggregate amount of loans extended to a single borrower or economic group exceeds 5% of the bank's reference shareholders' equity; and
- monthly, in case the loans become overdue.

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

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

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

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

Note:

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

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

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

- a breakdown of lending activities and nature of the borrower;
- maturity of the loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification, in accordance with the risk classification; and
- overdue loans, divided between those up to 15 days overdue and those that are more than 15 days overdue.

Central Bank Credit Risk System

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

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

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

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

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

In addition to that, the CMN, through Resolution No. 3,721, dated April 30, 2009, established new standards related to the internal credit risk management structure of financial institutions, which were adopted by October 29, 2010.

Anti-money Laundering Law

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

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

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;
- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;
- keep records of transactions that exceed R\$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;
- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R\$1,000; and
- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

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

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

Politically-Exposed Individuals

According to Circular No. 3,461, which revoked both Circular No. 3,339 of December 22, 2006, and Circular No. 2,852 of December 3, 1998, as amended, which sets out certain procedures to be adopted in the prevention and avoidance of activities relating to the crimes described in Law No. 9,613 of March 3, 1998, financial institutions and other institutions authorised 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 authorised to require financial institutions to provide information generally protected by bank secrecy without judicial authorization within the performance of its supervisory powers, as long as they have strong circumstantial evidence that a client has engaged in tax evasion. Such evidence may be represented by, among others:

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

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

Regulations Affecting Liquidity in the Financial Market

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

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

- increasing the rate for demand deposit reserve requirements from 42.0% to 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014, and 45.0% as of July 2014, 45.0% being the rate that was in effect prior to the global financial crisis;
- restoring the rate for time deposit reserve requirements from 13.5% to 15.0% effective March 29, 2010, and further from 15.0% to 20.0%, effective as of December 2010;
- limiting the deductibility from financial institutions' time deposit reserve requirements of certain transactions with smaller financial institutions with a consolidated Tier 1 Capital of no more than R\$5 billion; and

- introducing the requirement that reserve amounts be funded entirely in cash, with time deposit reserve amounts earning interest at the SELIC rate and demand deposit reserve amounts earning no interest

Circular No. 3,427 allows a financial institution to deduct the amount of its foreign currency acquisition transactions with the Central Bank from reserve requirements regarding interbank deposits of commercial leasing companies

Below are some of the current types of reserves:

Demand Deposits

Pursuant to Circular No. 3,274, dated February 10, 2005, as amended by Circular No. 3,323, dated May 30, 2006, and Circular No. 3,497, dated June 24, 2010, enacted by the Central Bank, banks and other financial institutions are generally required, as from July 2010, to deposit 43% of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R\$44 million with the Central Bank on a non-interest-bearing basis. At the end of each day, the balance in such account must be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on the Monday of one week and ends on the Friday of the following week. This requirement will increase to 44% as from July 2012 and 45% as from July 2014.

Savings Deposits

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

Time Deposits

In accordance with Central Bank Circular No. 3,091 of March 1, 2002, as amended by Circular No. 3,427 of December 19, 2008, Circular 3,468, of September 28, 2009, Circular No. 3,485 of February 24, 2010, Circular No. 3,513 of December 3, 2010 and Circular 3,528, of March 23, 2011, banks are subject to a mandatory reserve of 20% of the average daily balance of their time deposits and certain other amounts, after a deduction of R\$30.0 million, in the amount exceeding: (i) R\$3.0 billion, for financial institutions with Level I component of the reference equity below R\$2.0 billion; (ii) R\$2 billion, for financial institutions with Level I component of the reference equity equal or higher than R\$2.0 billion and below R\$5.0 billion; (iii) R\$1 billion, for financial institutions with Level I component of the reference equity equal or higher than R\$5.0 billion and below R\$7.0 billion; and (iv) zero, for financial institutions with Level I component of the reference equity higher than R\$7.0 billion. If the applicable reserve requirement of a financial institution is below R\$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,091 and amendments therein. Amounts subject to this reserve requirement shall be deposited in cash on a specific account and, at the end of each day, deposited amounts shall be equivalent to 100% of the applicable reserve requirement.

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

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended, established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations. Pursuant to that regulation, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent of the sum of the following amounts in excess of R\$3

billion for financial institutions with an adjusted Level I component of the reference equity below R\$2.0 billion, R\$2.0 billion for financial institutions with Level I component of the reference equity below R\$5.0 billion and equal to or higher than R\$2.0 billion, R\$1.0 billion for financial institutions with Level I component of the reference equity below R\$7.0 billion and equal to or higher than R\$5.0 billion or zero for financial institutions with a Level I component of the reference equity equal to or higher than R\$7.0 billion: (i) 12.0% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement, (ii) 10.0% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement, and (iii) 12.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100% of the additional reserve requirement.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its reference shareholders' equity.

Pursuant to Circular No. 3,548 dated July 8, 2011, 60% over the final sale day trade of foreign exchange of financial institutions (deducted from the lower of (i) US\$1,000,000,000 or (ii) the arithmetic average of amounts corresponding to the Level I of the reference net worth of financial institutions, calculated in accordance with Circular No. 3,548) are generally required to be deposited in an account in the Central Bank. Financial institutions which amount to be deposited is lower than R\$100,000 are exempt from such deposit.

Rural Lending

According to the Manual of Rural Lending, as published by the Central Bank, financial institutions are required to maintain a daily average balance of rural lending not less than 25% of the daily balance of all accounts subject to compulsory reserve requirements. Financial institutions must provide the Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines calculated over the daily difference between the requirement and the portion actually used for rural lending and a pecuniary penalty or, at the financial institution's discretion, to deposit the unused amount until the last business day of the subsequent month in a non-interest-bearing account maintained with the Central Bank.

Repurchase Agreements, Export Notes, Etc.

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

Guarantees

The Central Bank at times has established a reserve requirement that a financial institution deposit in a non-interest-bearing account with the Central Bank an amount equivalent to 60% of the total amount of guarantees given by such financial institution in relation to loans and financings entered into by non-financial legal entities and individuals. However, such percentage was reduced to zero by Central Bank Circular No. 2,704 of July 3, 1996.

Reinvestment of Deposits Linked to Interbank Rates

Pursuant to CMN Resolution No. 2,172, dated June 30, 1995 (further revoked by CMN Resolution No. 3,454, dated May 30, 2007), financial institutions were permitted to accept deposits with interest calculated by reference to an Average Interbank Interest Rate (*Taxa Básica Financeira*), subject to a reserve requirement and provided that such deposits are made for a minimum of 90 days.

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

Taxation of Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to Tax on Financial Transactions (*Impostos sobre Operações Financeiras*) ("IOF").

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

IOF

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). In addition, the IOF rate is not subject to the *ex post facto* principle, which provides that laws increasing the rate of existing taxes or creating new taxes will only come into effect as of the latter of (i) the first day of the year following their publication and (ii) 90 days after their publication. An Executive Decree increasing the IOF rate will therefore take effect from its publication date. Pursuant to Decree No. 6,306 of December 14, 2007, as amended ("Decree No. 6,306"), foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25%. The abovementioned Decree sets out that the current general IOF is 0.38%, although there are some exceptions, such as:

- (i) foreign exchange transactions for the inflow of funds related to external credits, subject to registration with Brazilian Central Bank, involving direct external credits or credits obtained by means of issuance of notes in the international market with a minimum average term of up to 720 days, in which case the rate is 6%;
- (ii) foreign exchange transactions for the inflow and outflow of funds related to external credits, excluding the transactions mentioned in item (i) above, in which case the rate is 0%;
- (iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards, in which case the rate is 6.38% of the amount of the transaction;
- (iv) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Federal Union, States, Municipalities, Federal District, as well as its foundations and autarchies, in which case the rate is 0%;
- (v) foreign exchange transactions related to export of goods and services, in which case the rate is 0%;
- (vi) foreign exchange transactions for the inflow and outflow of funds related to investments made by investment funds that invest in non-Brazilian markets in accordance with the rules set forth by the CVM, in which case the rate is 0%;
- (vi) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial market executed on the BM&FBOVESPA in accordance with the rules set forth by the CVM (except for derivative transactions with pre-defined earnings), in which case the rate is 2%;
- (viii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian capital markets, including the acquisition of shares in public offers and other similar transactions and investments in shares issued by Brazilian private equity and venture capital funds, in which case the rate is 2%;

- (ix) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets, other than transactions described in items (vii) and (viii) above, in which case the rate is 6%;
- (x) foreign exchange transactions for the return (outflow) of funds related to the investments made by non-residents in the Brazilian financial and capital markets mentioned in items (vi), (viii) and (ix) above, in which case the rate is 0%.
- (xi) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the rate is 0%;
- (xii) foreign exchange transactions performed between financial institutions, in which case the rate is 0%;
- (xiii) 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%;
- (xiv) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the rate is 0%; and
- (xv) foreign exchange transaction related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, in which case the rate is 0%.

IOF tax may also be levied on issuances of bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges ("*IOF/Títulos*"). The rate of *IOF/Títulos* tax with respect to many securities transactions is currently 0%, although certain transactions may be subject to specific rates. The Minister of Finance, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, up to the amount equal to the gain made on the transaction and only from the date of its increase or creation.

IOF/Títulos is assessed on gains realised in transactions with terms of less than 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of mutual funds or investment pools. The maximum rate of *IOF/Títulos* payable in such cases is 1% per day, up to the amount equal to the gain made on the transaction, and decreases with the duration of the transaction, reaching zero for transactions with maturities of at least 30 days, except that the rate for the following types of transactions is currently 0%:

transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals;

1. transactions carried out by mutual funds or investment pools themselves;
2. transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;
3. redemptions of shares in equity funds; and
4. transactions carried out by governmental entities, political parties and worker's syndicates.

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

In addition, IOF tax is levied on insurance transactions at the rate of: (i) 0% in the operations of reinsurance, relating to export credits or to the international transport of goods and in operations in which the premiums are allocated to the financing of life insurance plans with coverage for survival, among others; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% of premiums paid in the case of health insurance; and (iv) 7.38% of premiums paid in the case of other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian companies' income tax is made up of two components, a federal income tax and social contribution on taxable profits, which is known as the "Social Contribution on Net Profits". In turn, the federal income tax includes two components: a federal income tax and an additional income tax. The federal income tax is assessed at a combined rate of up to 25% of adjusted net income (the normal rate for Brazilian legal entities is 15% plus 10% for legal entities with annual profits exceeding R\$240,000). The social contribution on net profits is currently assessed at a rate of 15% for financial institutions and 9% for non-financial institutions pursuant to Law No. 11,727.

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

As of January 1, 2002, Provisional Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31 of every fiscal year, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation. Dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on equity" which allows companies to deduct any interest paid to shareholders from net profits for tax purposes.

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

- 50% of the net income (after social contributions on profit and before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or
- 50% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15%, or 25% in the case of a shareholder who is domiciled in a "tax haven" jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offsetting up to 30% of the annual taxable income. No time limit is currently imposed on the application of tax losses to offset future taxable income.

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

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the PIS and COFINS have been imposed over financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorised to be deducted from the PIS and COFINS tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although

certain deductions for expenses are authorised (non-cumulative PIS and COFINS regime). Pursuant to Section 1 of Decree No. 5,442 of September 5, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero percent.

Law No. 12, 249 of June 11, 2010

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

Thin capitalisation rules applicable to transactions with a foreign related party: the interest paid or credited to a foreign related party is deductible for IRPJ and CSLL purposes if, concurrently:

- (i) in the case of indebtedness to a related party that holds a direct equity stake in the Brazilian entity, the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed twice the value of the stake held by the related party in the net worth of the Brazilian legal entity (individual limit);
- (ii) in the case of indebtedness to a related party that does not hold a direct equity stake in the Brazilian entity: the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed twice the value of the net worth of the Brazilian legal entity (individual limit);
- (iii) in either (i) or (ii) above, the sum of the indebtedness of the Brazilian legal entity to all related parties, on the interest accrual date, does not exceed twice the aggregate value of the stakes of all related parties in the net worth of the Brazilian legal entity (collective limit). However, pursuant to Law 12,249, this item (iii) does not apply in the event of indebtedness exclusively to foreign related parties which do not hold direct equity stakes in the Brazilian entity, in which case the total indebtedness cannot exceed twice the value of the net worth of the Brazilian legal entity. In cases where the lender is located in a tax haven jurisdiction or benefits from a privileged tax regime, the interest paid or credited to a lender (entity or individual) resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime is deductible for IRPJ and CSLL purposes, if the total indebtedness of the Brazilian legal entity to residents located in tax haven jurisdictions or that benefit from privileged tax regimes does not exceed 30% of the net worth of the Brazilian legal entity.

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

Regulations Affecting the Bank's Relationship with its Clients

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

The Consumer Defense Code and the Banking Client Defense Code

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

- financial institutions must ensure that clients are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect the counterparties against abusive practices. All queries, consultations or complaints regarding agreements or the publicity of clauses must be promptly answered, and fees, commissions or any other forms of service or operational remuneration cannot be increased unless reasonably justified (in any event these cannot be higher than the limits established by the Central Bank);
- financial institutions are prohibited from transferring funds from their clients' various accounts without prior authorization;
- financial institutions cannot require that transactions linked to one another must be carried out by the same institution. If the transaction is dependent on another transaction, the client is free to enter into the latter with any financial institution it chooses;
- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services. Financial institutions are liable for any damages caused to their clients by their misrepresentations;
- interest charges in connection with personal credit and consumer-directed credit must be proportionally reduced in case of anticipated settlement of debts;
- clients have the right to withdraw up to R\$5,000 upon request. For higher amounts, clients are required to give the financial institution at least 24 hours' prior notice; and
- adequate treatment for the elderly and physically disabled.

Claims Department (*Ouvidoria*)

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

Bank Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their clients. According to Supplementary Law No. 105 of January 10, 2001 ("Supplementary Law No. 105"), the only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) disclosure of information with the express consent of the interested parties; (ii) sharing of information on credit history between financial institutions for record purposes; (iii) supply to credit reference agencies of information based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) occurrence or suspicion that

criminal or administrative illegal activities have been performed. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect must have been previously executed.

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

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

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

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

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

Administrative liquidation proceedings may cease:

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

Temporary Special Administration Regime

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

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

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

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

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

Repayment of Creditors in Liquidation

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

The FGC is a deposit insurance system which guarantees a maximum amount of R\$60,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group) and a maximum amount of R\$20 million of deposits for banks with deposits, up to R\$5 billion per bank. The Credit Insurance Fund is funded principally by mandatory contributions from all Brazilian financial institutions that work with client deposits. The payment of unsecured credit and client deposits not payable under the Credit Insurance Fund is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

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

Cancellation of Banking License

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

In addition, the Central Bank may, according to CMN Resolution No. 3,040 of November 28, 2002, cancel the authorization to operate granted to the Bank if one or more of the following situations are verified at any time: (a) operational inactivity, without acceptable justification, (b) the institution is not located at the address provided to

the Central Bank, (c) failure to send to the Central Bank for over four months, without acceptable justification, the financial statements required by the regulations in effect, and/or (d) failure to observe the timeframe for commencement of activities. The cancellation of a banking license may only occur after the appropriate administrative proceeding is carried out by the Central Bank.

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

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

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

Brazilian Payment System

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

- the existence of two main payment and settlement systems: real-time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

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

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

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

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

- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwindings;
- adopt system controls and test them periodically;
- promptly provide to the institution's management available information and analyses regarding any liquidity risk identified, including any conclusions or remedies adopted; and
- develop contingency plans for handling liquidity crisis situations.

Foreign Investment and the Brazilian Constitution

Foreign Banks

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

Foreign Investment in Brazilian Financial Institutions

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

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

Consolidation of Exchange Rules

On March 23, 2010 the CMN enacted Resolution No. 3,844 consolidating the general provisions relating to foreign capital entering Brazil by way of direct investments and financial transactions. Such rule governs the registry of flows of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. The Central Bank, by means of Circular No. 3,491 dated March 29, 2010, also simplified the registry of transactions. The new rules were included in the Regulation of the Exchange Market and Foreign Capital (*Regulamento do Mercado de Câmbio e Capitais Internacionais*) and several outdated rules were revoked.

The main aspects of the abovementioned rules are the following:

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

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

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

REGULATION OF THE CAYMAN ISLANDS BANKING INDUSTRY

Banks in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2009 Revision) (the "**Cayman Banking Law**"). Licenses are granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority ("**CIMA**").

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

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

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

CIMA's enforcement powers under the Cayman Banking Law include the imposition of conditions on a bank's license; revocation of a license; appointing an adviser to advise a bank on the proper conduct of its affairs; appointing a controller to assume control of a bank's affairs; and petitioning for a bank to be wound up by the court. These powers are exercisable if a bank: (i) is or appears likely to become unable to pay its obligations as they become due; (ii) is carrying on business that is, or is likely to be detrimental to the public interest or the interests of depositors or other creditors; (iii) contravenes the regulatory laws or regulations of the Cayman Islands; and (iv) fails to comply with a condition of its license; or any rule imposed by CIMA.

Winding up

Since it is registered under Part IX of the Companies Law (2010 Revision) as amended (the "**Companies Law**"), the Issuer is capable of being wound up in the Cayman Islands by the Cayman Islands' Court on the grounds, among others, that it is unable to pay its debts, or that the Court is of opinion that it is just and equitable that it should be wound up.

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

Anti-Money Laundering

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

The Issuer is required by, and in accordance with, the Money Laundering Regulations (2010 Revision) and Guidance Notes issued thereunder to establish and maintain, among other things, identification and record-keeping procedures, internal reporting procedures and internal controls and communication procedures in accordance with for the purpose of preventing money laundering.

BUSINESS

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

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2010, according to data published by Economática. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

- (i) **Banking services:** includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;
- (ii) **Investments:** includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;
- (iii) **Asset management:** includes buying, selling and custody of marketable securities, management of third-party portfolios and establishment, organization and administration of investment funds;
- (iv) **Insurance, pension plans and financing:** includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;
- (v) **Payment services:** includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and
- (vi) **Other businesses:** includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

As of September 30, 2011, the Bank had over 55.6 million clients, 35.8 million checking accounts and the largest retail network in Brazil, with approximately 18,363 points of service and 43,916 automated teller machines ("ATMs"), as well as over 13,300 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 12,577 banking agents, distributed among 4,491 Brazilian cities, and involving over 113,594 employees. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below:

Retail	Wholesale	Government
High income— <i>Estilo</i> (Consumer)	Mid-Sized Companies	Federal Executive
High income—Private (Consumer)	Large Companies	State Executive
Exclusive (Consumer)	Corporate	Municipal Executive
Preferential (Consumer)	Institutional investors	Judiciary

Retail	Wholesale	Government
Lower income (Consumer)	Financial institutions	Legislative
Micro entrepreneurs (Consumer and Corporate)		
Non-account holders (Consumer and Corporate)		
Micro businesses		
Small businesses		
Rural cooperatives		
Urban cooperatives		

The Bank operates in 23 countries, through its own network, in the following countries: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, England, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, South Korea, Spain, United Arab Emirates, United States, Uruguay and Venezuela. This network is complemented by correspondent banking service providers in 136 countries as of September 30, 2011. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank in Miami, Florida, furthering its expansion into the United States.

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

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

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

The table below shows various financial and operating data of Banco do Brasil as of and for the nine months ended September 30, 2011 and as of and for the years ended December 31, 2010, 2009 and 2008:

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
Total assets.....	949,781	811,172	708,549	521,273
Loans ⁽¹⁾	383,945	341,051	282,211	210,979
Total deposits.....	419,519	376,851	337,564	270,841
Stockholders' equity.....	56,713	50,441	36,119	29,937
Basel index (%).....	13.9	14.1	13.8	15.2
Net income.....	9,208	11,703	10,148	8,803
Return on average equity (ROE) ⁽²⁾ (%).....	25.2	27.0	30.7	32.5
Return on average assets (ROA) ⁽³⁾ (%).....	1.3	1.5	1.7	2.0
Cost/income ratio ⁽⁴⁾ (%).....	41.8	42.6	44.0	42.3

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

(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2011.

(3) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2011.

(4) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

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

- total assets, totaling R\$811 billion, making the Bank the largest financial institution in Latin America as of December 31, 2010, according to Economática, with R\$950 billion in total assets as of September 30, 2011;
- total number of clients, with 54.4 million customers, and with 35.9 million checking accounts, of which 33.8 million were consumer accounts and 2.1 million were corporate accounts as of December 31, 2010;
- proprietary network of banking service facilities, with 18,359 points of service in Brazil as of December 31, 2010 and 18,363 points of service as of September 30, 2011;
- total amount of deposits, according to an Economática ranking, which were R\$377 billion as of December 31, 2010, of which R\$65 billion were judicial deposits, and which increased to R\$420 billion as of September 30, 2011, of which R\$76 billion were judicial deposits.
- credit portfolio balance, with a total balance of R\$358 billion as of December 31, 2010 (as compared to Itaú Unibanco Banco Múltiplo S.A. (or Itaú Unibanco, or Itaú), Banco Bradesco S.A. (or Banco Bradesco, or Bradesco) and Banco Santander Brasil S.A. (or Banco Santander, or Santander), according to data from those banks), which reflected a 19.8% interest in the Brazilian Financial System, according to data from the Central Bank. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided) the total portfolio balance was R\$388 billion as of December 31, 2010 and R\$442 billion as of September 30, 2011;
- third-party assets under management through its wholly owned subsidiary, BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A., or BB DTVM, in the amount of R\$360 billion and a market share of 21.2% of the total asset management market in Brazil as of December 31, 2010, according to data published by ANBIMA;
- foreign trade transactions, including advances on foreign exchange contracts (*Adiantamentos sobre Contrato de Câmbio*, or ACCs) and advances on export contracts (*Adiantamentos sobre Cambiais Entregues*, or ACEs), totaled U.S.\$13 billion, with a market share of 33.6% in 2010. In the export and import foreign exchange market, the Bank's transactions totaled U.S.\$57.1 billion and U.S.\$43 billion, for market shares of 31% and 24%, respectively, for 2010, and U.S.\$16.6 billion and U.S.\$11 billion, for market shares of 31.8% and 23.9%, respectively, for the first three months of 2011, according to data published by the Central Bank;
- payroll deduction loans, with a portfolio of R\$45 billion, representing 32.5% of the amount loaned within the Brazilian Financial System, as of December 31, 2010, according to data published by the Central Bank; and
- agribusiness loans, with a 60.6% market share as of December 31, 2010, with operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses, with a total loan portfolio of R\$75 billion as of December 31, 2010, representing an increase of 12.9% in twelve months, according to data published by the Central Bank.

Largest banking franchise in Brazil and lower cost of funds

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 26.3% share in the *Sistema Financeiro Nacional*, or National Financial System, as well as in terms of demand deposits (33.0% market share) and time deposits (25.1% market share), as of December 31, 2010, according to the Central Bank.

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

Growth potential of the Bank's credit portfolio

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

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on the Basel ratio (14.1% as of December 31, 2010), the Bank had in the period a margin of approximately R\$133 billion in credit assets, with weighted assets at 100.0%. This margin totaled R\$153.6 billion as of September 30, 2011.

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2011	2010	2009	2008
	<i>(in millions of R\$, except percentages)</i>			
Funding Sources ⁽¹⁾	377,889	340,580	344,674	272,395
Loans ⁽²⁾	383,945	341,051	282,211	210,979
Available Funding Sources ⁽³⁾	(6,056)	(471)	62,463	61,416
Growth Potential (%) ⁽⁴⁾	—	—	22.1	29.1
Leveraging Margin ⁽⁵⁾	153.6	133.0	99.6	108.1

(1) Total deposits plus domestic onlendings minus compulsory deposits.

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

(3) Funding sources minus loans.

(4) Available funding sources as a percent of credit operations.

(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11.0%) under the Basel Accord.

Strong brand

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

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

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

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

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

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

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2010, automated channels accounted for 93% of all transactions made. From these, approximately 36.4% were made through the Bank's ATMs, which totaled 45,000 ATMs, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R\$997 million in 2010.

High standards of corporate governance

Since 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank entered into *Novo Mercado*, thereby starting the process of increasing its free float, from 5.6% in 2006 to 30.5% as of September 30, 2011.

Highly dedicated and experienced management

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

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (180.9% from 2005 to 2010, and a CAGR of 22.93%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

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

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

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

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

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

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

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

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

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

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

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

Increase business through strategic partnerships

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

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

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

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

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

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

Improve cost controls

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

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

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

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 55.6 million clients as of September 30, 2011, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

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

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

Strengthen the Bank's presence in foreign markets

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

The Bank's goals by region are:

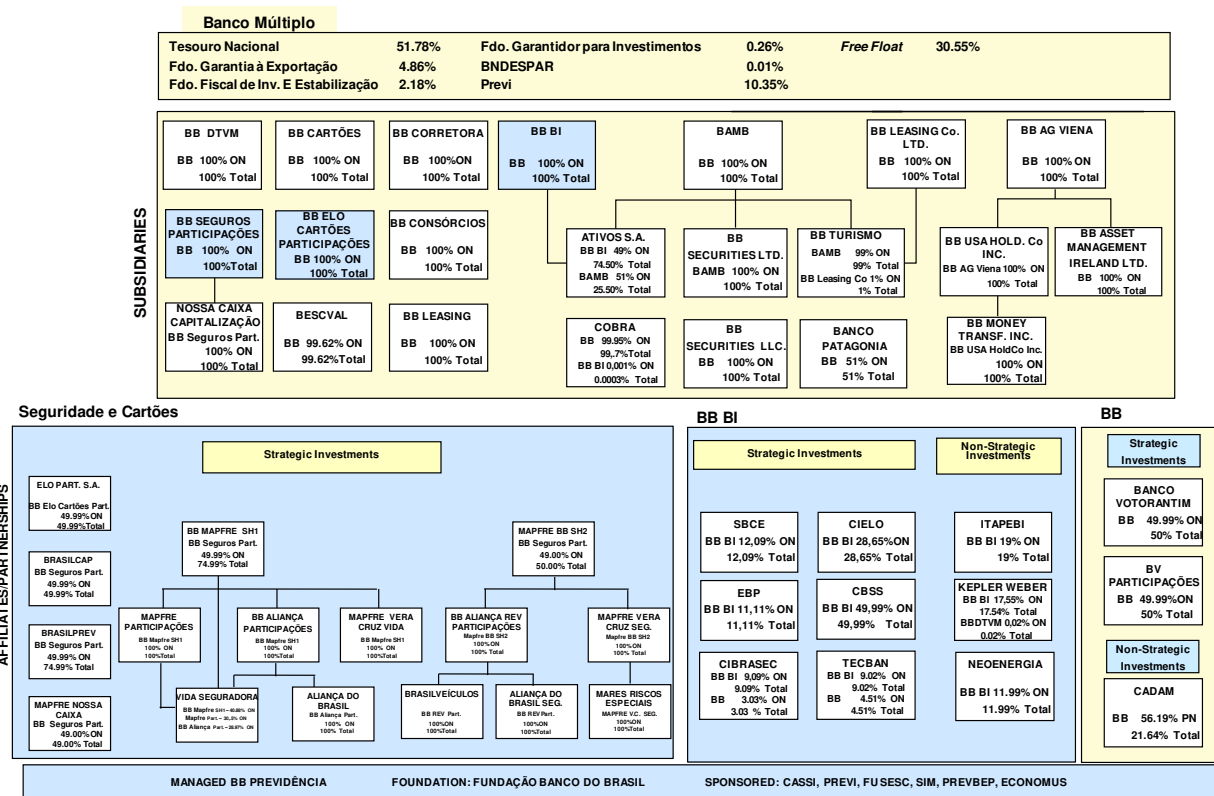
- USA: to expand through acquisitions, as evidenced by the recent acquisition of Eurobank, in Miami, Florida;

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

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

Corporate Structure of the Bank

The following chart is a simplified overview of the direct and indirect ownership of Banco do Brasil as of September 30, 2011:



Strategy and Organization. Source: Dicar, Dicom, Diemp, Dimec, Diref, Dinin, Diseg, UBV, UPE. Position as of September 30, 2011

Relationship with the Government

Since it was founded in 1808, the Bank has been controlled by the Federal Government. As of September 30, 2011, the National Treasury owned 59.2% of its aggregate stock capital (see "Principal Shareholders"). In 1990, the Federal Government instituted a policy of reducing its participation in the economy and began privatizing certain state enterprises. However, the privatization program specifically excluded important financial institutions, including the Bank, in order to use these institutions to stimulate economic development, particularly in the manufacturing, agricultural and housing sectors.

Decree No. 200, dated February 25, 1967, requires that the Federal Government hold a majority of the voting shares of the Bank.

Through its control of the Bank, the Federal Government may cause the Bank to adopt certain measures or enter into transactions intended to promote political, economic or social purposes rather than to exclusively develop business and increase the Bank's results of operations. If any such measures are adopted, they may be contrary to the interests of the Bank and those of the Bank's remaining shareholders, and may have adverse effects on the business, operations, profitability or capital adequacy of the Bank. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank" for more information regarding risks associated with the Bank's being controlled by the Federal Government.

Brief History

Banco do Brasil was the first bank to operate in Brazil and was also the first entity to make a public stock offering in the Brazilian capital markets. With more than 200 years of operating history, the Bank has played an active role in Brazil's development. The Banco do Brasil brand conveys trust, credibility and dependability. In 2009, the brand was valued at U.S.\$6.6 billion, and ranked the 117th most valuable brand in the world by Brand Finance, an independent brand valuation firm.

Since becoming a full-service bank in 2001, the Bank has consistently improved its performance. As a full-service bank with a sustainable business model, Banco do Brasil remains competitive and profitable in the financial markets and has continued to act as an agent for economic and social development.

In 2006, on the centennial of the Bank's listing on the Brazilian stock exchange, the Bank joined *Novo Mercado*, the BM&FBOVESPA listing segment that requires the highest Brazilian corporate governance standards. The Novo Mercado Regulation requires entities to maintain a free float of 25%. As of September 30, 2011, Banco do Brasil's free float was 30.5%.

The Bank announced in April 2007 that it was considering acquiring BESC, a bank owned by the State of Santa Catarina. This event marked the beginning of a period of growth for the Bank.

The global financial crisis in 2008 triggered a liquidity crisis in Brazil. Investors were in search of a safe harbor for their capital, and Banco do Brasil benefited from its sound financial position. The Bank's deposit portfolio grew 24.6% from December 2008 to December 2009. In 2008, Banco do Brasil was also authorized under Provisional Measure No. 443/08 (signed into Law No. 11,908 on March 3, 2009) to acquire other financial institutions, and Banco do Brasil followed by announcing its acquisition of BESC, BESCRI and BEP, and a controlling interest in Banco Nossa Caixa, all state-owned banks in Brazil.

In 2009, the Bank completed two significant strategic transactions. First, Banco do Brasil completed a tender offer for the common shares of Banco Nossa Caixa held by minority shareholders, followed by the completion of the acquisition. Second, it acquired a 50.0% stake in Banco Votorantim (49.99% of the voting capital and 50.01% of the non-voting capital). Banco do Brasil expects to achieve synergies of costs and revenues through these recent transactions, strengthening, for example, its position in the strategic market of the State of São Paulo through the Banco Nossa Caixa acquisition and in the vehicle financing segment through Banco Votorantim. Further, the acquisition of Banco Nossa Caixa provides access to a broad base of deposits, and the partnership with Banco Votorantim gives access to a large network of non-financial agents for the sale of products and services.

Also in 2009, despite uncertainties generated by the global financial crisis, Banco do Brasil reclaimed its leading position in the Brazilian financial sector in terms of total assets, with a balance of R\$709 billion at year-end 2009. As of December 31, 2009, Banco do Brasil was the largest bank in Brazil and Latin America in terms of assets, according to the consulting firm Economática. One factor that has contributed to the Bank's positive performance was the growth of its credit portfolio, with a year-end balance of R\$300.8 billion in 2009, up 33.8% from 2008. The growth was driven by organic growth in addition to the acquisitions of Banco Nossa Caixa and 50% of Banco Votorantim.

Further, the Bank underwent a corporate restructuring in October 2009, forming two wholly-owned subsidiaries, BB Seguros and BB Aliança, which continued the restructuring of the insurance division that began in August 2008 with the acquisition of Aliança do Brasil shares held by Aliança da Bahia. Banco do Brasil also announced a series of business goals and plans related to the restructuring, with the objective of increasing the share of the insurance, private pension and financing segments in the Bank's results of operations.

On November 10, 2009, the Bank issued Level I ADRs, to be traded on the OTC market. The Bank of New York Mellon has been appointed as depositary for the Level I ADRs. The Bank had already obtained approval from the Central Bank and CVM for the issue, and began issuing Level I ADRs on December 2, 2009. Each Level I ADR represents one common share of the Bank. As of December 31, 2009, 110,700 ADRs had been issued under the Bank's Level I ADR program.

On April 13, 2010, Banco do Brasil received financial holding company status from the Board of Governors of the Federal Reserve System, or the FED. This status was granted after strict analysis of important factors set forth in U.S. banking legislation, including the Bank's level of capitalization, management quality and the level of banking supervision exercised by the Central Bank of Brazil on a comprehensive and consolidated basis. The FED authorization allows Banco do Brasil, in its own discretion, directly or through its subsidiaries, to engage in banking activities in the U.S., in conformity with applicable legislation.

Also in April 2010, the Bank announced its intention to increase its activities in the debit and credit cards markets. See "Business—Recent Material Acquisitions and Partnerships—Increase of Shares in Visanet" for further information.

Recent Material Acquisitions and Partnerships

As a general matter, government-owned financial institutions, such as the Bank, are subject to a higher degree of regulation when compared to private banks in relation to implementing growth strategies. In light of recent changes in the global economy, the Central Bank and Brazilian legislative authorities have enacted regulations increasing the role of the public sector in the Brazilian banking system. On October 21, 2008, a provisional measure was enacted (later converted into Law No. 11,908, on March 3, 2009) that authorized the Bank to directly or indirectly acquire controlling and non-controlling interests in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalization companies, contributing to the increase of the Bank's market share. Since then, the Bank has made the following acquisitions with the aim of consolidating its leadership position among Brazilian banks.

Acquisition of Nossa Caixa

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

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

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

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

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

Acquisition of interest in Banco Votorantim

Banco Votorantim is a privately held Brazilian multi-service bank controlled by Votorantim Finanças S.A., a member of the Votorantim Group, one of the largest privately held industrial conglomerates in Latin America. Banco Votorantim provides a wide range of financial services and focuses on treasury, corporate investment banking activities and, in recent years, it has also diversified its operations to include lending to the Brazilian middle market segment, consumer finance and fund management services. With respect to corporate and investment banking, it offers tailor-made products and advisory services, such as structuring and advising on mergers and acquisition transactions, project finance transactions, local and international underwriting and other structured financial transactions. In addition to its offices and branches, Banco Votorantim has affiliate offices throughout Brazil to support its consumer finance business. Through its subsidiaries BV Financeira and BV Leasing, Banco Votorantim provides financing for the purchase and leasing of vehicles. It also carries out fund management activities through its subsidiary, Votorantim Asset Management D.T.V.M. Ltda., and brokerage activities through its subsidiary Votorantim Corretora de Títulos e Valores Mobiliários Ltda.

On January 9, 2009, the Bank entered into a share purchase agreement with Banco Votorantim and Votorantim Finanças for (i) the purchase of 33,356,791,198 existing common shares of Banco Votorantim, for the amount of R\$3.0 billion; and (ii) the subscription of 7,412,620,277 new non-voting preferred shares to be issued by Banco Votorantim, in the amount of R\$1.2 billion, at a subscription price of R\$0.16188607471 per preferred share, totaling a R\$4.2 billion investment. As a result of this investment, the Bank will share in the management of Banco Votorantim with Votorantim Finanças by holding 50.00% of its total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital). The acquisition by the Bank of an interest in Banco Votorantim was completed on September 28, 2009.

The partnership allowed the Bank to: (i) increase its capacity to originate assets in the consumer financing industry, in particular vehicle financing; (ii) access well-developed alternative distribution channels for vehicle dealers, partner and BV Financeira stores; (iii) operate based upon an existing and successful model for the promotion of sales in the domestic vehicle financing market; and (iv) strengthen the Bank's operations in capital markets and corporate segments, among others.

Merger with BESC and BESCRI

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

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

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

Merger with Bescleasing and Bescredi

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

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

Acquisition of Aliança do Brasil by BB Investimentos

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

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

Merger with BEP

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

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

Sale of shares in Visanet

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

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

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

Increase of Shares in Cielo

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

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

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

Elo Participações - Partnership BB and Bradesco

On March 14, 2011, Banco do Brasil and Banco Bradesco, entered into a Memorandum of Understanding with binding effect for:

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

Banco do Brasil and Bradesco are also concluding an agreement with Caixa Econômica Federal to integrate the launch of the Elo brand.

The conclusion of the transaction is subject to satisfactory negotiation of the definitive documents and completion of legal and regulatory requirements.

Acquisition of interest in Banco Patagonia

On April 12, 2011, after receiving the approvals of the relevant regulatory agencies of Brazil and Argentina, the Bank acquired a controlling interest in Banco Patagonia of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R\$764.8 million (US\$482.0 million) through a cash payment of US\$1.3141 per share, as follows:

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

The values of the investment and the goodwill were determined using the adjusted balance sheet of Banco Patagonia of March 31, 2011. The Bank allocated goodwill to the cash generating unit after it determined the fair value of the net assets of Banco Patagonia.

The Bank first announced the transaction on April 21, 2010 and its shareholders approved the transaction at an extraordinary shareholders' meeting held on June 16, 2010, in conformity with Article 216 of the Brazilian Corporations Law. The Central Bank approved the acquisition on October 21, 2010 and on October 28, 2010 further authorized the Bank to increase its future shareholding in Banco Patagonia from 51% to 75%.

On April 7, 2011, the Bank filed a request with the capital markets regulatory agency in Argentina (*Comisión Nacional de Valores*) to conduct a mandatory takeover bid for the acquisition of shares of Banco Patagonia to increase the Bank's ownership position in Banco Patagonia from 51% to 75% of the total voting and non-voting stock, as approved by the central banks of Brazil and of Argentina.

On August 17, 2011, the *Comisión Nacional de Valores*, the capital markets regulatory agency of Argentina, authorized a mandatory takeover bid of Banco Patagonia to increase the amount of shares held by Banco do Brasil from 51% to 75% of the capital and the voting shares.

The acquisition of Banco Patagonia has four main objectives: (i) to expand the Bank's operations in Argentina; (ii) to diversify the products and services Banco Patagonia offers; (iii) to expand Banco Patagonia's credit portfolio, particularly for transactions in the wholesale market; and (iv) to increase operations throughout supply chains in Argentina, by increasing services to micro- and small-enterprise segments, employees and suppliers.

Acquisition of Eurobank

On April 25, 2011, the Bank announced its intent to acquire Eurobank, a regional bank based in the United States, in Miami, Florida, for approximately \$6.0 million (R\$9.8 million). The transaction is subject to regulatory approval in Brazil and the United States and Eurobank currently continues to operate under its own brand name, selling its own products and services. As of December 31, 2010, Eurobank had total assets of US\$102 million, a US\$75 million loan portfolio, deposits of US\$91 million, and shareholder's equity of US\$6 million. It has three branches, in Coral Gables, Pompano Beach and Boca Raton, and has operated since 1969.

On May 31, 2011, the Bank's shareholders approved the acquisition by the Bank of 835,855 shares (100% of the capital stock and voting capital) of Eurobank. This acquisition remains subject to the approval of the relevant regulatory bodies in Brazil and the United States.

Ownership interest in Brasilcap

On January 24, 2011, BB Seguros entered into a Purchase and Sale Agreement to acquire all of the ownership interest of Sul América Capitalização S.A. in Brasilcap, corresponding to 16.67% of Brasilcap's common shares, for R\$137 million. The conclusion of the transaction is subject to regulatory approvals. Upon completion of the transaction, BB Seguros' ownership interest in Brasilcap will increase from 49.99% to 66.66%.

On August 3, 2011, the Bank's Executive Board approved the acquisition of all of the ownership interest in Brasilcap held by Companhia de Seguros Aliança da Bahia.

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

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

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

For further discussion of additional material acquisitions and partnerships by the Bank, see "Business—Recent Material Acquisitions and Partnerships".

Other potential acquisitions of small regional banks in the United States of America

In order to provide direct banking services to its customers located in the United States, the Bank continues to evaluate the potential acquisition of other small regional banks in the United States that operate in cities and states with large Brazilian communities such as New Jersey, New York, Boston and Florida.

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

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

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

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

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

On May 5, 2010, Banco do Brasil, in order to continue with the corporate reorganization process in the insurance, private pension and financing area, acting through BB Seguros, a wholly-owned subsidiary of Banco do Brasil, entered into a purchase and sale agreement with Sul América Companhia Nacional de Seguros, or Sul América, to acquire all of Sul América's shares in Brasilveículos Companhia de Seguros, or Brasilveículos, totaling 60.0% of Brasilveículos capital stock. The price of this transaction amounts to R\$340 million. The increase in the Bank's Brasilveículos holdings expands the Bank's market share in the insurance sector. Additionally, IRB-Brasil Re's business will further expand the Bank's insurance operations, in line with the reorganization of the insurance segment in the Bank.

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

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

In June 2011, BB Seguros and Mapfre transferred their respective insurance operations into two jointly held holding companies, with the controlling interest in those companies being held by Mapfre, as follows: (i) SH1,

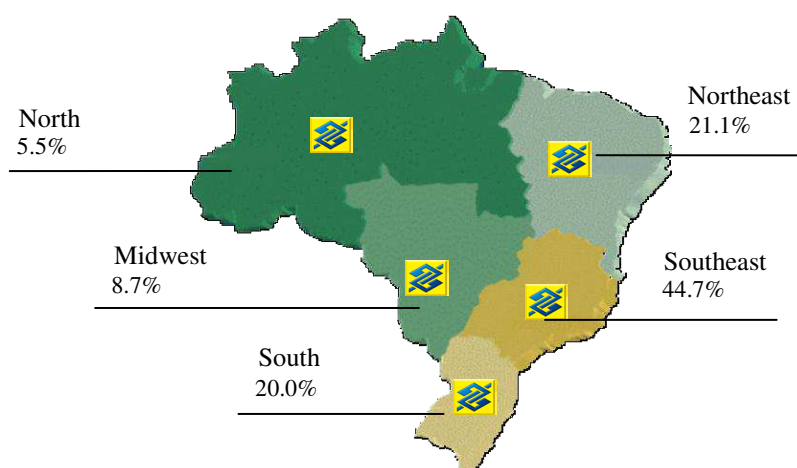
which specializes in personal, property and agricultural insurance, into which the following insurance companies were transferred: Mapfre Vera Cruz Vida S/A, Vida Seguradora S/A and Companhia de Seguros Aliança do Brasil; and (ii) SH2, which specializes in casualty and vehicle insurance, into which the following insurance companies were transferred: Mapfre Vera Cruz Seguradora S/A, Mapfre Riscos Especiais Seguradora S/A, Aliança do Brasil Seguros S/A and Brasilveículos Companhia de Seguros.

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

Distribution Network

As of September 30, 2011, the Bank had the largest proprietary network of banking service facilities in Brazil, totaling more than 18,300 points of service in 4,491 Brazilian municipalities.

18,363 Points of Service in 4,491 Cities



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

- PAA—Advanced Service Point, which corresponds to a point of service targeted at municipalities without banking services. It has reduced staff and automated services;
- PAB—Banking Service Point, which is located inside companies or governmental agencies. It has one employee and automated services;
- PAE—Automatic Service Point, which is a service structure that is exclusively automated;
- SAA—Self-service Room, which is an exclusive automated service structure installed in the main area of the branches; and
- PAP—Collection and Payment Point, which is mainly located in governmental agencies, such as city halls and has employees and self-service terminals.

	As of September 30,		As of December 31,	
	2011	2010	2009	2008
Branches	5,138	5,087	4,897	4,342
PAA	152	179	178	187
PAB	1,573	1,659	1,697	1,389
PAE	6,600	6,617	6,529	6,055
SAA	4,898	4,815	4,626	3,987
PAP	2	2	2	4

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
Total	<u>18,363</u>	<u>18,359</u>	<u>17,929</u>	<u>15,964</u>

The Bank carries out its banking activities through the following segments: retail, wholesale, and government, and separates its clients base according to profile and relationship in order to develop strategies and distribution networks that are adequate for each segment.

The retail distribution network, responsible for relationships with individual clients and small and micro-sized companies, had 5,138 branches as of September 30, 2011 of which 44.7% were located in the southeastern region of Brazil. Moreover, the Bank offers services through the Banco do Brasil Customer Service Center (CABB) as well as services such as withdrawal and payment of vouchers via a network of bank correspondents, which totaled 10,145 points of service as of December 31, 2010 and 10,363 points of service as of September 30, 2011.

As for the wholesale market, the service network consists of a small number of branches classified based on annual revenues and operating sector.

The government market, consisting of direct administration agencies, instrumentalities, foundations and public companies, has a small number of branches focused on the relationship with each level of government in order to provide adequate solutions for each of the segments.

International Distribution Network

The Bank is present in 23 countries, through its own network, which are responsible for its business throughout the world. The Bank can also count on partnerships and correspondent banks at places where it does not have a proprietary unit. This network is made up of 1,066 correspondent banking service providers in 133 countries.

In April 2010, the acquisition of Banco Patagonia has added 145 points of service in Argentina to the Bank's distribution network. See "Business—Recent Relevant Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia."



In 2009, the Bank's first international administrative services unit, incorporated in Florida—USA, started operating. The unit is expected to centralize back office services of all U.S. units, reducing costs and improving results. Also in 2009, the Bank's subsidiary, BB Money Transfers, began operating in New York, USA. The Bank has also filed license requests to open other units in the U.S., and is awaiting the relevant authorities' approval. In Uruguay, the relevant regulatory authority has authorized the Bank to open a representative office, which started operating in December 2009.

Alternative Channels

The Bank's automated network represents an efficient alternative and offers clients a broad range of services at low cost. As of September 30, 2011, Banco do Brasil had 43,916 automated teller machines (ATM).

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
ATMs	43,916	44,954	45,442	39,714

Sources: Bank's operating systems.

In addition to the branches' cashiers and ATMs, Banco do Brasil offers a variety of other options for accessing banking services, such as: Internet, Internet banking for companies, credit and debit card machines for commercial establishments, telephone, fax and mobile banking. As of September 30, 2011 automated channels accounted for 92.9% of total operations.

The Bank's Activities

Banco do Brasil operates in all financial market segments and offers its clients both financial and non-financial solutions. According to CVM Resolution No. 582/2009, Banco do Brasil's operations are classified into the following segments:

- Banking Services;

- Investments;
- Asset Management;
- Insurance, Pension and Financing;
- Payment Services; and
- Other Businesses.

Information by segment has been prepared in accordance with criteria used by the Bank's management for assessing segment performance, deciding allocation of funds for investments and other purposes and considering regulatory framework and similarities between products and services.

In addition to these specific segments, the Bank is also engaged in other economic activities, such as consortia and operational support.

Intersegment transactions are conducted under normal market conditions, substantially in accordance with the terms and conditions for comparable transactions, including interest rates and guarantees. Such transactions do not involve unusual collection risks.

The tables below set out each segment's revenue and its share in the Bank's net revenue, and each segment's income or loss and its share in the Bank's net income.

	Nine-month period ended September 30,		Year ended December 31,					
	2011		2010		2009		2008	
	R\$ million	Relative Participation %	R\$ million	Relative Participation %	R\$ million	Relative Participation %	R\$ million	Relative Participation %
Total income	102,465	100.0	114,806	100.0	98,770	100.0	83,554	100.0
Bank services.....	95,752	93.4	106,343	92.6	91,230	92.4	78,374	93.8
Investments.....	903	0.9	984	0.9	2,488	2.5	1,695	2.0
Asset management.....	837	0.8	943	0.8	868	0.9	845	1.0
Insurance, Pension and Funding.	3,818	3.7	4,316	3.8	3,195	3.2	2,391	2.9
Payment services.....	1,461	1.4	1,649	1.4	1,202	1.2	1,434	1.7
Other businesses.....	1,055	1.0	1,571	1.4	734	0.8	614	0.8
Intersegment transactions.....	(1,359)	(1.3)	1,000	(0.9)	(947)	(1.0)	(1,799)	(2.2)
Total expenses	(88,560)	100.0	59,706	100.0	(47,882)	100.0	46,079	100.0
Bank services.....	(84,857)	95.8	56,239	94.2	(45,612)	95.3	(44,217)	96.0
Investments.....	(633)	0.7	(475)	0.8	(392)	0.8	(274)	0.6
Asset management.....	(164)	0.2	(113)	0.2	(117)	0.2	(114)	0.2
Insurance, Pension and Funding.	(2,680)	3.0	(2,123)	3.6	(1,256)	2.6	(955)	2.1
Payment services.....	(790)	0.9	(603)	1.0	(509)	1.1	(512)	1.1
Other businesses.....	(794)	0.9	(544)	0.9	(420)	1.0	(294)	0.6
Intersegment transactions.....	1,359	(1.5)	391	(0.7)	424	1.0	287	(0.6)
Total net income	13,906	100.0	55,100	100.0	50,888	100.0	37,475	100.0
Bank services.....	10,895	78.3	50,104	90.9	45,618	89.6	34,157	91.1
Investments.....	269	1.9	509	0.9	2,096	4.1	1,421	3.8
Asset management.....	672	4.8	830	1.5	751	1.5	731	2.0
Insurance, Pension and Funding	1,138	8.2	2,193	4.0	1,939	3.8	1,436	3.8
Payment services.....	671	4.8	1,046	1.9	693	1.4	922	2.5
Other businesses.....	261	1.9	1,027	1.9	314	0.6	320	0.8
Intersegment transactions.....	—	—	(609)	(1.1)	(523)	(1.0)	(1,512)	(4.0)

Description of Products and Services

The characteristics of the Bank's main products and services of are described below.

Banking Services

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

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

The chart below shows considerable growth in our credit portfolio in recent years. Corporate credit increased by 19.5% in 2010 from 2009. Consumer credit increased 23.3% from 2009 to 2010, relative to the total portfolio. The Bank's agribusiness portfolio grew 12.9% from 2009 to 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

	As of September 30,		As of December 31,				Var. %		
	2011	2010	%	2009	%	2008	%	2009/2010	2008/2009
<i>(in millions of R\$, except percentage rates)</i>									
Domestic.....	372,156	337,921	94.3	283,560	94.3	209,693	93.3	19.2	35.2
Corporate.....	163,340	149,810	41.8	125,336	41.4	97,192	43.2	19.5	29.0
Consumer	125,747	113,096	31.6	91,791	30.5	48,811	21.7	23.2	88.1
Agribusiness.....	83,069	75,015	20.9	66,434	22.3	63,690	28.3	12.9	4.3
Abroad	30,400	20,445	5.7	17,268	5.7	15,115	6.7	18.4	14.2
Total Portfolio	402,555	358,366	100.0	300,829	100.0	224,808	100.0	19.1	33.8

Corporate Credit

In the corporate credit segment, Banco do Brasil's portfolio totaled R\$163,340 million as of September 30, 2011, decreasing 0.8% from December 31, 2010. The corporate credit portfolio accounted for 40.6% of the Bank's total loan portfolio as of September 30, 2011 and includes the amounts derived from the acquisition of Banco Nossa Caixa and the 50% partnership with Banco Votorantim. The amounts relating to Banco Nossa Caixa and Banco Votorantim are disclosed separately in the table below.

	As of September 30,		As of December 31,			Var. %		
	2011	2010	2010	2009	2008	Sept. 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
<i>(in millions of R\$, except percentages)</i>								
Working capital	81,261	72,630	75,630	63,136	45,199	11.9	19.7	39.7
Investments	37,043	30,730	33,046	25,163	19,183	20.5	31.3	31.2
Receivables	15,624	14,036	16,257	14,598	11,887	11.3	11.4	22.8
Secured account.....	2,846	3,178	3,070	3,732	2,548	(10.4)	(17.7)	46.5
ACC/ACE.....	11,227	8,005	8,997	8,137	11,101	40.2	10.6	(26.7)
BNDES EXIM	4,967	5,112	5,116	4,464	4,417	(2.8)	14.6	1.1
Credit card	6,133	3,125	3,994	2,024	871	96.2	(97.3)	132.4
Overdraft accounts.....	178	214	187	144	130	(16.7)	29.9	10.8
Other	4,060	3,472	3,512	3,938	1,691	17.0	(10.8)	132.9
Total.....	163,340	140,502	149,810	125,336	97,027	16.3	19.5	29.2

Banco do Brasil's portfolio also grew organically, independent of acquired portfolios, with working capital credit facilities totaling R\$72,630 million as of September 30, 2011, a growth of 11.9% from December 31, 2010, and accounting for 49.7% of the total portfolio. The trade accounts receivable portfolio showed relatively faster growth in 2010, increasing 11.4% from 2009. Banco do Brasil's credit facilities presented solid organic growth in 2010, increasing 31.3% from 2009.

The most significant products of Banco Votorantim's portfolio were the credit facilities from BNDES and FINAME at 35.6% of the total, followed by working capital at 35.4% of the total as of December 31, 2010.

Corporate credits are classified into three groups: (i) credit to micro and small enterprises; (ii) commercial credit; and (iii) foreign trade credit.

Corporate Credit to Micro and Small Enterprises

The Bank has a leading position in the segment of services for micro and small enterprises. As of September 30, 2011, we had 2.2 million checking accounts, of which approximately 2.1 million were micro and small enterprise clients.

Banco do Brasil classifies as micro and small the enterprises from the industrial, cooperative and urban association sector with gross revenues of up to R\$10 million a year for the industrial sector, and companies from the commercial and service sector with gross revenue of up to R\$15 million a year.

Considering our Working Capital and Investments Financing transactions for micro and small enterprises, by the end of the nine-month period ended September 30, 2011 R\$12 billion was invested in industry (23.8%), R\$23.6 billion in trade (46.9%) and R\$14.8 billion in the services segment (29.4%).

The main products of the credit portfolio for micro and small enterprises are: (i) BB Giro Rápido; (ii) BB Giro Empresa Flex; (iii) BB Giro Décimo Terceiro Salário; (iv) BB Capital de Giro Mix Pasep; (v) BB Giro APL—Arranjos Produtivos Locais; (vi) Check Clearance; (vii) Securities Clearance; (viii) Realizable Card Receivables; (ix) Credit Advance to Store Owner; (x) BB Giro Receivables; (xi) Proger Urbano Empresarial; (xii) BNDES credit cards; and (xiii) BB Enterprise Credit.

Additionally, we introduced the Microcrédito Produtivo Orientado – MPO on September 21, 2011. This service provides lines of credit to non-corporate entrepreneurs and small businesses.

Corporate Credit to Medium and Large Enterprises

Banco do Brasil classifies medium and large enterprises by using a combination of variables in the economic sector (industrial, commercial and service) and annual gross revenue (in millions), as shown below:

- Industrial. medium: R\$10—R\$90; large: R\$90 or more.
- Commercial. medium: R\$15—R\$150; large: R\$150 or more.
- Service. medium: R\$15—R\$150; large: R\$150 or more.

The main products of the Bank's credit portfolio for medium and large enterprises are: (i) Automatic BNDES; (ii) BNDES Finem; (iii) BNDES Finame; (iv) Finance Lease; (v) FINAME Lease; (vi) FCO Empresarial; (vii) Guarantee Provision; (viii) Working Capital with funds raised abroad; (ix) Direct Credit to Supplier; (x) financing for acquisition of assets and services; (xi) secured accounts; (xii) working capital; (xiii) BB Vendor; (xiv) acquisition of receivables; and (xv) advance on supply contract.

Set forth below are the market shares of Bank's credit products for medium and large enterprises to which the Bank onlends funds from BNDES:

	As of December 31, 2010	As of December 31, 2009
BNDES Automático.....	leader with 35.1%	leader with 19.2%
BNDES Finem	25.7%	leader with 29.7%
Finame Leasing PJ	5.0%	0.4%
BNDES Finame.....	14.9%	13.9%

Set forth below are the market shares of commercial credit products according to information from the Central Bank:

	As of December 31, 2010	As of December 31, 2009
Working capital with funds raised abroad	5.9%	11.6%
Financing for acquisition of assets and services	2.2%	3.7%
Secured account	7.3%	8.9%
Working capital.....	20.1%	19.8%
Vendor	33.0%	33.0%

Corporate Credit for Foreign Trade

The foreign trade credit portfolio aims to provide support and financing to import and export operations. The main foreign trade credit products are: (i) ACC (advance on foreign exchange contract) and ACE (advance on export contract); (ii) indirect ACC; (iii) export working capital; (iv) BNDES-EXIM; (v) external working capital; (vi) direct loan; (vii) import financing and onlending; (viii) international lease; (ix) overdraft; (x) export prepayment; (xi) Forfeit discount; and (xii) import documentary credit.

In the first quarter of 2011, the Bank remained in the leading position in a market of ACC/ACE operations, maintaining high onlendings in the foreign exchange market for imports and exports, with volumes of US\$17 billion and US\$11 billion, which represented market share of 31.8% and 23.9%, in the same order, respectively.

In 2010, the Bank has also disbursed U.S.\$4 billion to finance imports of Brazilian enterprises, distributed into the following products: import financing (U.S.\$2 billion); import onlending (U.S.\$1 billion); Forfait discount (U.S.\$1 billion); and import documentary credit (U.S.\$1 billion).

Consumer Credit

Consumer credit products can be divided into two large groups: earmarked and non-earmarked. Earmarked credit operations include: (i) vehicle financing and leasing and (ii) real estate financing. The main non-earmarked credit products include: (i) Special Check; (ii) BB Crédito Salário and BB Crédito Renovação; (iii) BB Automatic Credit; (iv) BB Payroll-Deductible Loan; and (v) BB 13^o Salário.

Consumer loans totaled R\$125.7 billion (including the consumer credit portfolios of Banco Nossa Caixa and Banco Votorantim) as of September 30, 2011, a 17.1% increase from December 31, 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

The Bank's portfolio of payroll deduction loans continued to grow in 2011, accounting for 39.3% of the consumer credit portfolio as of September 30, 2011, a 16.2% increase from December 31, 2010. As of September 30, 2011, these transactions totaled R\$49.0 billion.

Banco do Brasil has also gained increasing market share in its vehicle financing portfolio. The portfolio totaled R\$31.4 billion (including the portfolios of Nossa Caixa and Banco Votorantim) as of September 30, 2011 compared to R\$27 billion as of December 31, 2010.

The Bank's portfolio balance of real estate financing accounted for R\$5,030 million as of September 30, 2011 compared to R\$2,951 million as of December 31, 2010. While the balance remains low, the increase realized in 2011 shows a possible trend of growth due to strategy adopted by the Bank. The average term of these transactions is 246 months, with an average ticket of R\$157,700 thousand.

Under the National Financial System regulation, 70% of Banco do Brasil's savings deposits are required to be allocated towards rural credit. However, CMN Resolution No. 3,549 dated March 27, 2008 allows financial institutions raising rural savings deposits, including the Bank, to use up to 10% of their total balance raised in savings deposits for financing real estate credit transactions.

We introduced BNDES PMAT at the end of July 2011, which provides lines of credit to lower income families, with the aim of promoting management efficiency, quality and transparency.

The table below shows the outstanding amounts of the main consumer credit portfolio products of Banco do Brasil, Banco Votorantim and Banco Nossa Caixa. With respect to Banco Votorantim, the amount presented refers to 50% of its portfolio.

	As of September 30,	As of December 31,			Var. %		
	2011	2010	2009	2008	Sept. 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
	<i>(In millions of R\$, except percentage rates)</i>						
Direct consumer credit.....	69,295	63,438	52,149	26,491	15.3	21.6	96.9
Payroll deduction loans.....	49,020	44,976	36,514	17,626	16.2	23.2	107.2
Consumer loans.....	5,330	5,585	6,458	4,958	(2.4)	(13.5)	30.3
Consumer loans backed by direct deposit.....	14,946	12,878	9,177	3,906	19.9	40.3	134.9
Mortgages.....	5,030	2,951	1,530	80	105.1	92.9	1,812.5
Vehicle financing.....	31,435	27,395	20,738	6,694	24.2	32.1	209.8
Credit card.....	11,729	11,867	9,382	7,586	12.7	26.5	23.7
Overdraft accounts.....	3,110	2,598	2,434	2,468	2.6	6.7	(1.4)
Microcredit.....	896	1,123	674	511	(20.5)	66.7	31.9
Other.....	4,252	3,724	4,884	4,981	(14.1)	(23.7)	(1.9)
Total.....	125,747	113,096	91,791	48,811	17.1	23.2	88.1

(1) Amount equivalent to 50% of Banco Votorantim's credit portfolio.

Agribusiness Loans

The agribusiness portfolio, including Banco Nossa Caixa's portfolio, totaled R\$83.1 billion as of September 30, 2011, increasing from R\$75.0 billion as of December 31, 2010. The table below sets forth the breakdown of this portfolio.

	As of September 30,	As of December 31,			Var. %		
	2011	2010	2009	2008	September 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
	<i>(In millions of R\$, except percentage rates)</i>						
Agricultural funding.....	17,715	16,704	17,737	17,813	10.6	(5.8)	(0.4)
Sale and manufacturing of agricultural products.....	19,988	16,689	12,333	14,862	10.7	35.3	(17.0)
Pronaf/Pronamp.....	24,995	22,084	18,279	15,088	20.4	20.8	21.1
FCO Rural.....	6,376	5,732	5,390	5,634	14.0	6.3	(4.3)
BNDES/Finame Rural ⁽¹⁾	5,853	6,749	6,706	4,561	(35.1)	0.6	47.0
Other.....	8,142	7,057	5,989	5,730	80.7	17.8	4.5
Total.....	83,069	75,015	66,434	63,690	12.3	12.9	4.3

(1) Includes amounts relating to the BB Investimento Agropecuário credit facility

The line item sale and manufacturing of agricultural products shows financial support provided to agricultural companies that sell, process or manufacture agricultural products. The 35.3% growth in this line item from December 31, 2009 to December 31, 2010 resulted from the demand by agricultural companies and the availability of funds for these financings. The purpose of BNDES/Finame Rural products is to finance investments in modernizing machinery and equipment used in rural production. BNDES/Finame Rural products totaled R\$6,749 million, increasing by 0.6% from December 31, 2009 to 2010.

Pronamp is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. PRONAF targets the financing of and investment in agricultural activities in general for small producers. These two products totaled R\$22,085 million as of December 31, 2010, an increase of 20.8% from December 31, 2009.

FCO Rural offers financial support for business development and investments in agricultural producers based in the Midwest region of Brazil. FCO Rural transactions totaled R\$5,732 million as of December 31, 2010, an increase of 6.3% from December 31, 2009.

The 5.8% drop in the balance of agricultural funding between December 31, 2009 to 2010 is due to the performance in the returns of funding operations carried out in the previous harvest season and to the drop in the price of raw materials used for the crops, thus generating a lower need for resources by the producers.

Considering the agricultural funding operations of the 2010/2011 harvest season, 55.1% of the operations are covered by agricultural insurance or Proagro and 6.1% by price protections in the stock exchange.

Agribusiness production credit aims to provide financial aid by means of fixed credit facilities available to the agribusiness sector, for either agricultural or livestock-raising activities. These credit facilities cover general operating expenses in connection with producing periodic and permanent crops or raising livestock. The main production credit products are: (i) Agribusiness production; (ii) PRONAF – Family Agriculture; (iii) Pronamp; and (iv) Funcafé.

Agribusiness investment credit lines provide for the acquisition of assets essential to agribusiness production and modernization. Banco do Brasil offers its clients the following rural credit products: (i) Pronamp; (ii) Automatic Agropecuary BNDES; (iii) BNDES Moderagro; (iv) BNDES PRODECOOP (a cooperative development program that adds value to agribusiness through fixed credit lines from BNDES funds for agribusiness cooperatives and their members, using a share payment system linked to the cooperatives' investment projects); (v) BNDES PROPFLORA; (vi) BNDES Produsa; (vii) BNDES/Finame Rural PSI; (viii) BNDES Procap Agro; (ix) FCO; (x) PRONAF Family Agriculture; (xi) PRONAF Mais Alimentos; (xii) Agribusiness Investment; (xiii) BNDES Warehousing Program for National Cerealists; and (xiv) BNDES Procer.

Agribusiness sale credit operations provide financial aid for sale of the agribusiness production. The Bank's principal credit products are: (i) EGF (Federal Government loans); (ii) LEC (special credit line); (iii) Funcafé; (iv) self production sale; (v) agribusiness credit; (vi) discount of rural promissory notes or rural trade bills; and (vii) CPR – rural product bill. The rural portfolio of the National Financial system totaled R\$126,704 million in March 2011, an increase of 10.0% in twelve months and of 2.2% with respect to December 31, 2010. The agribusiness portfolio represented 21.2% of the Bank's total credit portfolio and a 61.1% market share, according to data from the Central Bank.

Introduced on July 4, 2011, BB Crédito Empresa provides clients with lines of credits to acquire new and used (up to 5 years) national and imported machinery and equipment. This product is offered at a fixed interest rate, with up to 60 months maturity and a 3-month grace period for repayments.

Introduced on July 4, 2011, BB Seguro Agrícola Faturamento insures clients against losses from commodity price variations and natural disasters caused by climate change. It is currently only available to soybean producers, and may become available to producers of other types of crops.

Public Sector loans

Our Public Sector credit portfolio is targeted to the Executive branch of Brazilian municipalities, states, and the Federal District. Financing programs are established in their respective lines of credit, and clients are not allowed to use the proceeds in current expenses. The National Monetary Council sets forth these financing programs. Its resources are originated from the BNDES Finame, and the Bank acts in the capacity of financial broker.

The principal credit products are (i) BNDES PEF; (ii) Finame PSI; (iii) Finame Caminho da Escola; and (iv) Finame Provias.

Credit transactions with the public sector are mainly subject to the following governmental regulation:

Limited Credit to the Public Sector, regulated by the National Monetary Council, which sets forth the rules for financial institutions and other authorized institutions to operate through Central Bank to execute credit transactions with bodies and entities of the Public Sector, through CMN Resolution No. 2,827/2001, as amended; and

Supplemental Law No. 101/2000 (Fiscal Responsibility Law), in its article 32, sets forth the Assessment of Limits and Conditions, by the Ministry of Finance – through the Secretariat of the National Treasury, prior to the rendering of internal credit transactions. The applicable law, pursuant to the provision in Complementary Law 101/2000, is established by the Federal Senate through SF Resolution No. 43/2001, as amended.

Other Banking Services

The banking segment encompasses a broad range of other products and services, in addition to credit operations, including deposits, service packages and collection services.

Deposits

Checking accounts provide direct access to funds by means of checks, internet, payment orders, magnetic card or counter checks. According to data from the Central Bank, as of December 2010 Banco do Brasil had the largest market share with respect to checking accounts with a balance of R\$63 billion in cash deposits. Banco do Brasil is followed by Banco Bradesco with R\$36 billion in cash deposits, Caixa Econômica Federal with R\$20 billion in cash deposits, and Itaú Unibanco with R\$27 billion in cash deposits.

Savings deposits earn interest at the TR (benchmark interest rate), plus monthly or quarterly interest. Banco do Brasil has two categories of savings deposits: (i) Poupança-Ouro where a portion of the funds is allocated to rural credit or real estate financing, within the earmarking thresholds established by the Central Bank; and (ii) Poupança Pouplex where a portion of the funds is allocated to real estate financing. According data from the Central Bank, as of December 2010 Banco do Brasil has the second largest market share with a total balance of R\$89 billion in savings deposits. The leader is Caixa Econômica Federal with R\$129 billion in savings deposits. Banco do Brasil is followed by Itaú Unibanco with R\$57 billion in savings deposits and Banco Bradesco with R\$54 billion in savings deposits.

Time deposits are nominative securities which entitle the client to receive a certain amount of interest income according to pre-established terms. They are fixed-income securities with fixed or variable rates; yield varies according to the index chosen. Banco do Brasil time deposit products are divided into CDBs (certificate of bank deposit) and RDBs (bank deposit receipt), and in practice these products are traded only electronically. According to data from the Central Bank, Banco do Brasil is the leader in the Brazilian time deposit market, with R\$162 billion in deposits (including escrow deposits) as of October 2010, followed by Itaú Unibanco and Banco Bradesco with R\$89 billion and R\$82 billion in deposits, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Deposit Accounts."

Service Packages and Collection Services

Service packages are comprised of a variety of banking services offered to clients for an aggregate monthly rate lower than the sum of the cost of individual products and services provided separately. A progressive discount is offered on the monthly rate based on the performance of the investments linked to the checking account included in the particular service package.

Collection services allow asset suppliers or service providers to receive the amount of their sales upon the issuance of bank payment forms, facilitating settlement of debtors' obligations through interconnected channels within the banking network.

Investment Segment

This segment includes operations in the domestic capital markets, with intermediation and distribution of debt instruments in the primary and secondary markets, as well as equity interest holdings and provision of financial services.

Asset management results of financial operations through intermediation are derived from income on marketable securities less funding expenses. Equity interests represent investments in affiliates and subsidiary companies. Revenue from financial services consists of financial and economic consulting, fixed- and variable-income underwriting and provision of services to affiliated companies.

Public Offering of Securities

In public offering of securities, the Bank acts as an intermediary, offering potential investors investments in securities offered by issuers. The Bank has a prominent position in the retail securities market, exercising leadership

in a number of offerings. In 2010, the Bank ranked 1st in ANBIMA Ranking of Distributors of Variable-income Securities.

Purchase and Sale of Shares

The Bank acts as an intermediary in transactions for the purchase and sale of shares. The Bank is not included in BM&FBovespa's home broker ranking because it does not have its own brokerage firm. The Bank operates through external brokerage firms under interconnection agreements.

Capital Market Services

The Bank performs the following capital market services:

- **Sale/Acquisition:** transfer of an entity or public concession. These transactions can be structured as sale/acquisition of shares or transfer of assets/liabilities of the business entity.
- **Mergers/Consolidations:** transactions in which one or more entities combine to form a new entity or entities or one or more entities are absorbed by another entity.
- **Asset Transfers and stock swaps:** transactions which generally include transfer of assets and/or swap of shares of the entities involved.
- **Corporate restructuring:** transactions which change the ownership structure of an entity.

Qualified Custody

According to the ANBIMA Ranking of Custody of Assets for December 2010, Banco do Brasil is ranked the third major custodian in Brazil with a total of R\$462 billion of assets in custody, A R\$51 billion increase equal to a 12.5% increase in assets in custody in one year. With the recent introduction of its ADR Program, the Bank also seeks to improve its ranking to become one of the major custodians in the Foreign Market sector.

Asset Management

Asset management is primarily responsible for (i) operations related to the purchase, sale and custody of marketable securities, (ii) portfolio management and (iii) establishing, organizing and managing investment funds and clubs. Asset management revenues have derived mainly from commissions and management fees charged to investors for services provided.

Third-party asset management is performed through investment funds, formed as open-end funds earmarked for investments in a specific portfolio according to the characteristics and objective of each fund. There are two types of investment funds: (i) fixed-income funds, which are composed of fixed- and variable-rate public and private securities; and (ii) variable-income funds, which have portfolios composed of at least 67% of variable-income securities (shares). In these variable-income funds, the total units owned by the same unitholder cannot represent more than 49% of the fund's net assets.

Banco do Brasil, through BB Gestão de Recursos (BB-DTVM) is a leader in the third-party asset management segment, according to ANBIMA, with R\$360.2 billion in managed assets and a market share of 21.2% in 2010. According to ANBIMA, in December 2010, the Bank's managed assets totaled R\$306.7 billion, a market share of 21.1%.

Insurance, Pension and Financing

The insurance, pension and financing segments offer a broad range of products and services, such as life, health, asset and automobile insurance, private pension plans and capitalization plans.

These segments' results of operations come primarily from revenues from insurance premiums, contributions to pension plans, capitalization certificates and marketable securities, less expenses for sales, provision of technical services and benefits and redemption.

The products sold by the pension segment of Banco do Brasil are: (i) Vehicle Insurance; (ii) Individual Insurance; (iii) Asset Insurance; (iv) Customized Insurance; (v) Health Insurance; (vi) Rural Insurance; (vii) Financial Risk Insurance; (viii) Credit Insurance; (ix) Housing Insurance; (x) Private Pension Plans; and (xi) Capitalization Certificates.

According to SUSEP, in October 2010 Banco do Brasil ranked: (i) Vehicle Insurance—6th in terms of insurance premiums; (ii) Life Insurance—3rd in terms of insurance premiums; (iii) Rural Insurance—1st in terms of insurance premiums; (iv) Private Pension Plan—2nd in terms of revenue; and (v) Capitalization—1st in terms of revenue and total provisions.

Payment Services

Payment services is responsible primarily for provision of capture, transmission and payment services by electronic means (credit and debit cards). This segment's revenues have derived primarily from commissions and management fees charged to commercial and banking establishments for the above-mentioned services, in addition to revenue from rent, installation and maintenance of electronic terminals.

The card portfolio of Banco do Brasil has been frequently improved to offer products and services according to the needs of different clients and business sectors. With respect to consumers, spending habits and purchasing power are taken into consideration, among other factors. With respect to companies, the company's size and needs are taken into consideration, among other factors. Since September 2001, Banco do Brasil has issued Ourocard cards with multiple functions under Visa and Mastercard flags. These cards combine credit, debit and banking functions into a single card. Since June 2009, Banco do Brasil has issued the Ourocard card under the American Express flag, which functions as a credit card only.

Additionally, we introduced BB Giro Cartões on July 13, 2011. This product allows clients to anticipate receivables from Visa and Mastercard credit card transactions for up to eight times their average monthly credit card sales with Cielo and/or Redecard. This product is aimed at companies that have been operating for at least 12 months and that use Cielo and/or Redecard services

As of September 30, 2011, Banco do Brasil's debit and credit card base totaled 82.0 million, with 22.6 million credit cards issued and 59.4 million debit cards issued.

According to ABECS (Brazilian Association of Credit Card and Service Companies), the market share of Banco do Brasil in total revenues (credit, debit and private label) in 2010 was 20.7%.

Other Businesses

This last segment includes the operational support and consortium segments, which are included together since they are immaterial individually, according to minimum quantitative thresholds set forth in CVM Resolution No. 582/2009.

Revenues in this business segment are derived primarily from the provision of various services, such as receivables recovery, consortium management, development, manufacture, sale, rent and integration of electronic digital equipment and systems, peripherals, software, IT input and supplies, in addition to intermediation of air tickets, lodging and organization of events.

Intellectual Property

Brands

Banco do Brasil has approximately 400 trademarks for which it has applied and registered with INPI, not including the trademarks owned by Banco Nossa Caixa and BESC, which were merged into Banco do Brasil, and which trademarks are pending approval of transfer petitions filed with the INPI. The main trademarks used by Banco do Brasil are the Banco do Brasil registered trademark, which is highly recognized and valid for a period of five years as of November 6, 2007, and the figurative trademark, which is Banco do Brasil's logo. Banco do Brasil is the owner of these two main trademarks, both of which are registered in the United States, the European Union, Asia and Latin America.

In addition, all the nominative brands of the Bank are also registered with INPI to ensure that the Bank has their use and exclusive benefit in Brazil, besides protecting the consumer from misunderstandings or disloyal competition that may induce to error or confusion with regard to the Bank's activities.

The Bank's brands and trademarks are also registered in the competent entities abroad in countries where the Bank has operations. The same type of registration occurs with the nominate brands of specific products commercialized abroad.

Patents

The Bank does not possess patents registered with or granted by the INPI.

Domain Names

The Bank's most material Internet domain names presently registered by the Bank are: www.bb.com.br, www.bancodobrasil.com.br, www.bancobrasil.com.br, and www.bancobrasil.com (abroad).

In addition, the Bank maintains the register of some domain addresses, aiming to preserve its image against any fraud or other illicit act attempting to use its domains on the Internet and of other domains that were reclaimed following fraud attempts.

Legal Proceedings

Banco do Brasil is a party to certain judicial and administrative proceedings, as plaintiff or defendant. In proceedings in which the Bank is defendant, the plaintiffs are clients, employees, former employees and employees of other service providers. In the administrative proceedings, the main plaintiffs include, among others: the INSS, the Federal Revenue and the State and Municipal Treasury Departments. Most of the lawsuits where Banco do Brasil is the plaintiff seek to recover matured loans. Controls have been established to identify the effects of these lawsuits which arise out of the normal course of business inherent in the functions of a development agent. Provisions are recognized for legal proceedings with probable risk of loss, based on analysis of the likelihood of a favorable outcome and the possibility of its calculation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

The provisioning method follows the standards issued by CVM Deliberation No. 489, of October 3, 2005, which accepted and approved IBRACON Pronouncement NPC No. 22 regarding provisions, liabilities, contingent liabilities and contingent assets. According to this rule, contingencies with chance of loss by Banco do Brasil higher than its chance of success should be provisioned. The probability analysis takes into account the alleged facts, legal precedents relevant to the claim and the experience of experts on the issue under dispute. Based on the opinion of the Bank's general counsel, Banco do Brasil recognizes provisions only for contingencies with probable chance of loss under CVM Deliberation 489. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

Amounts involved

	As of September 30, 2011
	<i>(in millions of R\$)</i>
Amounts involved in the judicial lawsuits	16,027
Amounts involved in civil lawsuits	8,094
Economic plans	2,194
Other civil lawsuits.....	5,900
Amounts involved in tax lawsuits	5,305
Municipal tax assessments (service tax).....	531
INSS.....	19
Other tax lawsuits.....	4,754
Amounts involved in labor lawsuits	2,629

Provisioned amount, if any

	As of September 30, 2011
	<i>(in millions of R\$)</i>
Provisions for judicial lawsuits	7,672
Provisions for civil lawsuits	3,764
Economic plans	1,681
Other civil lawsuits.....	2,083
Provisions for tax lawsuits	1,401
Municipal tax assessments (service tax).....	8
Other tax lawsuits.....	1,393
Provisions for labor lawsuits	2,507

The possibility of loss in connection with labor claims in prejudgment phase (discussion and judgment of rights alleged by the plaintiff) is classified in an automated system. The classification of loss (remote, possible or probable) is applied based on the type of claim or type of cause of action. This situation may be changed due to the result registered in the system (award and/or decision). The values of the labor claims with probable loss are fully provisioned.

The Bank's legal advisors, for other legal and administrative proceedings (civil, tax and social security) analyze the possibility of loss for a particular claim and assign percentage rates of success. Based on the percentage rate, the system automatically classifies the possibility of loss as remote, possible or probable. For claims with probable loss, the base value corresponds to a 100.0% provision.

The increase of the balance of allowance for escrow deposits totaled R\$21,209 million in 2009, an increase of 17.8% from 2008 to 2009. This increase is mainly due to the increase in escrow deposits for labor, civil and tax contingencies (R\$2,587 million) recorded for probable, possible and/or remote losses.

Labor Claims

Since 2003, the Bank has experienced labor strikes during the collective bargaining periods between the third and fourth quarter of each year, with no material adverse effect on the Bank's operations.

Bank Workers Union of Rio de Janeiro

The Bank Workers Union of Rio de Janeiro (SEEB-Rio) filed a lawsuit against the Bank in 2003, claiming parity of wages for union employees compared to employees of the Central Bank of Brazil. The restated amount claimed was R\$597 million as of September 30, 2011. The Bank has classified risk from this claim as remote, and therefore has not recorded any provision in its balance sheet.

Tax Claims

Lawsuit on the Restriction to Offset Tax Losses

In January 1998, the Bank filed a legal request for full offset of the prior year IRPJ and CSLL losses against taxable income. Since then, the Bank has offset these tax losses in full against IRPJ, CSLL and has made judicial deposits of the amount due, and the courts recognize the suspension of payment of these taxes until final judgment of the Bank's request.

If the Bank were unsuccessful in its lawsuit (in which case the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSSL recoverable," respectively, which could be used from the accrual period of October 2005 and February 2009, which has a 30% limitation as established by Law No. 8,981 of January 20, 1995. These recoverable taxes, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, correspond to R\$4,094 million as of September 30, 2011, and its restatement by the SELIC rate corresponds to R\$898 million. This sum adjusts the

provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

Income tax on wages paid to employees

In 1998, the Brazilian Tax Authority filed an assessment notice against the Bank for payment of income tax on wages paid to employees in January and August of 1998. The restated amount claimed was R\$516 million as of September 30, 2011. The Bank has classified risk from this claim as "possible," and therefore has not recorded any provision in its balance sheet.

INSS

In 2004, the Bank filed legal requests against the INSS for the non-payment of employer's union dues on non-salary allowances. The restated amounts claimed were R\$747 million as of September 30, 2011.

We have also been notified by the INSS of labor infractions, aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R\$1,107 million, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$166 million and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$27 million.

PIS/COFINS

In 2009, the Bank filed an action seeking determination of PIS/PASEP and COFINS taxes based on gross revenue from services, under Supplemental Laws No. 7/1970 and No. 70/91, in the amount of R\$571 million (R\$ 544.2 million on December 31, 2010 and R\$515 million as of September 30, 2011) at BB-Multiple Bank and R\$1,304 million (R\$1,245 million as of December 31, 2010 and R\$1,130 million as of September 30, 2011) in BB-Consolidated, of which R\$732 million are attributable to Banco Votorantim. A Court order authorizing Banco do Brasil, Banco Popular do Brasil and BB Corretora to pay such taxes, as of July 2009, was suspended on August 18, 2010, which is why the Bank and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No. 9,718/1998.

ISSQN

The Bank has received notices of tax assessments by the treasuries of the municipalities where we operate to collect ISSQN amounts totalling R\$187 million.

Tax Enforcement

In July 2010, the city of Rio de Janeiro filed a tax enforcement notice against the Bank's wholly owned subsidiary, BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A.. A leading decision of the Brazilian Supreme Court states that the tax law provision on the tax enforcement notice is unconstitutional. The restated amount claimed was R\$434 million as of September 30, 2011. The Bank has classified risk from this claim as "possible" and therefore, pursuant to CVM Deliberation No. No. 594/2009, has not recorded any provision in its balance sheet.

Civil Lawsuits

Eldorado Indústria e Comércio de Calçados Ltda.

The Bank is a defendant in a lawsuit for moral and civil damages in the amount of R\$371 million as of September 30, 2011. The Bank has classified risk from this claim as "remote" and therefore has not recorded any provision in its balance sheet.

Bresser, Summer and Collor Plans

The Bank is a defendant to lawsuits for the payment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments during the period of economic plans in the late

1980's and early 1990's, known as the Bresser Plan, the Summer Plan and the Collor Plan. As of September 30, 2011, the number of lawsuits with respect to the Bresser, Summer and Collor Plans were 56,932, 130,312 and 174,750, respectively. The amounts involved in these lawsuits and provisions for these lawsuits have been included in the tables above.

A public class action was filed in May 2007 against Banco Nossa Caixa for the restated amount of R\$5.3 billion as of September 30, 2011. Banco Nossa Caixa has filed a request to reduce the amount of the claim. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of economic plans have a statute of limitation of 5 years; therefore no provision has been recorded in the Bank's balance sheet.

The Brazilian Association of Volunteers against Illegalities, Damages and Abuses (*Associação Brasileira dos Voluntários Contra Ilegalidades Danos e Abusos*, or ABRÁVIDA) filed a lawsuit against the Bank in 2007, for the amount R\$25.4 billion as of September 30, 2011. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of economic plans have a statute of limitation of five years.

Annulment of transactions carried out by the Central Bank

A class action was filed in April 1999, seeking a declaration of annulment of certain transactions carried out by the Central Bank through the Bank. There has not been a judgment by the lower court yet. The restated amount claimed was R\$3.0 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

Currency future contracts

A class action was filed against the Bank in April 1999, relating to currency future contracts with Banco Fontecindam. The claim is in the expert investigation phase. The restated amount claimed was R\$1.5 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

A separate class action was filed against the Bank in May 1999, relating to currency future contracts on the exchange rate of the U.S. dollar. There has not been a judgment by the lower Court yet. The restated amount claimed was R\$16 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," in accordance with recommendations from the Bank's legal advisors, and therefore has not recorded any provision in its balance sheet.

Credit certificates

In August 1993, the Bank filed two claims against Cooperativa Mista Nossa Senhora das Graças Ltda. and Destilaria Cauman S.A for payment of rural and industrial credit certificates. The restated amounts claimed were R\$2.8 billion and R\$716 million, respectively, as of September 30, 2011. The Bank has classified its chances of success in these claims as "probable".

In August 1995, the Bank filed a claim against Mendes Junior Engenharia S.A. for payment of an industrial credit certificate. The restated amount claimed was R\$1.2 billion as of September 30, 2011. The Bank has classified its chances of success in this claim as "probable".

In December 1995, the Bank filed a claim against S.A Indústrias Reunidas F Matarazzo for payment of credits. The restated amount claimed was R\$492 million as of September 30, 2011. The Bank has classified its chances of success in this claim as "probable".

In January 2008, Banco do Nordeste do Brasil S.A. filed two claims against Floresta Mendes Junior Ltda., Mendes Junior Engenharia S.A. and others for payment of industrial credit certificates. The defendants argued that the Bank was responsible for discharging these payments pursuant to a credit agreement entered into between them

and the Bank. The restated amounts claimed were R\$441 million and R\$860 million as of September 30, 2011. The Bank has classified risk from these claims as "remote."

Exclusivity in the rendering of banking services relating to payroll

The Municipal Workers Union of São Paulo (Sindsep-SP) filed an injunction to suspend the effects of Decree No. 51.198/10 which provides for payroll deductions of municipal employees. The injunction was initially granted, but later suspended by the President of the Superior Court of Justice. The amount of the exclusivity agreement entered into between Banco do Brasil and the City of São Paulo is R\$726 million. The Bank has classified risk from this claim as "remote."

A civil class action was filed in June 2007 seeking a declaration of invalidity of an agreement entered into between the State of São Paulo and Banco Nossa Caixa regarding exclusivity in the rendering of banking services relating to payroll. The action was challenged by Banco Nossa Caixa and the value of the claim was refuted. The Court has approved the presentation of expert evidence requested by the plaintiff for purposes of analyzing of the value of the exclusivity set forth in the agreement. There is no lower Court decision yet. The restated amount claimed was R\$2.7 billion, as of September 30, 2011. The Bank has classified risk from this claim as "remote."

CADE investigation relating to payroll loans

In September 2011, the Brazilian Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*) ("CADE") initiated an investigation into the Bank's provision of payroll loans and alleged exclusivity clauses with respect thereto. As a precautionary measure, CADE also ruled that the Bank should be prohibited from enforcing or benefiting from any agreement containing this type of exclusivity clause and consequently imposed a daily fine of R\$1 million for non-compliance. The Bank has challenged the investigation, including the imposition of the fine by filing a judicial request on November 14, 2011 for the suspension of the fine until the final outcome of the investigation, and is employing all available legal and administrative measures to defend its position. As of the date of this Offering Memorandum, the Bank has not classified risk with respect to this investigation.

Material Equity Participations

Banco do Brasil is a shareholder of several companies providing financial or related services, including asset management, pension plans, investment banking, leasing, credit cards and consortium of assets and services.

MANAGEMENT

The Bank is managed by a Board of Directors and an Executive Board, located at our headquarters, in accordance with its by-laws and the Brazilian Corporations Law.

Board of Directors

The Board of Directors of the Bank is responsible for establishing the Bank's general business policies, long-term strategy and monitoring the Executive Board. According to the Bank's by-laws and the Brazilian Corporations Law, the Bank's Board of Directors has strategic, monitoring and supervisory responsibilities, but does not have a direct role in operating or executive activities.

The duties of the Board of Directors include: (i) approving policies, corporate strategy, the general business plan and master plan and the Bank's overall budget; (ii) deciding on (a) interim dividend distributions, including the retained earnings account or profit reserve existing in the latest annual or semi-annual balance sheet; (b) payment of interest on capital; (c) the purchase of the Bank's own shares on a temporary basis; and (d) representing the Bank's interests in corporations in and outside Brazil; (iii) defining internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iv) choosing and removing independent accountants, who may be subject to a reasonable veto; (v) establishing the number of Executive Board members and electing them; (vi) approving the by-laws of committees of the Board of Directors and deciding on the creation, termination and operation of committees of the Board of Directors; (vii) approving the Executive Board and Audit Committee by-laws; (viii) determining the Bank employees' participation in the Bank's profits or income; (ix) overseeing the appointment process of representatives of investment clubs; (x) submitting to the shareholders' meeting a list of three companies specialized in evaluating the value of the Banks' common shares; (xi) establishing financial targets; (xii) electing and dismissing the members of the Audit Committee; and (xiii) formally evaluating, by the end of each year, the performance of the Executive Board and the Audit Committee.

The Board of Directors is composed of seven members, who are all shareholders and are elected at the Bank's general meeting of shareholders for a term of office of two years, with reelection permitted. At least two of the seven members of the Board of Directors must be independent members selected by minority shareholders, as set forth in the regulation for the listing of the shares on the *Novo Mercado* segment of the BM&FBOVESPA. The Federal Government has the right to select, for approval by the shareholders, up to five members.

The meetings of the Board of Directors are held once a month or upon request of its Chairman or of two of its members. The meetings require the presence of at least the majority of the members. The decisions of the Board of Directors are made by a majority of votes, with the Chairman (or his/her replacement) casting any tie-breaking vote. The approval of five members of the Board is required for certain matters set forth in the by-laws in order to assure the participation of minority shareholders, as follows: (i) the approval of policies, corporate strategy, general business plan, and the Bank's overall budget; (ii) the definition of internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iii) the appointment and removal of independent accountants, which may be vetoed based on due justification in accordance with the by-laws; and (iv) the approval of its by-laws and the decision on the creation, termination and operation of Board of Directors committees.

As of September 30, 2011, the Board of Directors consisted of:

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

Note:—

(1) Independent director.

Biographical Information

Biographical information of the members of the Board of Directors is set forth below:

Nelson Henrique Barbosa Filho

Chairman of the Board of Directors, appointed by the Finance Ministry. Mr. Nelson has been the Secretary of Economic Policy for the Ministry of Finance since 2007. His main activities comprise monitoring economic activity and regulated markets, including anti-trust actions and stimulation and defense of competition. Mr. Nelson was a member of the Board of Directors of Banco do Nordeste do Brasil S.A. and BESC in 2003, both public companies at the time.

Aldemir Bendine

Vice-Chairman of the Board of Directors, CEO and President of the Executive Board of the Bank. Mr. Bendine is the Federal Government's representative appointed by the Finance Minister. He was the Vice-President of Credit and Debit Cards from 2007 to 2009, Vice-President of New Business in Retail Services from 2006 to 2007 and, prior to this, he was the executive manager of the department of cards of the Retail Office from 2004 to 2006. Mr. Bendine has also been chairman of the Board of Directors of BB Gestão De Recursos—DTVM S.A. since April 2009. He was a member of the Board of Directors of Cielo from 2007 to 2009.

Adriana Queiroz de Carvalho

Member of the Board of Directors of Banco do Brasil. Ms. Queiroz de Carvalho is currently Attorney General of the National Treasury, having been a Deputy Attorney General from January, 2006 to 2009. Her main activities include representing the Federal Government in tax lawsuits, collecting credits and advising the Ministry of Finance. Mrs. Queiroz de Carvalho was also a member of the Board of Directors of BESC from 2004 to 2007.

Francisco de Assis Leme Franco

Member of the Board of Directors of Banco do Brasil. Mr. Franco has been a Director at the Executive Secretariat of the Ministry of Planning, Budget and Management since January 2011. His main activities include assisting the Minister in the monitoring and coordination of the activities of the agencies under the Ministry, the activities of administrative modernization of the Ministry, and the activities under the federal systems of planning and budget, accounting, financial management, information and IT resources management, human resources and general services. Mr. Franco was also Adjunct Executive-Secretary of the Finance Ministry from 2007 to 2011, and Chief of Staff for the Ministry of Social Security from 2005 to 2007.

Sérgio Eduardo Arbulu Mendonça

Member appointed by minority shareholders. Mr. Mendonça is currently Technical Supervisor of the "Departamento Intersindical de Estatística e Estudos Socioeconômicos" —Dieese's subsection of the *Federação Única dos Petroleiros*. Mr. Mendonça has been a member of the Board of Directors of Petrobras Gás S.A.—GASPETRO since 2006. He has been a member of the Board of Directors of CEAGESP-Companhia de Entrepósitos e Armazéns Gerais de São Paulo since 2005. From 2004 to 2005 he was a member of the Board of Directors of BESC. Mr. Mendonça was also Secretary of the Ministry of Planning, Human Resources, from 2003 to 2007.

Bernardo Gouthier Macedo

Member appointed by minority shareholders. He was a member of the Audit Committee of the Bank from 2004 to 2005. Since 2004, he has been the partner of LCA Consultores and director responsible for the department of "Law Economics" and management of the company.

Henrique Jäger

Member appointed by minority shareholders. Mr. Jäger has been a member of the Board of Directors of Telemig Celular since 2006 and a Coordinator of the Inter-Union Department of Statistics and Socio-Economic Studies—Dieese's subsection of the *Federação Única dos Petroleiros* since 2003. At Dieese, he is responsible for collective bargaining, labor union research, labor market research and group mediation activities.

Executive Board

In accordance with the Bank's by-laws, the Executive Board consists of at least 10 and at most 37 members. The CEO of the Bank is appointed and removed by the President of Brazil. The Executive Board may have up to nine Vice-Presidents and up to 27 Executive Officers. All officers are elected by the Board of Directors with terms of office of three years, except the President, who is appointed and dismissed by the President of the Federative Republic of Brazil, all members of the Executive Board must be active employees of the Bank. Officers may be re-elected.

The Executive Board consists of the CEO, the Vice-Presidents and the Executive Officers. Within the Executive Board, the CEO and Vice-Presidents comprise the Board of Officers. The Executive Board has its duties and rights set forth in the Bank's by-laws. The duties of the Board of Officers include: (i) approval and enforcement of the allocation of funds for operating and investment activities; (ii) authorization of the sale of permanent assets of the Bank, mortgages on its assets and guarantees for the obligations of third parties; and (iii) oversight regarding the internal organization of the Bank, the administrative structure and the creation, termination and functioning of the committees and administrative units.

Officers are responsible for carrying out decisions made in meetings of the Bank's shareholders and Board of Directors, as well as joint decisions of the Board of Officers and Executive Board.

As of September 30, 2011, the Executive Board consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Aldemir Bendine ⁽¹⁾	CEO	Appointed on April 22, 2009	Indefinite
Alexandre Corrêa Abreu.....	Vice-President	September 16, 2010	August 2013
Allan Simões Toledo.....	Vice-President	September 16, 2010	August 2013
Danilo Angst.....	Vice-President	September 16, 2010	August 2013
Ivan de Souza Monteiro.....	Vice-President	September 16, 2010	August 2013
Geraldo Afonso Dezena da Silva.....	Vice-President	September 16, 2010	August 2013
Osmar Fernandes Dias.....	Vice-President	April 18, 2011	August 2013
Paulo Rogério Caffarelli.....	Vice-President	September 16, 2010	August 2013
Robson Rocha.....	Vice-President	September 16, 2010	August 2013
Adilson do Nascimento Anisio.....	Officer	September 16, 2010	August 2013
Admilson Monteiro Garcia.....	Officer	September 16, 2010	August 2013
Amauri Sebastião Niehues.....	Officer	September 16, 2010	August 2013
Antonio Pedro da Silva Machado.....	Officer	February 25, 2011	August 2013
Armando Medeiros de Faria.....	Officer	September 16, 2010	August 2013
Ary Joel de Abreu Lanzarin.....	Officer	September 16, 2010	August 2013
Carlos Eduardo Leal Neri.....	Officer	September 16, 2010	August 2013
Clenio Severio Teribele.....	Officer	September 16, 2010	August 2013
Dan Antônio Marinho Conrado.....	Officer	September 16, 2010	August 2013
Edson de Araújo Lobo.....	Officer	September 16, 2010	August 2013
Gueitiro Matsuo Genso.....	Officer	September 16, 2010	August 2013
Ives César Fulber.....	Officer	May 16, 2011	August 2013
José Maurício Pereira Coelho.....	Officer	September 16, 2010	August 2013
Luis Henrique Guimarães de Freitas	Officer	September 16, 2010	August 2013

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Márcio Hamilton Ferreira	Officer	September 16, 2010	August 2013
Marco Antonio Ascoli Matroeni.....	Officer	September 16, 2010	August 2013
Marco Antonio da Silva Barros	Officer	September 16, 2010	August 2013
Nilson Martiniano Moreira	Officer	September 16, 2010	August 2013
Paulo Roberto Evangelista de Lima..	Officer	September 16, 2010	August 2013
Paulo Roberto Lopes Ricci	Officer	November 10, 2010	August 2013
Renato Donatello Ribeiro	Officer	September 16, 2010	August 2013
Sandro José Franco.....	Officer	July 7, 2010	August 2013
Sandro Kohler Marcondes	Officer	September 16, 2010	August 2013
Sérgio Ricardo Miranda Nazaré	Officer	November 10, 2010	August 2013
Walter Malieni Junior.....	Officer	September 16, 2010	August 2013

Note: —

- (1) The President (CEO) of the Bank, in accordance with Article 24, item I of the by-laws, is appointed and dismissed by the President of the Federative Republic of Brazil.

Biographical Information

The biographical information of the current members of the Executive Board, except for Mr. Aldemir Bendine (which is included in the biographical information of the members of the Board of Directors), is as follows:

Alexandre Corrêa Abreu

Vice-President of Retail, Distribution and Operations. He was an executive manager in the Retail area from 2006 to 2007; Debit and Credit Card officer from August 2007 to August 2008; and Insurance, Pension Plans and Funding officer from August 2008 until April 2009. He also performed part of the activities of the Vice-President of Credit, Controlling and Risk Management in June 2010. Mr. Abreu was also a member of the Board of Directors of Banco Nossa Caixa in 2009 and of the Board of Directors of Cielo from 2006 to 2008.

Allan Simões Toledo

Vice-President of International Business, Wholesale and Private Bank. Mr. Toledo was Commercial officer from January 2008 to April 2009; General Manager of the São João corporate branch (State of São Paulo) from August 2004 to October 2005 and executive manager of structured operations from November 2005 to January 2008. He has been the Chairman of the Board of Directors and CEO of Besc S.A. Arrendamento Mercantil—Besc Leasing since 2008 and a member of the Board of Directors of the public company Neoenergia S.A. since 2009.

Danilo Angst

Vice-President of Credit, Controlling and Risk Management. At the Bank, he was state superintendent of the State of Rio de Janeiro from July 2003 to November 2005, superintendent of Retail and Government Business of the State of Paraná from 2005 to 2009 and Distribution and Retail Channels Officer from May 2009 to June 2010. He is also a member of the Supervisory Board of BB Aliança Participações S.A. and BB Seguros Participações S.A.

Ivan de Souza Monteiro

Vice-President of Finance, Capital Markets and Investor Relations. He was commercial supervisor board member of the Commercial Superintendence, Rio de Janeiro from March 2004 to February 2007; general manager of BB Lisboa from February 2007 to January 2008; general manager of BB New York from January 2008 to May 2009; and officer of the Commercial Board from May 2009 to June 2009. He also performed part of the

activities of the Vice-President of Credit, Controlling and Risk Management in June 2010. He was also a member of the Board of Directors of the Brazilian Insurer of Export Credit from 2004 to 2006. Since March 2010, Mr. de Souza Monteiro has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim.

Geraldo Afonso Dezena da Silva

Vice-President of Technology and Logistics. At the Bank, he was state superintendent of the State of Paraíba from February 2003 to November 2005, and of the State of Bahia from November 2005 to August 2007. He was also Distribution Officer from August 2007 to May 2009, Retail Officer from May 2009 to June 2009, and Administrative, Financial and Technology Officer from June 2009 to June 2010.

Osmar Fernandes Dias

Vice-President of Agribusiness and Small Ventures. Mr. Dias is a former Senator of the state of Paraná. He has a degree in Agricultural Engineering from Fundação Faculdade de Agronomia Luiz Meneguel, Bandeirantes (PR).

Sandro José Franco

Officer for the Support of Businesses and Operations. Graduated in Administration, having a Masters in administration from UnB, specialization in the Management of Advanced Businesses come with a Postgraduate in Marketing and International Finance, in addition to MBA for the General Formation of Senior Executives. Formerly occupied the post of General Manager of USO.

Paulo Rogério Caffarelli

Vice-President of Business in Retail Services. Mr. Caffarelli was New Retail Businesses officer until April 2009. In 2005, he became the acting officer of Marketing and Communication Management. He was the logistics officer from December 2003 to July 2005. Mr. Caffarelli has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim since March 2010. Mr. Caffarelli has been a member of Board of Directors of Cielo and of the Supervisory Board of Neoenergia S.A. since 2009. He was a member of the Supervisory Board of the public company CELPE—Companhia Energética de Pernambuco from 2008 to 2009.

Robson Rocha

Vice-President of Personnel Management and Sustainable Development. Mr. Rocha was the president of Banco Popular do Brasil S.A. from October 2005 to May 2008 and President of the Deliberative Committee of PREVI and member of the Board of Directors of Nossa Caixa from May 2008 to May 2009. He was member of the Board of Directors of Banco Nossa Caixa from 2008 to 2009.

Adilson do Nascimento Anisio

Operational Assets Restructuring Officer. At the Bank, he was a Regional Superintendent for several States until November 2009, when he became the Operational Assets Restructuring Officer. He was a Regional Superintendent of the City of Bauru from 2004 to 2007, of the State of Piauí from 2005 to 2007, of the State of Ceará from 2007 to 2009 and of the State of São Paulo in 2009, when he became the Operational Assets Restructuring Officer.

Admilson Monteiro Garcia

International Officer. Since 2009 Mr. Garcia has been the Chairman of the Executive Council and of the Executive Committee, as well as the representative of the shareholders of BB Leasing Co. Ltd. (George Town, Cayman Islands), Chairman of the Board of Directors of Banco do Brasil Securities LLC (New York, USA), Chairman of the Supervisory Board of Banco do Brasil AG (Viena, Austria) and Chairman of the Board of Officers of BB Securities Limited (London, UK). He was regional executive manager of the Asia block from July 2007 to June 2009. He was also a member of the council of the Chamber of Commerce Brazil/United Kingdom;

vice-president of the Brazilian American Merchant Bank in the Cayman Islands; and member of the International Bankers Association.

Amauri Sebastião Niehues

Personnel Management Officer. In the Bank, Mr. Niehues was commercial superintendent II from February 2003 to April 2006, Executive Manager from April 2006 to July 2006, retail superintendent of the State of Minas Gerais from July 2006 to November 2008 and general manager of the high-income unit from 2008 to 2009, when he became Personal Management Officer.

Antonio Pedro da Silva Machado

Legal Officer. Mr. Machado has worked at the Bank since 2005. He was the legal executive manager from December 2005 to February 2011. His main activities include legal advice with respect to proceedings involving the Bank in Brazilian courts and regulatory agencies, as well as management of employees, products, resources and results related to the Bank's legal department.

Armando Medeiros de Faria

Marketing and Communications Officer. At the Bank, he was special assistant to the Presidency and coordinator to the Public Communication Division, from September 2003 to May 2009; assistant to the Presidency from May 2009 to November 2009 and has been Marketing and Communications Officer since November 2009.

Ary Joel de Abreu Lanzarin

Distribution and Retail Channels Officer. At the Bank, Mr. Lanzarin was state superintendent from May 2000 to May 2009 and was a Micro and Small Companies Officer until July 2010.

Carlos Eduardo Leal Neri

Employee Relations and Sponsored Entities Officer. At the Bank, he was executive manager of the Employee Relations and Socio-Environmental Responsibility Board from April 2003 to September 2007. He was also president of CASSI from September 2007 to May 2009, and has been Employee Relations and Sponsored Entities Officer since 2009.

Clenio Severio Teribele

Director of Micro and Small Businesses. Mr. Teribele has been the Bank's state manager in Rio Grande do Sul (2009-2010) and Pará (2005-2009), executive manager of the Agribusiness Division (2003-2005), and regional manager in Curitiba, Paraná, and Porto Alegre and Pelotas, Rio Grande do Sul (1998-2003). Mr. Teribele has been the Director of Micro and Small Businesses since July 2010.

Dan Antônio Marinho Conrado

São Paulo Distribution Officer. At the Bank, he was state superintendent of the States of Mato Grosso and Santa Catarina from April 2003 to September 2007; superintendent of the Government Board of the North, Northeast and Center-West regions from September 2007 to June 2008; Marketing and Communications Officer from May 2009 to November 2009; and Distribution Officer since November 2009.

Edson de Araújo Lôbo

Security Management Officer. At the Bank, he was superintendent of security and general manager of the security management unit from September 2006 to August 2007 and Security Management Officer since August 2007. Mr. Lobo has been an alternate member of the Board of Directors of Companhia de Seguros Aliança Brasil since 2009. His main activities include managing process for information technology security, anti-money laundering and fraud prevention.

Gueitiro Matsuo Genso

Director of Lending and Financing. Mr. Genso has worked at the Bank since 1985. He has worked as the Bank's market manager for the commercial department (2003-2004), regional manager of retail in Garulhos, São Paulo (2005-2006), executive manager of the Retail Division (2007-2008), and Director of Products of Banco Nossa Caixa (2009). Mr. Genso has been the Director of Lending and Financing since September 2010.

Ives César Fülber

Agribusiness Officer. Mr. Fülber has been working at the Bank since 1982 and acted in branches and superintendencies in the states of Rio Grande do Sul, Pará, Rio de Janeiro, Espírito Santo and São Paulo. He worked previously as an Executive Manager of the Agribusiness Department, Vice-President of Retail and Distribution and in the Department of Government Affairs. He also worked overseas, as a representative in Washington D.C. and as a Regional Manager in Buenos Aires.

José Maurício Pereira Coelho

Capital Markets and Investments Officer. At the Bank, he was previously a Manager of the Capital Markets and Investments Division from September 2000 to September 2007, and Manager of the Insurance, Pension Plans and Funding Division from September 2007 to August 2009. He has been Capital Markets and Investments Officer since 2009.

Luiz Henrique Guimarães de Freitas

Director of Technology. Mr. Freitas has worked at the Bank for approximately 23 years. He has worked at the Bank's IT department since 1990, managing the Technology Integration Unit since July 2009, which was responsible for the development of technology for the integration of recently acquired banks. He was the executive manager of the Corporate Systems Division, which includes compensation systems, online systems, demand deposits and corporate cards.

Márcio Hamilton Ferreira

Financial Officer. Mr. Ferreira was commercial superintendent in Rio de Janeiro from March 2004 to June 2007 and Capital Markets and Investments officer from June 2007 to August 2009. He has been Financial Officer since 2009. His main activities include management of employees, products, resources and results related to the Bank's financial information.

Marco Antonio Ascoli Matroeni

Strategy and Organization Officer. At the Bank, he was executive manager of budget and analysis from December 2003 to January 2008 and also executive manager of Organizational Architecture in the Strategy and Organizational Department from January 2008 to May 2009. Mr. Matroeni has been an Officer of Besc S.A. Arrendamento Mercantil, Bescredi—BESC Financeira S.A. Crédito, Financiamentos e Investimentos and BESC Distribuidora de Títulos e Valores Mobiliários S.A since October 2008.

Marco Antonio da Silva Barros

Insurance, Pension Plans and Funding Officer. At the Bank, he was commercial superintendent from April 2000 to March 2008. He also was commercial officer of Brasilprev Seguros from March 2008 to May 2009. Mr. Barros has been Insurance, Pension Plans and Funding Officer since 2009.

Nilson Martiniano Moreira

Internal Controls Officer. Graduated in Economics Sciences, with an Executive MBA in Finance and General Formation for the Senior Executives MBA. He has worked as an Executive Manager of the Distribution Division, and as a Commercial Superintendent. Previously he worked as a Director of the Controlling Department.

Paulo Roberto Evangelista de Lima

Internal Control Officer. Prior to his current position, he was executive manager of the Internal Control unit from June 2000 to May 2007. He was also a member of the supervisory board of CPFL—Companhia Paulista de Força e Luz—Distribuição e Geração from 2002 to 2004, a member of the supervisory board of Distribuidora de Produtos de Petróleo Ipiranga from 2004 to 2006, both public companies. Mr. Lima has been a member of the Customers' Council of TAM S.A. since 2004 and a member of the Board of Directors of CELESC—Centrais Elétricas de Santa Catarina S.A. since 2008, both of which are public companies.

Paulo Roberto Lopes Ricci

Risk Management Officer. At the Bank, he was Superintendent of Retail Businesses in Sao Paulo from 2009 to 2010 and Director of Banco Nossa Caixa during the integration period with Banco do Brasil from April 2009 to December 2009, where he served as director of Network and Distribution. He was also Superintendent of Retail Businesses and Government of Santa Catarina (2007 to 2009), Superintendent of Retail Businesses and Government of Tocantins (2005 to 2007) and Executive Manager at the Distribution Department (from 2003 to 2005).

Renato Donatello Ribeiro

Controlling Officer. Prior to his current position, he was the Finance and Investments officer Brasilprev Seguros from October 2004 to May 2009. He has been a director of Pronor Petroquímica S.A., a Brazilian public company, since January 2010.

Sandro Kohler Marcondes

Commercial Officer. He was managing officer of BB Leasing S.A.—Arrendamento Mercantil from July 2005 to January 2008 and International Officer from January 2009 to June 2009. Mr. Marcondes has been Commercial Officer since 2009. Mr. Marcondes has also been a director of Vale S.A. since 2007.

Sérgio Ricardo Miranda Nazaré

Retail Officer. Mr. Nazaré was Government Relations Officer from July 2005 to November 2010. He was also Superintendent Officer of BB Previdência from July 2003 to July 2005 and a member of the Supervisory Board of Telemar Norte Leste S.A. from 1999 to 2002 and of Randon S.A. from April 2006 to April 2008. He has also been a member of the Board of Directors of Kepler Weber S.A. since April 2009.

Walter Malieni Júnior

Credit Officer. At the Bank, he was corporate superintendent from August 2006 to May 2009. He was also commercial officer at Aliança do Brasil from July 2003 to August 2006. Mr. Malieni Júnior has been a director of Neoenergia S.A. since 2009.

Supervisory Board

The Supervisory Board consists of five incumbent members (and their respective alternates), who are elected each year at the annual shareholders meeting. Minority shareholders are entitled to elect two members to the Supervisory Board. The Supervisory Board is required to meet at a general meeting once a month, and for special meetings whenever it is deemed necessary by any of its members or the Bank's management.

In addition to the duties set forth in the Brazilian Corporation Law and in Banco do Brasil's bylaws, Article 3 of the Internal Rules of the Supervisory Board sets forth the following duties of the Supervisory Board: (I) analyze the proposed Annual Internal Audit Activity Plan and oversee the implementation thereof; (II) request the internal audit department to deliver reports on the Bank's management measures, and settle specific issues therein; (III) act on the Board's Internal Rules; and (IV) review the management's actions for compliance with their legal and statutory duties.

As of September 30, 2011, the Supervisory Board consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Marcos Machado Guimarães	Head officer	April 27, 2011	April 2012
Danielle Ayres Delduque.....	Alternate	April 27, 2011	April 2012
Anelize Lenzi Ruas de Almeida	Head officer	April 27, 2011	April 2012
Daniele Russo Barbosa Feijó.....	Alternate	April 27, 2011	April 2012
Daniel Sigelmann	Head officer	April 27, 2011	April 2012
Edécio de Oliveira	Alternate	April 27, 2011	April 2012
Pedro Carvalho de Mello	Head officer	April 27, 2011	April 2012
Luiz Alberto Pereira de Mattos.....	Alternate	April 27, 2011	April 2012
Clovis Ailton Madeira	Head officer	April 27, 2011	April 2012
Fernando Alves de Almeida	Alternate	April 27, 2011	April 2012

Biographical Information

Biographical information on each member of the Supervisory Board is set forth below.

Marcos Machado Guimarães

Federal Government representative. Mr. Guimarães has been the General Coordinator of Economic Affairs of the Finance Ministry since 2007. His activities include matters relating to the international economy and sustainable development, with an emphasis on expansion of foreign trade, price stability and fiscal responsibility, as well as coordinating subjects related to the International Monetary Fund, the World Bank and meetings of G-20, among others.

Danielle Ayres Delduque

Federal Government alternate representative. Mrs. Delduque has been the Coordinator of International Economic Communications for the Secretariat of International Affairs of the Finance Ministry since 2007. She has also been a Finance and Control Analyst for the National Treasury Secretariat of the Finance Ministry since 1998.

Anelize Lenzi Ruas de Almeida

Federal Government representative. Mrs. Almeida was a Public Attorney for the National Treasury General Attorney's Office for the year of 2009, representing the Finance Ministry in tax proceedings. Since December 2009, Mrs. Almeida has been Chief of Staff of the National Treasury General Attorney's Office, where she provides legal advice to the Finance Ministry.

Daniele Russo Barbosa Feijó

Federal Government alternate representative. Mrs. Feijó was a member of the Supervisory Board of BB Administradora de Consórcios S.A. from 2005 to 2007, of Caixa Econômica Federal from 2006 to 2007 and of Companhia Urbanizadora da Nova Capital do Brasil from 2007 to 2009. Mrs. Feijó has been Officer of Corporate Management of the Attorney General Office of the National Treasury since 2009, where she was also General Coordinator of Management and Planning from 2004 to 2006 and Collection Manager from 2007 to 2008. From 2007 to 2009 she was also General Coordinator of Human Resources in the Ministry of Treasury.

Daniel Sigelmann

National Treasury representative. Mr. Sigelmann has been the General Coordinator of COAPI of the National Treasury Secretary since August 2004. His activities consist of assisting and supporting the Secretary of the Treasury in his duties related to public investment.

Edécio de Oliveira

Federal Government alternate representative. Mr. Oliveira works as General-Coordinator of Financial Relations and Analysis of States and Municipalities for the National Treasury since 2004, and his main activities include assisting the Secretary on subjects related to policies and standards for the improvement of the relationship between the Federal Government, States and Cities.

Pedro Carvalho de Mello

Representative appointed by minority shareholders. Mr. Mello has been a professor and coordinator of the International Institute for Professional Development and Associate Professor of Graduate Studies and Post-Graduate of the School of Economics, at the University of São Paulo, since 1994. He is also Coordinator of the International Department of Fundação Getulio Vargas since 2001, partner of Nebel P. Mello Consultores Associados S/C Ltda. since 1991 and founding member of the Latin America Shadow Financial Committee since 2000.

Luiz Alberto Pereira de Mattos

Alternate representative appointed by the minority shareholders. He was a member of the Supervisory Board at Sadia S.A. from 2008 to 2010 and member of the Supervisory Board of Cobrascam Shopping Center from 1998 to 2004. Mr. Pereira de Mattos was also partner of Lopes Filho & Associados and of SLM & Lopes Filho from 1991 to 2007, providing services as analyst of capital markets. He has been a professor at UFRJ—Federal University of Rio de Janeiro since 1996 and partner of Confiance Inteligência Empresarial since 2008.

Clóvis Ailton Madeira

Representative appointed by minority shareholders. Mr. Madeira has been an officer of the accounting firm Directa Auditores since 1979, responsible for the management of accounting services provided for several clients. Mr. Madeira has been a member of the Managing Committee of the External Quality Review Program, a body established by Federal Accounting Council, since 2001.

Fernando Alves de Almeida

Alternate representative appointed by minority shareholders. Mr. Almeida was the president of Fundação Estadual de Engenharia do Meio Ambiente until 2009. He has also been part of the sustainability council of Alcoa Alumínio S.A since 2003 and has been an analyst of sustainable development for Radio Eldorado Ltda. since 2009. Mr. Almeida has also been a member of the Board at the United Nations University's Institute of Advanced Studies and Professor at Fundação Dom Cabral since 2004, and Chief Executive Officer of the Brazilian Corporate Council for Sustainable Development since 1997.

Audit Committee

The responsibilities of the Bank's Audit Committee include: (i) assisting the Board of Directors in matters pertaining to the Bank's internal audit, including assigning duties and monitoring; (ii) supervising the activities and analyzing the work of the Bank's independent accountants; and (iii) exercising its functions and duties in companies controlled by the Bank that adopt a sole audit committee regime.

The Audit Committee was created on a permanent basis in accordance with the bylaws of the Bank, and consists of three members and one alternate elected by the Board of Directors, all for a one year term, renewable for a maximum period of five years.

On April 27, 2011, the Bank's Board of Directors extended the term of office of each member of the Audit Committee and Executive Board until August 2013.

The following are the members of the Audit Committee:

Name	Title	Election Date	Term of Office Ends
José Danúbio Rozo	Permanent	April 27, 2011	August 2013
José Gilberto Jaloretto	Permanent	April 27, 2011	August 2013
Celene Carvalho de Jesus	Permanent	April 27, 2011	August 2013
Arno Meyer	Alternate	April 27, 2011	August 2013

In addition to other statutory duties, the Audit Committee has the following responsibilities: (i) recommend independent accountants to the Board of Directors to serve as (or replace) outside auditors, as necessary; (ii) review drafts of the Bank's Financial Statements and notes, management reports and audit reports; (iii) supervise the accounting and auditing of the Bank, including compliance with internal procedures, regulations and codes and applicable legislation; (iv) evaluate the implementation of recommendations made by independent accountants or by the management on internal audit procedures; (v) receive and disseminate information on any noncompliance with internal procedures or applicable legislation to the Bank, as well as to instruct managers on internal controls and procedures to be adopted, including specific provisions for the protection of service providers and confidential information; (vi) recommend to the Executive Board any correction or improvement of policies, practices or procedures identified during the supervision process; (vii) verify at quarterly meetings with the Executive Board the implementation of its recommendations or clarification of its inquiries; (viii) recommend to the Executive Board the establishment of audit committees in affiliated companies, if necessary at its discretion, in accordance with applicable legislation; (ix) consider, prior to the approval of the Board of Directors, the annual plans for internal audit activities, the annual report on the internal audit activities and the semi-annual report on internal controls; and (x) inform the Central Bank, within three days of identifying the problem, of the existence of or evidence that an error or fraud has occurred.

Compensation

The Brazilian Corporations Law provides that it is the responsibility of the shareholders to set the individual or overall management compensation amount at the annual meeting of shareholders. Whenever this amount is set on an overall basis, the Board of Directors will decide on the manner of allocating this set amount among its members and the Executive Board.

The general shareholders' meeting held on April 27, 2011, established the global compensation of the Bank's directors and officers, for the period from April 2011 to March 2012, of R\$39 million, which include monthly salaries, annual bonus, profit sharing, variable compensation, union fees, life insurance, health insurance, housing costs and transfer costs. At the same meeting, it was established that the monthly salaries for members of the Board of Directors and Supervisory Board is set on one-tenth of the average monthly salary of members of the Executive Board, not including payments related to profit sharing, variable compensation, annual bonus, union fees, life insurance, health insurance, housing costs and transfer costs.

The table below sets out the overall management compensation for the six-month period ended September 30, 2011 and the years ended December 31, 2010, 2009 and 2008.

	As of	As of December 31,		
	September 30,	2010	2009	2008
	2011	<i>(in thousands of R\$)</i>		
Board of Directors	130	255	237	203
Supervisory Board	112	213	197	171
Executive Board	8,311	26,190	25,378	20,810
Total	8,553	26,658	25,812	21,185

The following tables set out the highest, lowest and average individual management compensation for the years ended December 31, 2010, 2009 and 2008.

Year Ended 2010	Board of Directors	Supervisory Board	Executive Board
		<i>(in R\$)</i>	
Highest individual compensation	42,574	42,574	854,882
Lowest individual compensation	42,574	42,574	666,485
Average individual compensation	42,574	42,574	717,527

Year Ended 2009	Board of Directors	Supervisory Board	Executive Board
		<i>(in R\$)</i>	
Highest individual compensation	39,467	39,467	742,075 ⁽¹⁾
Lowest individual compensation	39,467	39,467	588,363 ⁽²⁾
Average individual compensation	39,467	39,467	708,293 ⁽³⁾

- (1) Total annual compensation of the Bank's CEO in 2009.
(2) Total annual compensation of an officer of the Bank in 2009.
(3) The average amount is the division of R\$25,378,134 by 35.8.

Year Ended 2008	Board of Directors	Supervisory Board	Executive Board
		<i>(in R\$)</i>	
Highest individual compensation	34,279	34,279	672,884 ⁽¹⁾
Lowest individual compensation	34,279	34,279	552,507 ⁽²⁾
Average individual compensation	34,370 ⁽³⁾	34,279	578,054

- (1) Total annual compensation of the Bank's CEO in 2008.
(2) Total annual compensation of an officer of the Bank in 2008.
(3) The average annual compensation differs from the highest and lowest individual compensation amounts due to the fact that the average number of members of the Board of Directors is calculated by simple arithmetic average, without taking into consideration the weight of the compensation during the relevant months.

Employees

Overview

As of September 30, 2011, the Bank had approximately 113,594 employees and 9,750 trainees.

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
Number of Employees.....	113,594	109,026	103,971	88,970

Compensation

The basic compensation provided to the Bank's employees consists of personal allowances and job allowances. Personal allowances include (i) standard wages in the form of a monthly salary; (ii) personal adjustments to standard wages which provide differences in standard wages for administrative and technical positions; (iii) additional standard wages for support services positions (created after a restructuring from 1982, soon to be cancelled); and (iv) an additional allowance for service time, provided to employees hired through August 31, 1996, to replace a monthly bonus. Job allowances include (i) a basic additional job allowance paid as basic compensation for commissioned positions; (ii) a temporary additional allowance for jobs with eight-hour shifts; and (iii) a basic additional job allowance which supplements the basic additional job allowance for commissioned positions with eight-hour shifts, in cases where the sum of the basic additional job allowance and temporary additional allowance is less than one-third of a clerk's salary.

Variable Compensation

The profit sharing program provides for semi-annual payment to the Bank's employees and is composed of two modules:

- The FENABAN Module corresponds to 45% of the basic compensation, subject to increase by a fixed amount defined in the agreement. Basic compensation includes the amount of compensation for different positions or jobs effectively held or performed during the six-month period.
- The BB Module is composed of two portions: (i) a fixed portion which corresponds to 4% of the Bank's net income recorded in the semi-annual balance sheet, proportionally divided between employees (for purposes of determining the fixed portion, the number of employees corresponds to the sum of days worked by each employee, divided by the number of days in the six-month period); and (ii) a variable portion which is equivalent to the product of a number of salaries multiplied by the basic compensation, out of which the FENABAN module and the fixed portion of BB module are subtracted. Receipt of the variable portion during the six-month period must be compliant with the employment agreement.

Relationship between the Bank and Labor Unions

Historically, Banco do Brasil has maintained a collegial relationship with unions by prioritizing communication and working towards negotiated solutions. The Bank's organizational structure includes executive officers responsible for focusing on relationships with employee unions.

Banco do Brasil exceeds statutory requirements by adopting a permanent collective bargaining model, mutually agreed upon with the unions, with periodic meetings scheduled to discuss employment matters. In addition, the Bank holds monthly topic-specific round tables to discuss matters such as occupational health and working conditions, supplementary pension plans, compensation and outsourcing.

The Bank recognizes a union representative, as provided for in its Collective Bargaining Agreement, and grants to such representative the same rights conferred upon the union leader, pursuant to Article 543 of the Consolidated Labor Laws (CLT).

These measures have been taken by the Bank to comply with current legislation, to provide a collegial work environment and to maintain a constant relationship with employee unions.

PRINCIPAL SHAREHOLDERS

As of September 30, 2011, the Bank's outstanding capital stock was R\$33,077,996,200.75, composed of 2,860,729,247 common and registered book-entry shares with no par value, all of which was fully paid-up. The Bank's capital stock consists solely of common shares.

The ordinary general shareholders' meetings of the Bank are held annually in April of each year and the extraordinary general shareholders' meetings may be held at any time whenever the Bank's interests so require. The Bank does not have a shareholders' agreement.

The table below sets out the Bank's outstanding capital stock as of September 30, 2011. The Federal Government holds equity interests in the Bank, directly or indirectly, through the National Treasury and government-controlled funds. In addition, PREVI holds 10.4% of the Bank's capital stock. Minority shareholders hold the remaining 30.4%:

Shareholder	Shares	%
Federal Government	1,693,134,063	59.1
National Treasury	1,483,734,063	51.9
Fundo Garantidor à Exportação	139,400,000	4.9
Fundo Fiscal de Investimentos e Estabilização	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.3
BNDESPar	235,119	0.0
PREVI	296,593,611	10.4
Directors and Officers	27,474	0.0
Free Float	875,425,755	30.5
Treasury	32	0.0
Total	2,865,417,020	100.0

Note: Includes "C" series subscription warrants.

Shareholders of the Bank, and applicable assignees, were entitled to preemptive rights with respect to the shares issued by the Bank in connection with the primary offering and in accordance with the Brazilian Corporations Law, to be exercised within an allotted three-day period. At an extraordinary general shareholders' meeting held on May 19, 2010 and in accordance with the Brazilian Corporations Law, the shareholders of the Bank approved (i) the Bank's primary offering of common shares within the limit set forth in the Bank's bylaws and (ii) the delegation of power to the Board of Directors of the Bank to set the per-share price of the shares offered in this offering at a meeting to be held prior to the effectiveness of the offering registration statement declared by the CVM in accordance with the bookbuilding process with respect to this offering. On June 30, 2010, the Board of Directors approved the process to set the per-share price under the offering.

National Treasury

As of September 30, 2011, the National Treasury, was the controlling shareholder of the Bank, with 1,483,734,063 common shares, representing 51.9% of the total capital stock of the Bank.

PREVI

As of September 30, 2011, PREVI held 296, 593,611 common shares of the Bank, representing 10.4% of its total capital stock.

BNDESPAR

As of September 30, 2011, BNDESPAR held 235,119 common shares of the Bank, representing 0.01% of its total capital stock.

Dividends

On May 3, 2011 and August 3, 2011, the Bank's Board of Officers approved the distribution of R\$449.0 million and R\$595.3 million, respectively, which was paid out to shareholders as dividends on May 27, 2011 and August 26, 2011, respectively.

In addition, on March 15, 2011 and June 7, 2011, the Bank's Board of Officers approved the distribution of R\$723.9 million and R\$736.7 million, respectively, which was paid out to shareholders as "Interest on Own Capital" on May 27, 2011 and August 26, 2011, respectively.

As a result, a total of R\$2,504.9 million will be distributed to shareholders, totalling a 40% return to shareholders for the first half of 2011.

RELATED PARTY TRANSACTIONS

Related party transactions may be carried out provided that they are in the best interest of the Bank and its shareholders and conducted pursuant to Article 115 of the Brazilian Corporations Law. The Bank enters into such transactions during the ordinary course of its business, with terms and conditions that are standard for the market in which it operates and are in compliance with the Bank's bylaws.

Related Party Transactions:

CMN Resolution No. 3,750/09 of the National Financial System regulation requires financial institutions to disclose their transactions with related parties. Similarly, CVM Resolution No. 560/08 sets forth the disclosure of such information in the Company's financial statements. This accounting rule determines the level at which the Company's financial position and results were affected by the related party transactions.

At Banco do Brasil, related party transactions are entered into under normal market conditions and generally under the terms and conditions applicable to similar transactions, including interest rates and guarantees, excluding unusual receipt risks. As for operations in the usual course of business inherent to financial intermediation activities, these operations are performed in accordance with applicable provisions issued by the CMN and Central Bank of Brazil, which regulate the National Financial System.

The Bank carries out banking transactions (non-interest bearing and interest bearing deposits, loans and committed operations) with related parties, generally under the same terms and conditions as with other clients. The Bank has also entered into related-party service agreements and guarantees. Transactions and operations with the controlling shareholder include activities with the National Treasury and certain departments of the Federal Government, which maintain banking operations with Banco do Brasil.

The disclosure of related party transactions included in the notes to the Bank's financial statements also consider Supplementary Law No. 105/2001, the Bank Confidentiality Law, which provides for the confidentiality of certain services and active and passive operations. Moreover, in compliance with the Bank Confidentiality Law, balances of products and services provided to related parties are totaled for disclosure purposes.

Summary of Transactions with Related Parties

The Bank's balance of assets and liabilities and results from transactions with related parties are as follows for the dates and periods indicated:

As of September 30, 2011						
Controlling Shareholders ⁽¹⁾	Affiliates ⁽²⁾	Subsidiaries ⁽²⁾	Joint Control Subsidiaries ⁽²⁾	Key Management Personnel ⁽³⁾	Other Related Parties ⁽⁴⁾	Total
<i>(in thousands of R\$)</i>						
Assets						
Interbank deposits.....	—	—	22,328,788	259,953	—	22,588,741
Securities	—	510	64,831	116,080	—	181,421
Loans	963,538	—	26,708	32,322	484,938	1,507,506
Receivables.....	—	—	217,502	—	—	217,502
Other assets.....	—	—	109,694	777,149	—	886,843
Total.....	963,538	510	22,747,523	1,185,504	484,938	25,382,013

As of September 30, 2011

	Controlling Shareholders ⁽¹⁾	Affiliates ⁽²⁾	Subsidiaries ⁽²⁾	Joint Control Subsidiaries ⁽²⁾	Key Management Personnel ⁽³⁾	Other Related Parties ⁽⁴⁾	Total
<i>(in thousands of R\$)</i>							
Liabilities							
Demand deposits.....	726,120	2,428	192,714	32,518	1,296	866,110	1,821,186
Savings deposits	—	—	—	—	1,053	—	1,053
Remunerated Time Deposits	—	809,871	6,390,862	328,536	4,514	5,616,810	13,150,593
Deposits received under security repurchase agreements	—	—	1,102,741	2,074,528	—	760,080	3,937,349
Borrowings and transfers—							
BNDES	0	0	0	0	0	25,566,469	25,566,469
FINAME.....	0	0	0	0	0	14,650,861	14,650,861
Others	1,617,757	—	13,119,852	0	0	269,021	15,005,630
Borrowings and onlendings.....	—	—	—	—	—	13,791,467	13,791,467
Other Liabilities	—	—	97,682	776,940	—	76,077	950,699
Total.....	2,343,877	812,299	20,903,851	3,212,522	6,863	61,595,895	87,054,121
Results Statements							
Income from interest and services....	60,783	1,194	544,721	72,491	—	449,325	1,128,514
Funding Expenses.....	(42,359)	(32,752)	(403,259)	(4,815)	(464)	(1,118,385)	(1,602,034)
Net Total.....	18,424	(31,558)	141,462	67,676	(464)	(669,060)	(473,520)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.

(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."

(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.

(4) Includes private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, Fundação Codesc de Seguridade Social—Fusesc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil—FBB.

As of December 31, 2010

	Controlling Shareholders ⁽¹⁾	Affiliates ⁽²⁾	Subsidiaries ⁽²⁾	Joint Control Subsidiaries ⁽²⁾	Key Management Personnel ⁽³⁾	Other Related Parties ⁽⁴⁾	Total
<i>(in thousands of R\$)</i>							
Assets							
Interbank deposits.....	—	—	14,960,687	75,078	—	—	15,035,765
Securities	—	27,988	5,632	92,574	—	—	126,194
Loans	947,969	—	48,602	86,706	—	798,938	1,882,215
Receivables.....	—	—	29,570	—	—	—	29,570
Other assets.....	—	—	402,472	318,106	—	135,926	856,504
Total.....	947,969	27,988	15,446,963	572,464	—	934,864	17,930,248
Liabilities							
Demand deposits.....	816,374	5,680	51,353	50,069	522	1,226,662	2,150,660
Savings deposits	—	—	—	—	1,117	—	1,177
Remunerated time deposits	—	708,689	3,492,926	1,159,700	5,636	7,115,485	12,482,436
Repo operations taken.....	—	—	1,174,729	—	—	528,713	1,703,442
Borrowings and onlendings.....	1,512,821	—	9,443,002	—	—	37,697,421	48,653,245
Other Liabilities	—	—	31,075	113,117	—	121,355	265,547
Total.....	2,329,195	714,369	13,321,822	1,322,886	7,275	46,689,636	65,256,507
Guarantees and other recourses	—	—	339,713	5,661,572	—	—	2,474,133
Results Statements							
Income from interest and services..	87,957	165,570	1,578,538	165,570	—	427,908	3,307,850
Funding expenses.....	(170,672)	(21,951)	(385,147)	(21,951)	(838)	(2,400,736)	(2,999,236)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.

(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."

(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.

(4) Includes private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, Fundação Codesc de Seguridade Social—Fusesc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil—FBB.

The table below sets out the Bank's balance of transactions with related parties, by segment, as of December 31, 2010:

As of December 31, 2010						
	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
Assets	<i>(in thousands of R\$)</i>					
Interbank deposits	13,047	3,641	236	60	-	1,103
Securities	11,531	3,504	-	-	-	156
Loans	-	-	-	-	-	-
Receivables	1,083	-	-	-	-	749
Other assets	3	3	4	19	-	1
Liabilities						
Demand deposits	15,456	1,083	710	354	861	46,792
Savings deposits	876	1	1	19	23	1,230
Remunerated Time Deposits	-	-	-	-	-	1
Repo operations taken Borrowings and transfers—BNDES.	7	11	709	330	38	608
Borrowings and transfers— FINAME	-	-	-	-	-	24,938
Other borrowings and transfers	-	-	-	-	-	12,613
Other Liabilities	10,956	-	-	-	-	147
Results Statements						
Income from interest and services	1,142	445	12	556	71	1,902
Funding Expenses	1,572	460	41	581	105	547
Net Total	431	15	53	25	34	2,441

The table below sets out the Bank's balance of transactions with related parties, by related party, as of September 30, 2011 and December 31, 2010.

	Controlling Shareholders		Affiliates and Subsidiaries		Joint Control Subsidiaries		Other Related Parties	
	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10
<i>(in thousands of R\$)</i>								
Assets								
Interbank deposits	-	-	22,328,788	14,960,687	259,953	75,078	-	-
Loans	963,538	947,969	26,708	48,602	32,322	86,706	484,938	798,938
Liabilities								
Remunerated time deposits	-	-	7,200,733	4,201,615	328,536	1,159,700	4,514	7,115,485
Repo operations taken	-	-	1,102,741	1,174,729	2,074,528	-	760,080	528,713
Borrowings and onlendings	1,617,757	1,512,821	13,119,852	9,443,002	-	-	40,485,351	37,697,421
Other Liabilities	-	-	97,682	31,075	776,940	113,117	76,007	121,355

The table below sets out the Bank's transactions with related parties below R\$300 million, including demand deposits, savings deposits, remunerated time deposits, repurchase agreements, and borrowings and transfers:

	As of December 31, 2010	
	Average Amount	Largest Single Amount
<i>(in thousands of R\$)</i>		
Assets		
Interbank deposits	25,026	75,078

	As of December 31, 2010	
	Average Amount	Largest Single Amount
	<i>(in thousands of R\$)</i>	
Securities.....	25,239	92,574
Loans.....	155,708	86,706
Receivables.....	2,688	18,507
Other assets.....	71,375	318,106
Liabilities		
Demand deposits.....	76,791	49,468
Savings deposits.....	-	-
Remunerated Time Deposits.....	656,337	94,025
Repo operations taken.....	99,408	297,525
Other borrowings and transfers.....	553,300	147,079
Other Liabilities.....	24,141	113,117

Relationships with Management

As of September 30, 2011 the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 27,463 of the Bank's common shares. The members of the Bank's Executive Board, or persons related to them, collectively hold 24 Series C Warrants.

Relationships with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of September 30, 2011, the Federal Government, the Bank's controlling shareholder, held 1,693,134,063 common shares, representing 59.3% of its voting capital and capital stock. As described below, the fact that the Federal Government controls the Bank means that the Bank is one of the principal enforcers of its credit policy.

With respect to the relationship between the Bank and its controlling shareholder, the Bank is required to: (i) perform certain duties and services in its role as financial agent of the National Treasury and certain other functions assigned to it by law; (ii) extend financing in respect of governmental interests and execute certain official programs through the application of Federal Government funds or funds of any other nature; and (iii) render guarantees in favor of the Federal Government, and any of the above transactions should comply with the provisions of the Bank's bylaws.

The Government Market

In the Government Market, the Bank's clients include the Federal Government, Brazilian states, the Federal District and municipalities, and their respective directly or indirectly related entities, in the executive, legislative and judicial branches of government. The Bank, in its role as credit agent, provides funds to the Federal Government to invest in public policies.

Credit Programs

The Bank acts as a financial agent for BNDES/FINAME, aimed at generating development, employment and income. As of April 30, 2011, the Bank (not including Banco Nossa Caixa S.A., or Banco Nossa Caixa or Nossa Caixa) onlent R\$4.3 billion in funds from BNDES, representing 18.3% of the total volume of such loans. In addition, the Bank allocates significant funds to finance the activities of micro, small- and medium-sized enterprises.

PROGER Rural is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. The Brazilian Family Agriculture Program (*Programa Nacional de Agricultura Familiar*) ("PRONAF") targets the financing of agricultural activities in general. As of September 30, 2011, the volume of the Bank's operations onlent to the agricultural sector (under the *PROGER Rural* and PRONAF programs) was R\$4.1 billion.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of April 30, 2011, funds lent by the Bank under the FINAME program totaled R\$1.9 billion. This amount represents a liability vis-à-vis BNDES.

The Bank administers and acts as financial agent for the Midwest Constitutional Financing Fund (*Fundo Constitucional de Financiamento do Centro-Oeste*) ("FCO"), the constitutional financing fund created by Law No. 7,827/89 dated September 27, 1989 to contribute to the economic and social development of the Brazilian Midwest region through financing programs for various economic sectors, including agriculture, livestock, agribusiness, mining, tourism, trade and services. As of September 30, 2011, the volume of funds directed to these programs was R\$3.4 billion, which was accounted for as subordinated debt, because of these loans' long-term nature and lower collection priority.

Rural Policy

The Bank is largely responsible for implementing much of the Federal Government's agricultural policy. The rural portfolio of the National Financial System (*Sistema Financeiro Nacional*) totalled R\$131.8 billion as of September 30, 2011. Of the national totals, Banco do Brasil accounted for R\$83.1 billion as of September 30, 2011, making it a leader in the National Financial System, with a market share of 61.6%, according to data from the Central Bank. For further information on agribusiness credit, see "Business—Description of Business and Services—Banking Services—Agribusiness Loans."

DESCRIPTION OF THE NOTES

This section describes the general terms and provisions of the indenture, the Notes and the Guarantee. The description of certain provisions of the indenture, the Notes and the Guarantee does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture, the Notes and the Guarantee, including the definitions therein of certain terms. We urge you to read each of the indenture and the form of the Notes because they, and not this description, define your rights as a Noteholder. The indenture is incorporated by reference and forms part of this offering memorandum. In case of any conflict regarding the rights and obligations of the Holders of the Notes under the indenture, the Note, the Guarantee, and this offering memorandum, the terms of the indenture will prevail. The indenture will be available on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. Capitalized terms used but not defined shall have the meanings assigned to such terms in the indenture.

General

The issuer will issue the Notes under an indenture, dated as of November 23, 2011 (the “indenture”), between Banco do Brasil S.A. (the “Bank”), Banco do Brasil S.A., acting through its Grand Cayman branch, as issuer (the “Issuer”), Banco do Brasil S.A., acting through its New York branch, as guarantor (the “Guarantor”), Deutsche Bank Trust Company Americas as trustee (the “trustee”) and Deutsche Bank Luxembourg S.A., as Luxembourg transfer agent and Luxembourg paying agent.

The Notes will have the following basic terms:

- The Notes issued in this offering will be in an aggregate principal amount of U.S.\$500,000,000. The principal amount of the Notes will be payable in full at par in a single payment on January 23, 2017.
- The Notes will bear interest at a fixed rate of 3.875% per annum (the “note rate”), from November 23, 2011, except that interest on unpaid principal after the maturity date and interest on any overdue interest will accrue at the note rate plus 1% per annum. Interest on the Notes will be paid semiannually in arrears on January 23 and July 23 of each year, commencing on July 23, 2012, to the Noteholders registered as such as of the close of business on the day preceding the interest payment date (whether or not a business day). Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.
- The Notes will initially be issued in the form of one or more fully registered Global Notes. The Notes will be issued only in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. For more information about the form of the Notes and their clearance and settlement, see “Form of the Notes.”
- The Notes will be fully and unconditionally guaranteed on a senior unsecured basis by the Guarantor.

The Guarantor will unconditionally and irrevocably guarantee all payments payable by the Issuer on the Notes. In the event that the Issuer fails to make any payment due under the Notes in accordance with the terms thereof, payment under the Guarantee will be made by the Guarantor upon written demand of the trustee, or in limited instances, upon written demand of the Noteholders. The Guarantee will be a direct, unconditional, unsecured and unsubordinated obligation of the Guarantor and will rank *pari passu* with all other unsecured, unsubordinated obligations of the Guarantor, subject to customary exceptions.

Availability of Claims

Claims against the Issuer or the Guarantor for payments under the Notes or the Guarantee will not be available beyond six years from the date on which the relevant payment became due.

Additional Notes

The indenture will provide that, from time to time, without notice or the consent of the Noteholders, additional Notes (with substantially identical terms and conditions as these Notes, except for issue price, issue date and date

from which the interest will accrue) may be issued upon satisfaction of the conditions set forth in the indenture; provided that if the additional notes are not fungible with the Notes for United States federal income tax purposes, the additional notes will have a separate CUSIP number. Any additional Notes may be issued on terms established pursuant to a resolution of the board of directors of the Issuer and Guarantor, which will also establish the aggregate principal amount of each tranche delivered to the trustee, or pursuant to a supplemental indenture. Any additional tranches of Notes issued in accordance with the terms of this paragraph and the original Notes will be treated as a single series for all purposes under the indenture.

Ranking

The Notes and the Guarantee will be senior unsecured obligations of the Issuer and the Guarantor, respectively, and will, other than as set forth below, at all times rank *pari passu* in right of payment with all their other senior unsecured obligations.

The Notes will be subordinated to (1) all of the secured indebtedness of the Issuer and the Guarantor with respect to the value of the assets securing that indebtedness, and (2) certain direct, unconditional and unsecured general obligations that in case of the Issuer's or the Guarantor's insolvency are granted preferential treatment pursuant to Brazilian law or New York law, respectively.

As of September 30, 2011, the Bank had indebtedness outstanding as disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

The terms and conditions of the Notes and the Guarantee do not limit the amount of senior indebtedness that the Issuer, the Guarantor or the Bank may hereafter incur.

Notes Guarantee

The Guarantor will unconditionally and irrevocably guarantee, on a senior unsecured basis, all payments payable by the Issuer pursuant to the Notes and the indenture.

The Guarantee will terminate upon discharge of the Notes, as provided in "—Satisfaction and Discharge," or upon defeasance of the Notes, as described under the caption "—Defeasance."

Listing

The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and it has made an application for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange.

Payments of Principal and Interest

The Issuer, or the Guarantor, as the case may be, will make all payments of principal on the Notes, together with accrued and unpaid interest thereon, to the paying agent or the trustee on the day before the payment date. Payment of the principal of the Notes, together with accrued and unpaid interest thereon, will be made or procured to be made on the payment date therefor by the paying agent, by wire transfer to a U.S. Dollar account maintained by the payee at a bank in New York City to the Person in whose name the Note is registered on the day before that payment date, as of the close of business, New York time. If appropriate wire transfer instructions are not received by the trustee for such payee, then payment shall be made by U.S. dollar check drawn on a bank in New York City.

In the event that any payment date is not a business day, defined below, then payment of the interest, principal or redemption amount payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay).

"Business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in Brasília, São Paulo, New York City, or the Cayman Islands.

Additional Amounts

All payments of principal and interest on the Notes by the Issuer in respect of the Notes or the Guarantor in respect of the Guarantee will be made without withholding or deducting any present or future taxes, penalties, fines, duties, assessments or other governmental charges of any nature (which the Bank refers to collectively as “taxes”) imposed by Brazil, the Cayman Islands, Luxembourg, the United States of America or by the jurisdiction of any successor to the Issuer or the Guarantor in the event of a consolidation, merger, transfer or conveyance, or in the event that the Issuer appoints additional paying agents, by the jurisdictions of such additional paying agents, or, in each case, any political subdivision or governmental authority of those jurisdictions having power to tax (each, a “taxing jurisdiction”) unless such taxes are required by law to be deducted or withheld. If the Issuer or the Guarantor is required by law to withhold or deduct any such taxes, except as provided below, it will pay the Noteholders or the trustee or other paying agent, as the case may be, any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction (“additional amounts”). The Issuer or the Guarantor will not, however, pay any additional amounts in connection with any taxes imposed due to any of the following (“excluded additional amounts”):

- the Noteholder or beneficial owner has some connection with the taxing jurisdiction other than merely holding the Notes or receiving principal or interest payments on the Notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);
- any tax that is payable other than by deduction or withholding from payments on or in respect of any Note or the Guarantee;
- the Noteholder or beneficial owner fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the taxes, (2) the Noteholder or beneficial owner is able to comply with those requirements without undue hardship and (3) the Issuer or the Guarantor has given all Noteholders at least 30 days’ prior notice before any such withholding or deduction that they will be required to comply with such requirements;
- the Noteholder fails to surrender (where surrender is required) its Note within 30 days after the Issuer or the Guarantor has made available to the Noteholder a payment of principal or interest; provided that the Issuer or the Guarantor will pay additional amounts to which a Noteholder would have been entitled had the Note owned by such Noteholder been surrendered on any day (including the last day) within such 30 day period;
- any estate, inheritance, gift, value added, use or sales taxes or any similar taxes;
- where any such withholding or deduction is imposed on a payment on the Notes to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this directive;
- where the Noteholder or beneficial owner could avoid withholding or deduction by requesting that a payment on the Notes be made by, or presenting the relevant Notes for payment to, another paying agent located in a member state of the European Union; or
- any combination of the above.

The Issuer or the Guarantor will make any required withholding or deduction and remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law. The Issuer or the Guarantor will furnish to the trustee, within 30 days after the date of payment of any such taxes, certified copies of tax receipts or other documentation reasonably satisfactory to the trustee evidencing that payment. Upon written request by a

Noteholder, copies of those receipts or other documentation, as the case may be, will be made available to such Noteholder.

The Issuer or the Guarantor will pay any stamp, administrative, court, documentary, excise or property taxes arising in a taxing jurisdiction in connection with the Notes and will indemnify the Noteholders for any such taxes paid by Noteholders, *provided* that such payment is duly documented.

All references to principal, interest, or other amounts payable by the Issuer in respect of payments under the Notes or the Guarantor in respect of payments under the Guarantee in this Offering Memorandum are deemed to include any additional amounts payable by the Issuer or the Guarantor, as applicable. The obligations to make payments of additional amounts with respect to principal, interest or other amounts payable on the Notes will survive any termination, defeasance or discharge of the Notes and the indenture.

If the Issuer or the Guarantor is required at any time to pay additional amounts to Noteholders pursuant to the terms of the Notes and the indenture, the Issuer or the Guarantor will use commercially reasonable efforts to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the taxes which have resulted in the requirement that the Issuer pay additional amounts.

The Issuer or the Guarantor has also agreed, if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 are implemented, to maintain a paying agent in a member state of the European Union that will not be obligated to withhold or deduct tax under the applicable directive.

Certain Covenants

For so long as any of the Notes are outstanding and any amount remains unpaid under the indenture and the Notes, the Issuer and Guarantor will comply with the terms of the covenants described below, among others:

Performance of Obligations Under the Notes and the Indenture

The Issuer will pay all amounts owed by it under the terms of the Notes and the indenture and the Guarantor will pay all amounts owed by it under the terms of the Guarantee and the indenture.

Negative Pledge

The Bank will not, and will procure each of its Subsidiaries not to, directly or indirectly, create or permit to exist any Security upon or with respect to the whole or any part of their respective assets, present or future (including any uncalled capital), to secure any of its or such Subsidiary's Public External Indebtedness, other than in respect of Public External Indebtedness not exceeding U.S.\$50,000,000 in aggregate nominal amount, without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as is consented to by the holders of a majority in aggregate principal amount of the Notes then outstanding.

For the purposes of this section of the "Description of the Notes," the following terms have the meaning specified herein:

(1) "External Indebtedness" means Indebtedness which is payable (or may be paid) (1) in a currency or by reference to a currency other than the currency of Brazil and (2) to a person resident or having its principal place of business outside Brazil.

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

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

(4) "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.

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

(6) “Subsidiary” means, at any particular time, in respect of a company or corporation, any company or corporation:

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

provided, however, that for the purposes of the caption entitled “—Negative Pledge,” none of (1) COBRA-Computadores e Sistemas Brasileiros S.A., (2) any company or corporation which does not conduct financial services, investment services or banking business as its principal business, or (3) any company or corporation permitted to be excluded from this definition with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, shall be deemed to be a Subsidiary of the Bank or any of their Subsidiaries.

Maintenance of Approvals

The Issuer and the Guarantor will obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of the Cayman Islands, Brazil, New York or any other jurisdiction having jurisdiction over it, its business or the transactions contemplated herein, as well as of any third party under any agreement to which the Issuer may be subject, in connection with its execution, delivery and performance of the transaction documents or validity or enforceability thereof.

Maintenance of Books and Records

The Issuer and the Guarantor will maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared, and it will allow the trustee access to those books, accounts and records at reasonable times.

Maintenance of Office or Agency

The Issuer and the Guarantor will maintain an office or agency in the Borough of Manhattan, The City of New York where Notes may be presented for payment or for exchange, transfer or redemption and where notices to and demands upon the Issuer in respect of the indenture and the Notes may be served. Initially this office will be the corporate trust office of the trustee, Deutsche Bank Trust Company Americas located at 60 Wall Street, 27th Floor, MSNYC60-2710, New York, NY 10005, and the Issuer and the Guarantor will agree not to change the designation of such office without prior notice to the trustee and designation of a replacement office, in the Borough of Manhattan, The City of New York.

Use of Proceeds

The Bank expects to use the net proceeds from the offer and sale of the Notes for its general corporate purposes. See “Use of Proceeds.”

Notice of Certain Events

The Issuer will give notice to the trustee, promptly and in any event within ten days after it becomes aware of the occurrence of any event of default under the indenture or event that, with the giving of notice, lapse of time or other conditions, would become an event of default.

If a responsible officer of the trustee has actual knowledge or written notice of an event of default or an event that, with the giving of notice, lapse of time or other conditions, would become an event of default, the trustee will give notice of that event to the Noteholders within 30 days after it is actually known to the trustee. The trustee may withhold notice to the Noteholders of such an event (except the non-payment of principal or interest) if its board of

directors or a committee of its trust officers determines in good faith that withholding notice is in the interests of the Noteholders.

Within 90 days after the end of each fiscal quarter of each fiscal year (other than the final fiscal quarter of any fiscal year) and 150 days after the end of each fiscal year of the Issuer, the Issuer shall provide to the trustee for further delivery to any Noteholder, upon such Noteholder's written request, copies of unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal semester or a fiscal year) consolidated financial statements in English, in each case accompanied by an opinion from an independent auditor; *provided* that any such financial statements will be deemed to have been delivered on the date on which the Issuer has posted such financial statements on its website at www.bb.com.br (it being understood that the Issuer shall promptly provide such other information as the trustee may reasonably request and that the Issuer may provide without violating any applicable law).

The Issuer will provide to the trustee, together with each of the financial statements described above, a compliance certificate stating that it has fulfilled its agreements under the indenture and that no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred during that period or, if one or more have actually occurred, specifying those events and what actions have been taken and will be taken with respect to each such event.

Further Actions

The Issuer and the Guarantor, as the case may be, will, at its own cost and expense, take any action at any time required, as necessary or as reasonably requested by the trustee, in accordance with applicable laws and regulations, to be taken in order:

- to enable it to lawfully to enter into, exercise its rights and perform its obligations under the Notes, the indenture and the Guarantee;
- to ensure that its respective obligations under the Notes, the indenture, and the Guarantee are legally binding and enforceable;
- to make the Notes, the indenture and the Guarantee admissible in evidence in the courts of the State of New York, Brazil or the Cayman Islands;
- to enable the trustee to exercise and enforce its rights under and carry out the terms, provisions and purposes of the indenture, the Notes and the Guarantee;
- to take any and all actions necessary to preserve the enforceability of, and maintain the trustee's rights under the indenture, the Notes and the Guarantee; and
- to assist the trustee, to the extent reasonably practicable, in the trustee's performance of its obligations under the indenture, the Notes and the Guarantee.

Appointment to Fill a Vacancy in the Office of the Trustee

Whenever necessary to avoid or fill a vacancy in the office of the trustee, the Issuer will appoint a successor trustee so that there will at all times be a trustee with respect to the Notes.

Maintenance of Existence

Subject to the covenant described in “—Consolidation, Merger, Conveyance or Transfer,” the Issuer and Guarantor will do all things necessary to preserve and keep in full force and effect their corporate existence and rights; *provided, however*, that the Issuer and Guarantor will not be required to preserve any such right if their respective boards of directors determine in good faith that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Noteholders.

Consolidation, Merger, Conveyance or Transfer

The Issuer or the Guarantor will not, without the consent of Noteholders holding no less than 66 2/3% in aggregate principal amount of the Notes outstanding, consolidate with or merge into any other person or convey or transfer either of all or substantially all of their properties and assets or all or substantially all of their properties, assets and liabilities (including the Notes issued under the indenture) to any other person unless thereafter:

- the person formed by such consolidation or into which the Issuer or the Guarantor is merged, or the person which acquires all or substantially all of the Issuer's or the Guarantor's properties and assets or all or substantially all of the Issuer's or the Guarantor's properties, assets and liabilities (including the Notes issued under the indenture), expressly assumes the due and punctual payment of the principal of and interest on all the Notes and the performance or observance of every covenant of the indenture and the Notes on the part of the Issuer or the Guarantor, as the case may be, to be performed or observed;
- immediately after giving effect to such transaction, no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default, has occurred and is continuing and no covenant or agreement in the indenture and the Notes has been materially breached; and
- the person formed by such consolidation or into which the Issuer or the Guarantor is merged, or the person which acquires either all or substantially all of its properties and assets or all or substantially all of the Issuer's or the Guarantor's properties, assets and liabilities (including the Notes issued under the indenture) delivers to the trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and, if a supplemental indenture is required in connection with the transaction, the supplemental indenture comply with the indenture and that all conditions precedent in the indenture relating to the transaction have been complied with.

In addition, the conditions set out above only apply in the event that the Issuer or the Guarantor wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Issuer and Guarantor will not need to satisfy these conditions if they enter into other types of transactions, including any transaction in which they acquire the stock or assets of another entity, any transaction that involves a change in the Issuer's or the Guarantor's control but in which they do not merge or consolidate, and any transaction in which the Issuer or the Guarantor sells less than substantially all of their assets.

Redemption

No Redemption by the Issuer prior to the Maturity Date

Except as described under “—Optional Tax Redemption,” the Notes will not be subject to redemption by the Issuer prior to the maturity date.

No Optional Redemption by Noteholders

Noteholders shall have no right to request that the Issuer redeem all or any portion of the Notes prior to the maturity date.

Optional Tax Redemption

The Issuer, the Guarantor or any successor to the Issuer or the Guarantor may redeem the Notes in whole, but not in part, following the occurrence of a Tax Event upon not less than 30 nor more than 60 days prior notice to the Noteholders. In the case of redemption following a Tax Event, the Issuer, Guarantor or any such successor will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest, if any, through the date of such redemption, including any additional amounts.

Before giving notice of redemption, the Issuer, Guarantor or any such successor shall deliver to the trustee an officers' certificate stating that (1) subject to the obtaining of any pending necessary approvals, the Issuer, Guarantor or any such successor is entitled to effect such redemption in accordance with the terms of the indenture

and stating the facts relating thereto and (2) the Issuer, Guarantor or any such successor took all commercially reasonable measures available to avoid payment of the additional amounts. The statement shall be accompanied by a written opinion of legal counsel of recognized standing, reasonably acceptable to the trustee, to the effect that (x) the Issuer, Guarantor or any such successor has or will become obligated to pay the additional amounts and (y) that all approvals necessary for the Issuer, Guarantor or any such successor to effect the 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 are still necessary but have not been obtained.

“Tax Event” means a determination by the Issuer, Guarantor or any such successor that immediately prior to the giving of the proper notice with respect to the relevant interest payment date that the Issuer, Guarantor or any such successor would, for reasons outside its control, be obligated to pay additional amounts in excess of additional amounts which the Issuer, Guarantor or any such successor would be obligated to pay if payments of interest under the Notes were subject to withholding or deduction at a rate of (a) 15% in case of any taxes imposed by Brazil, (b) 25% in case of taxes imposed by Brazil on amounts paid to residents of countries in which income is either tax-exempt or subject to an income tax rate capped at 20% or where the laws of that country or location impose restrictions on the disclosure of (1) shareholding composition; or (2) the ownership of the investment; or (3) the beneficial ownership of income paid to non-resident persons, pursuant to Law No. 9,779, dated January 19, 1999, (c) 0% in the case of any taxes imposed by the Cayman Islands, or (d) the applicable tax rate in effect with respect to any other jurisdiction in which a paying agent is located on the date the Issuer, Guarantor or any such successor appoints such paying agent and, in each such case, the Issuer, Guarantor or any such successor cannot avoid such circumstance by taking commercially reasonable measures.

Open Market Purchases of Notes by the Issuer

The Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group may purchase any Notes in the open market or otherwise at any price. Any such purchased Notes may not be re-issued or resold except in accordance with applicable securities and other laws. In determining whether Noteholders holding any requisite principal amount of Notes have given any request, demand, authorization, direction, notice, consent or waiver under the indenture, Notes owned by the Issuer or any subsidiary, and known by a responsible officer of the trustee to be so owned, will be deemed not outstanding for purposes thereof. The Issuer may at any time deliver to the trustee for cancellation any Notes previously authenticated and delivered pursuant to the indenture which the Issuer may have acquired in any manner whatsoever.

Events of Default

The following events will each be an event of default under the terms of the Notes and the indenture:

- the Issuer or the Guarantor fails to make any principal payment on any of the Notes when it becomes due and payable, whether on the maturity date, upon redemption or otherwise;
- the Issuer or the Guarantor fails to make any interest payment or any payment of additional amounts in accordance with the terms of the Notes and the indenture, and the continuance of such default for a period of 15 days;
- the Issuer or the Guarantor fails to perform or observe any other term, covenant, warranty, or obligation in respect of the Notes, the Guarantee or the indenture, not otherwise expressly defined as an event of default in the first and second bullets above, and the continuance of such default for more than 60 days after written notice of such default has been given to the Issuer or the Guarantor by the trustee or to the Issuer or the Guarantor and the trustee by the holders of at least 25% in aggregate principal amount of the Notes outstanding specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default;”
- if (1) any of the Bank’s External Indebtedness or that of its Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described) or (2) the Bank or any of its Subsidiaries fails to make any payment in respect of any such External Indebtedness, on the due date for such payment (or within any originally applicable grace or cure period) or (3) the Bank or any of its Subsidiaries fail to make any payment when due (or within any originally applicable grace period in

respect thereof) under any present or future guarantee given by the Bank or such Subsidiary (as the case may be) in relation to any External Indebtedness, provided that no such event as aforesaid shall constitute an event of default unless such External Indebtedness either alone or when aggregated with other External Indebtedness in respect of which one or more of the events mentioned in this paragraph has occurred shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for any relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates);

- one or more final non-appealable judgments or orders for the payment of money in the aggregate are rendered against the Bank or any of its Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against the Bank and/or any of the Bank's Subsidiaries to exceed U.S.\$50,000,000 or the equivalent thereof at the time of determination (in excess of amounts which insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- the Bank ceases to be owned as to at least 51% of its voting share capital by the Government of Brazil;
- the Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases to be for any reason in full force and effect, or the Guarantor denies or disaffirms its obligations under the Guarantee; or
- the Issuer or the Guarantor becomes insolvent or winds up, dissolves or undergoes similar changes, as applicable.

The indenture provides that (1) if an event of default (other than an event of default described in the last bullet above) shall have occurred and be continuing with respect to the Notes, either the trustee or the holders of not less than 25% of the total principal amount of the Notes then outstanding may declare the principal of all outstanding Notes and the interest accrued thereon, if any, to be due and payable immediately and (2) if an event of default described in the last bullet above shall have occurred, the principal of all outstanding Notes and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any Noteholder. In addition, if the Issuer makes payments described in this paragraph from Brazil, it may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil and effect applicable registrations with the electronic system of the Central Bank ("SISBACEN") in relation to those payments.

At any time after a declaration of acceleration, the holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee, subject to the limitations specified in the indenture. Subject to the provisions of the indenture relating to the trustee's duties, the trustee will be under no obligation to exercise any of its rights and powers under the indenture unless it has been offered an indemnity and/or security to its reasonable satisfaction against the costs, expenses and liabilities it may reasonably incur.

No Noteholder will have any right to institute any proceeding with respect to the indenture or the Notes or for any remedy thereunder unless the Noteholder has previously given written notice to the trustee of a continuing event of default under the Notes or the continuing breach of a covenant contained in the indenture, the Noteholders of not less than 25% in aggregate principal amount of the outstanding Notes have made a written request to the trustee to institute proceedings in respect of the event of default or breach in its own name as trustee, the Noteholders have offered to the trustee indemnity and/or security satisfactory to it, the trustee for 60 days thereafter has failed to institute any such proceeding and no direction inconsistent with that request has been given to the trustee during that 60-day period by the holders of a majority in aggregate principal amount of the outstanding Notes. However, the right of any Noteholder to institute a suit for the enforcement of the payment of principal or interest on the due date therefor may not be impaired without its consent.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default under the indenture except an uncured default in the payment of principal of or interest on the Notes or an uncured default relating to a covenant or provision of the indenture that cannot be modified or amended without the consent of each affected Noteholder.

Modification of the Indenture

Changes Not Requiring Approval

The Issuer, the Guarantor and the trustee may, without the consent of the Noteholders, amend, waive or supplement the indenture or the Notes for certain specified purposes, including (1) curing any ambiguity, defect or inconsistency in the indenture or the Notes, which is of a formal, minor or technical nature or is made to correct a manifest or proven error, and which cure does not adversely affect the interest of the Noteholders in any material respect, (2) complying with the consolidation, merger, sale or conveyance covenant (see “—Covenants—Consolidation, Merger, Sale or Conveyance”), (3) evidencing and providing for the acceptance of an appointment by a successor trustee, (4) providing for uncertificated Notes in addition to or in place of certificated Notes, (5) providing for any guarantee of the Notes, securing the Notes or confirming and evidencing the release, termination or discharge of any additional guarantee of or lien securing the Notes when such release, termination or discharge is permitted by the indenture, (6) providing for or confirming the issuance of additional notes, (7) making any other change that does not materially adversely affect the rights of any Noteholder, or (8) conforming the terms of the indenture with the description thereof set forth in this section, in each case as evidenced by an opinion of counsel delivered to the trustee.

Changes Requiring Approval

In addition, the indenture, the Notes and the Guarantee may be modified by the Issuer and the trustee with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding. However, no modification may, without the consent of the Noteholder of each outstanding Note affected thereby:

- change the maturity of any payment of principal of or any installment of interest on any Note;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;
- change any place of payment where the principal of or interest on the Notes is payable;
- change the coin or currency in which the principal of or interest on the Notes is payable;
- impair the right of the Noteholders to institute suit for the enforcement of any payment on or after the date due;
- reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required for any modification of or waiver of compliance with any provision of the indenture or defaults under the indenture and their consequences;
- eliminate or modify in any manner the Guarantor’s obligations with respect to the Guarantee which adversely affects Noteholders in any material respect, except as contemplated in the indenture; or
- modify the provisions summarized in this paragraph or the provisions of the indenture regarding waivers of past defaults, except to increase any percentage or to provide that other provisions of the indenture cannot be modified or waived without the consent of each Noteholder affected thereby.

After an amendment described in the preceding paragraph, the Issuer is required to mail through the trustee, to the Noteholders a notice briefly describing the amendment. However, the failure to give that notice to all the Noteholders, or any defect in the notice, will not affect the validity of the amendment.

A meeting of the Noteholders may be called by the trustee at any time. The Issuer or the holders of at least 10% in aggregate principal amount of the outstanding Notes may call a meeting if the Issuer or said holders have requested the trustee in writing to call such a meeting and the trustee has not given notice of such a meeting within 20 days of receiving the request. Notices of meetings must include the time and place of the meeting and a general description of the action proposed to be taken at the meeting and must be given not less than 30 days nor more than 60 days before the date of the meeting, except that notices of meetings reconvened after adjournment must be given not less than 10 days nor more than 60 days before the date of the meeting. At any meeting, the presence of Noteholders holding Notes in an aggregate principal amount sufficient to take the action for which the meeting was called will constitute a quorum. Any modifications to or waivers of the indenture or the Notes will be conclusive and binding on all holders of Notes, whether or not they have given their consent (unless required under the indenture) or were present at any duly held meeting.

Notes owned by the Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group (as defined by applicable Brazilian laws and regulations), and a responsible officer of the trustee has actual knowledge or written notice of such ownership, will not be considered outstanding for the purpose of determining whether the requisite aggregate principal amount of Notes has concurred in any request, demand, notice, consent or waiver under the indenture.

It is not necessary for the Noteholders to approve the particular form of any proposed modification of the indenture, but it is sufficient if that consent approves the substance of the proposed modification.

Defeasance

The Issuer or the Guarantor may, at its option at any time, with the prior approval of the Central Bank, defease its obligations with respect to the Notes by “legal defeasance” or “covenant defeasance.” In general, upon legal defeasance, the Issuer or the Guarantor will be deemed to have paid and discharged all their respective indebtedness under the Notes and to have satisfied all of their respective obligations under the Notes and the indenture except that the following will survive: (1) the rights of the Noteholders to receive payments of principal of and interest on the Notes (including any additional amounts) when the payments are due, (2) the Issuer’s and Guarantor’s obligations relating to the transfer and exchange of Notes, the payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture and (3) the rights, powers, trusts, duties, immunities and indemnities of the trustee.

In addition, through covenant defeasance, the Issuer or the Guarantor may defease their respective obligations under the covenants described above under the caption “—Certain Covenants,” other than the covenants described under “—Performance of Obligations Under the Notes and the indenture” and “—Use of Proceeds” and certain covenants relating to the deposit of amounts to pay principal and interest on the Notes, actions with respect to paying agents, the return of unclaimed monies and other matters. Following covenant defeasance, the Issuer or the Guarantor, as the case may be, may omit to comply with any defeased covenant, and the provisions with respect thereto will cease to be effective. In the case of defeasance or covenant defeasance, the Guarantee will terminate.

In order to exercise either legal defeasance or covenant defeasance, the Issuer or the Guarantor must satisfy the following conditions:

- the Issuer or the Guarantor must irrevocably deposit with the trustee cash in: (1) U.S. Dollars; or (2) U.S. government obligations; or (3) a combination thereof, in an amount sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the Notes in accordance with the terms of the indenture and the Notes;
- no event of default, or event which with notice or lapse of time or other conditions would become an event of default, has occurred and is continuing on the date of the deposit and, with respect to the winding up, insolvency, dissolution and other events described in the final point under “—Events of Default,” at any time during the period ending on the 123rd day after the date of that deposit or, if longer, ending on the day after the longest applicable preference period relating to that deposit expires;

- the Issuer or the Guarantor must deliver to the trustee an opinion of counsel to the effect that payment of amounts deposited in trust with the trustee will not be subject to future taxes or other governmental charges imposed by any taxing jurisdiction, except to the extent that additional amounts in respect thereof have been deposited in trust with the trustee;
- such defeasance will not result in a breach or violation of any other agreement or instrument to which the Issuer or the Guarantor is a party or by which the Issuer or the Guarantor is bound;
- such defeasance will not result in the trust arising from that deposit constituting an investment company as defined under the U.S. Investment Company Act of 1940, as amended; and
- the Issuer or the Guarantor has delivered a certificate and an opinion of counsel stating that all the conditions to defeasance have been complied with.

Satisfaction and Discharge

The Notes will be deemed to be paid for all purposes under the indenture, and the Issuer's indebtedness under the Notes and the Guarantor's obligations under the Guarantee will be deemed to have been satisfied and discharged if the following conditions are met, among others:

- the Issuer or the Guarantor has either given a notice of redemption and all other conditions to redemption have been met or the Notes have otherwise become due and payable or will become due and payable within one year;
- the Issuer or the Guarantor has irrevocably deposited money in trust with the trustee that will be sufficient to pay when due all the principal of and interest on the Notes to maturity or redemption;
- no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred and is continuing on the date of the deposit, and the deposit will not breach any other instrument to which the Issuer or the Guarantor is a party or by which the Issuer or the Guarantor is bound; and
- the trustee has received an opinion of counsel to the effect that the satisfaction and discharge of the Issuer's indebtedness under the Notes and the Guarantor's obligations under the Guarantee will not be deemed to be a taxable event for the Noteholders for United States income tax purposes, unless the trustee has received documentary evidence that each Noteholder is either not subject to or is exempt from United States income taxation.

The indenture will cease to be of further effect when:

- either (1) all the Notes have been delivered to the trustee for cancellation (other than destroyed, lost or stolen Notes that have been replaced or paid in accordance with the indenture, Notes that are deemed to have been paid as described in the preceding paragraphs and Notes for whose payment money has been deposited in trust or held in trust by the Issuer or the Guarantor and has thereafter been returned to the Issuer or the Guarantor) or (2) all Notes that have not been delivered to the trustee for cancellation have been deemed to have been paid as described in the preceding paragraphs;
- all other amounts due and payable under the indenture have been paid; and
- the Issuer or the Guarantor has delivered to the trustee an officer's certificate and an opinion of counsel stating that the conditions to satisfaction and discharge of the indenture have been complied with.

Notwithstanding the satisfaction and discharge of the Notes and/or the indenture, the Issuer's or the Guarantor's obligations under specified provisions of the indenture and Guarantee relating to the transfer and exchange of Notes, payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture will survive.

Replacement of Notes

If any Note becomes mutilated, destroyed, lost or stolen, the Issuer or Guarantor, as the case may be, will execute and, upon the Issuer's or the Guarantor's request, the trustee will authenticate and deliver a new Note of like tenor, interest rate and principal amount in exchange and substitution for that Note, so long as the Noteholder delivers to the Issuer, the Guarantor, the note registrar and the trustee satisfactory evidence of its ownership and of the destruction, loss or theft of the Note and provides such security or indemnity as they may require to hold them harmless. However, if a mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Issuer may pay the outstanding amounts due under the Note instead of issuing a new Note. Mutilated or defaced Notes must be surrendered before replacements will be issued. The Issuer or the Guarantor, as the case may be, may require that the Noteholder pay any taxes or other expenses in connection with the replacement of the Note.

The Trustee

Deutsche Bank Trust Company Americas is the trustee under the indenture and has been appointed by the Issuer as note registrar and a paying agent with respect to the Notes. The address of the trustee is 60 Wall Street, 27th Floor, MSNYC60-2710, New York, NY 10005.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any Noteholder are subject to the immunities and rights set forth in the indenture.

The Issuer and its affiliates may from time to time enter into banking, trust or other transactions with the trustee and its affiliates in the ordinary course of business.

The trustee and its affiliates may hold Notes in their own names.

Paying Agents; Transfer Agents; Registrar

The Issuer has initially appointed the trustee as paying agent and note registrar. The Issuer may at any time appoint other paying agents, transfer agents and note registrars. However, the Issuer will at all times maintain a paying agent in New York until the Notes are paid.

The Issuer has appointed Deutsche Bank Luxembourg S.A. as Luxembourg transfer agent and Luxembourg paying agent.

Notices

Whenever the indenture requires notice to the Noteholders, such notice will be given, unless the indenture specifies otherwise, by means of:

- first class mail, postage prepaid, to the address of each Noteholder as it appears in the note register; and
- so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, publication in English on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in English in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if that is not practicable, in another English language daily newspaper of general circulation in Europe.

Notice will be deemed to have been validly given on the date of mailing or publication, as the case may be.

Governing Law

The indenture, the Notes and the Guarantee are governed by the laws of the State of New York.

Jurisdiction

The Issuer has consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any of those courts. Service of process in any such action or proceeding may be served upon the Issuer at the offices of the Guarantor, located at 535 Madison Avenue, New York, NY 10022, USA. The Notes and the indenture provide that if the Bank no longer maintains an office in New York City, then the Bank will appoint a new process agent in New York City.

Currency Rate Indemnity

The U.S. Dollar is the sole currency of account for each tranche of the Notes and payment for all sums payable by the Issuer under that tranche of the Notes, including damages. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the Issuer's winding-up or dissolution or otherwise) by a Noteholder with respect to any amount due to it under the Notes will constitute a discharge to the Issuer only to the extent that the Noteholder is able to purchase with the amount it receives or recovers the relevant amount in U.S. Dollars (or if it is not practicable to make a purchase of U.S. Dollars on that date, on the first date on which it is practicable to do so). If the amount in U.S. Dollars is less than the amount expressed to be due to the Noteholder, the Issuer will indemnify the Noteholder against any loss sustained as a result. In any event, the Issuer will indemnify the Noteholder against the cost of any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the Noteholder to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had it made an actual purchase of U.S. Dollars with the amount it received or recovered in the other currency on the date it received or recovered that amount (or, if a purchase of U.S. Dollars on that date had not been practicable, on the first date on which it would have been practicable, so long as the Noteholder certifies the need for the change of date).

These indemnities are a separate and independent obligation from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply regardless of any waiver or extension granted by the Noteholder and will continue in full force and effect in spite of any other judgment or order or the filing of any proof of claim in the winding-up of the Issuer's company for a liquidated sum.

FORM OF THE NOTES

The Notes will be represented by one or more fully registered global notes, without interest coupons, and will be deposited upon issuance with the trustee as custodian for DTC in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant as described below

Except in the limited circumstances described under “—Global Notes,” owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The Notes are not issuable in bearer form.

Global Notes

Upon the issuance of the global notes, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (or DTC Participants) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global note for all purposes under the indenture and the Notes. Unless DTC notifies the Bank that it is unwilling or unable to continue as depository for a global note, or ceases to be a “clearing agency” registered under the Exchange Act, or any of the Notes becomes immediately due and payable in accordance with “Description of the Notes—Events of Default,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of Notes in individual definitive form and will not be considered the owners or holders of the global note (or any Notes represented thereby) under the indenture or the Notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

DTC has advised that it will take any action permitted to be taken by Noteholders (including the presentation of Notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes, which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the Notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

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

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Bank nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (i) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by the Bank within 90 days or (ii) any of the Notes has become immediately due and payable in accordance with “Description of the Notes—Events of Default,” the Bank will issue individual definitive notes in registered form in exchange for the global notes. Upon receipt of such notice from us, DTC or the trustee, as the case may be, the Bank will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with written instructions and other information required by the Bank and the registrar to complete, execute and deliver such individual definitive notes. Individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream, Luxembourg or DTC.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE TAX CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States, European Union and Cayman Islands tax considerations relating to your ownership and disposition of Notes. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States, the European Union or the Cayman Islands and does not address tax treatment of holders of Notes under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisers as to which countries' tax laws could be relevant to them.

Brazilian Tax Considerations

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

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.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Payments on the Notes made by the Issuer

Based on the fact that, as a general rule, the Issuer is considered to be domiciled outside of Brazil for tax purposes, payments of income made to a non-resident holder by the Issuer with respect to Notes issued through its Grand Cayman branch will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with resources held by such entity outside of Brazil.

According to Law No. 10,833/03, of December 30, 2003, gains assessed on the sale or other disposal of assets located in Brazil may be subject to tax in Brazil, regardless of whether the sale or disposal is made by a nonresident holder to a resident or person domiciled in Brazil or another non-resident. Based on the fact that the Notes are issued abroad, by its Grand Cayman branch, the Bank believes 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, it is unpredictable whether such understanding will ultimately prevail in the courts of Brazil. If this understanding does not prevail, gains realised by a non-resident holder from the sale or disposition of the Notes may be subject to income tax in Brazil at a rate of 15% or 25% if the non-resident is located in a tax haven jurisdiction.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil nor any inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of the Notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Payments on the Notes made from Brazil

If the Bank is unable to make payments on the Notes from the Cayman Islands the Bank may make payments from Brazil. Interest (including any original issue discount, as applicable) payable by the Bank to a non-resident holder with respect to the Notes is generally subject to withholding income tax at a rate of 15% or such other lower rate as provided for in an applicable tax treaty between Brazil and another country. According to Normative Ruling 252 of December 3, 2002, or Normative Ruling 252/02, in the event that a non-resident holder is domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of income attributed to non-residents pursuant to Section 23 of Law No. 11,727 enacted on June 23, 2008 and §4° of Law No. 9,430 enacted on December 27, 1996), payments of interest (including any original issue discount, as applicable) are also subject to withholding in respect of Brazilian income tax at the general rate of 15%. However, pursuant to Article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Notes is less than 96 months, the rate applicable to a non-resident holder domiciled in a tax haven jurisdiction is 25% (Article 691, IX of Decree No. 3,000 of March 26, 1999 and Article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that tax authorities could seek to apply the rate of 25%. As described under "Description of the Notes—Additional Amounts," certain holders, regardless of the rate of Brazilian withholding tax to which they are subject, may be entitled to receive additional amounts to ensure that they receive the same amounts as they would have received without such withholding.

Additionally, Law No. 11,727 created the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or tax it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing and thin capitalization rules, it is unclear whether such concept would also apply to investments carried out in the Brazilian financial and capital markets for purposes of this law.

There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, the Bank is unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the "privileged tax regime" concept shall be applicable to deem a Non-Resident Holder as a Tax Haven Resident when carrying out investments in the Brazilian financial and capital markets. However, in the event that the "privileged tax regime" concept is interpreted to be applicable to transactions carried out in the Brazilian financial and capital markets, this tax law would accordingly result in the imposition of taxation to a Non-Resident Holder that meets the privileged tax regime requirements in the same way applicable to a Tax Haven Resident.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the 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 beneficiary by the state in which such Brazilian resident resides.

Pursuant to Decree No. 6,306, of December 14, 2007, as amended, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the Tax on Foreign Exchange Transactions – IOF/*Câmbio*. Currently, the IOF/*Câmbio* rate is 0.38% for nearly all transfers of foreign currency into *reais*. According to Section 15-A, XXII of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans dated as from April 7, 2011, for inflow of proceeds into Brazil, are subject to IOF/*Câmbio* at a zero percent rate. The rate is 6% for the conversion of foreign loans with an average term of less than 720 days into Brazilian currency. However, the federal Government may increase the current IOF/*Câmbio* rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Certain U.S. Federal Income Tax Considerations

The discussion of tax matters in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the offering. Each taxpayer should seek advice based on its particular circumstances from an independent tax adviser.

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their "issue price," which is set out on the cover page of this Offering Memorandum;
- Notes held as capital assets; and
- U.S. holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- U.S. holders whose functional currency is not the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, each as currently in effect, changes to any of which subsequent to the date of this Offering Memorandum may affect the tax consequences described below. Persons considering purchasing Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any U.S. state, local or foreign taxing jurisdiction.

U.S. holders

As used herein, the term "U.S. holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. A partnership considering an investment in Notes should consult its own tax advisers about the consequences to its partners of the acquisition ownership or other disposition of Notes by the partnership.

Payments of stated interest

Interest paid on a Note (and additional amounts, if any) will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in determining the U.S. holder's ability to claim foreign tax credits.

Under the terms and conditions of the Notes, the Bank is required to gross up for certain withholding taxes. For U.S. federal income tax purposes, U.S. holders will be treated as having received the amount of any such taxes withheld by the Bank and as then having paid over the withheld taxes to the relevant taxing authorities. As a result of this rule, the amount included in gross income for U.S. federal income tax purposes by a U.S. holder with respect to a payment of interest, plus any additional amounts with respect thereto, will be greater than the amount of cash actually received (or receivable) by the U.S. holder from the Bank with respect to the payment. Subject to certain limitations, a U.S. holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for the income taxes withheld by us. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Interest received or accrued on the Notes generally will constitute "passive category income." Any election to deduct foreign taxes instead of claiming foreign tax credits must apply to all applicable foreign taxes paid or accrued in the taxable year. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their advisers with respect to the application of these rules to their particular circumstances.

Sale, exchange or retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize U.S. source capital gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid stated interest on the Note, which will be treated as a payment of interest (as described above under "*Payments of stated interest*"). Gain or loss realized on the sale, exchange or retirement of a Note will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. holder has held the Note for more than one year. The ability to recognize capital losses is subject to limitations.

Gain realized by a U.S. holder on the sale, exchange or retirement of a Note generally will be treated as U.S. source income. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex. U.S. holders should consult their advisers with respect to the application of these rules to their particular circumstances.

Information reporting and backup withholding

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 taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

U.S. holders should consult their tax advisers regarding any reporting or filing obligations that may arise as a result of their acquiring, owning or disposing of the Notes, including recently enacted reporting requirements that apply to certain securities of non-U.S. financial institutions.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types

of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

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, it is not intended as tax advice and it does not consider tax consequences other than those arising under Cayman Islands law.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES, JURISDICTIONS FROM WHICH THE BANK MAY DERIVE ITS INCOME OR CONDUCT ITS ACTIVITIES AND JURISDICTIONS WHERE INVESTORS ARE SUBJECT TO TAXATION.

Taxation of the Issuer

Under existing Cayman Islands law, save for stamp duty, the Bank is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

The Issuer was registered as a foreign company under Part IX of the Companies Law on 28 July 1976 and granted a Class B (unrestricted) banking license to operate in the Cayman Islands under the Banks and Trust Companies Law (2009 Revision) of the Cayman Islands.

Taxation of the Noteholders

Payments of interest and principal in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note, and gains derived from the disposal of Notes, will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Note (or the legal personal representative of such holder) whose Note is brought into or executed in the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under Cayman Islands law on the Note.

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

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

CERTAIN ERISA AND OTHER CONSIDERATIONS

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

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded.

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

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

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

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

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement dated November 16, 2011 (the "Purchase Agreement") among the Bank and the Initial Purchasers, the Bank has agreed to sell, and the Initial Purchasers have agreed, severally not jointly, subject to certain conditions, to purchase, the following principal amount of Notes:

Initial Purchasers	Principal Amount
BB Securities Limited	U.S.\$100,000,000
Banco Bradesco BBI S.A.	U.S.\$100,000,000
Citigroup Global Markets Inc.	U.S.\$100,000,000
HSBC Securities (USA) Inc.	U.S.\$100,000,000
J.P. Morgan Securities LLC.....	U.S.\$100,000,000
Total	U.S.\$500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is subject to the conditions specified in the Purchase Agreement, including the delivery of legal opinions by their counsel. Subject to the terms and conditions of the Purchase Agreement, the Initial Purchasers are obligated to take and pay for all of the Notes offered hereby if any Notes are taken. In the Purchase Agreement, subject to the conditions thereof, the Initial Purchasers have agreed to purchase the Notes at a discount. The Bank has been advised by the Initial Purchasers that they propose to offer and sell the Notes initially to investors at the offering price set forth on the cover page of this Offering Memorandum and that after the initial offering, the price to investors may be changed.

The Purchase Agreement provides that the Bank will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the Initial Purchasers may be required to make in respect thereof.

BB Securities Limited is not a U.S. registered 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, BB Securities Limited will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the Notes in the United States of America. Banco Bradesco BBI S.A. is not a U.S. registered broker-dealer, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco.

Prior to this offering, there has been no established market for the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange. The Bank has been advised by the Initial Purchasers that they currently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchasers. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Bank cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the Notes.

In connection with this offering, the Initial Purchasers may engage, subject to applicable law, in transactions that stabilize, maintain or otherwise affect the price of the Notes, however they are not required to do so. Specifically, the Initial Purchasers may bid for and purchase Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. In addition, if the Initial Purchasers create a short position in the Notes in connection with this offering by selling more Notes than are listed on the cover page of this Offering Memorandum, then the Initial Purchasers may reduce that short position by purchasing Notes in the open market. The Initial Purchasers may also impose penalty bids, which would permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by Initial Purchasers are purchased in a covering transaction to cover short positions. In general, purchases of a security for the purpose of stabilizing or reducing a

short position could cause the price of that security to be higher than it might otherwise have been in the absence of those purchases.

No action has been or will be taken in any country or jurisdiction by the Bank or the Initial Purchasers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum comes are required by the Bank and the Initial Purchasers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Initial purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this Offering Memorandum.

Brazil

The Notes (including the Guarantee) have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes (including the Guarantee) 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 (including the Guarantee) in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the Notes (including the Guarantee), as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Bookrunners 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.

United Kingdom

Each of the Initial Purchasers has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Initial Purchasers has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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 Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the Initial Purchasers may not offer nor sell the Notes pursuant to an offering nor make the Notes the subject of an invitation for subscription or purchase, nor will the Initial Purchasers circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the Notes should Note that any subsequent sale of the Notes acquired pursuant to an offer in this Offering Memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Japan

The Notes offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the

subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- a) *Approved prospectus*: if an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus, and the Bank has consented in writing to its use for the purpose of that Non-exempt Offer;
- b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- d) *Other Exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Relationship Between the Bank and the Initial Purchasers

The Initial Purchasers and their respective affiliates have from time to time in the past provided, and may in the future provide, investment banking, financial advisory and other services to the Bank and its affiliates for which

they have received or expect to receive customary fees and commissions. Certain Initial Purchasers or their affiliates serve as lenders to the Bank and its Subsidiaries. In addition, BB Securities Limited is the Bank's wholly-owned subsidiary and has frequently acted as bookrunner in several capital markets transactions carried out by the Bank.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Brazil

The Bank is structured as a mixed-capital corporation (*sociedade de economia mista*) and incorporated with limited liability (*sociedade anônima*) under the laws of Brazil. Substantially all of the Bank's directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of the Bank's assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against the Bank any judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. In the Indenture, the Bank will: (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes (including the Guarantee) and, for such purposes, irrevocably submit to the jurisdiction of such courts; and (ii) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of the Notes."

The Bank has been advised by Campos Mello Advogados, its Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank (including its Grand Cayman 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 Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court in the jurisdiction where the judgment took place (i) after proper service on the parties, which must be made in accordance with the law where the foreign judgment took place and not contrary to the applicable Brazilian law, or (ii) after sufficient evidence of the failure of the defendant to attend court has been given, as established pursuant to applicable law;
- is final and not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued (unless such authentication is expected by international treaties executed between Brazil and the country in which such competent court is located) and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public policy, good morals or public morality (as set forth in Brazilian law), and does not contain any provision which for any reason would not be upheld by the courts of Brazil.

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Notes (including the Guarantee). The Bank understands that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, Brazilian courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's

attorneys' fees, as determined by the Brazilian judge. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice, nor to the exceptions set forth in certain limited circumstances (enforcement of extrajudicial instruments (which does not include the Notes (or the Guarantee)) that may be enforced in Brazil without the review of their merits (*títulos executivos extrajudiciais*) and counterclaims (*reconvenções*) under Article 836 of such code).

Cayman Islands

The Issuer is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less-developed body of securities law as compared to the United States and provides protection for investors to a significantly lesser extent.

The Bank has been advised by Ogier, its Cayman Islands counsel, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York or Brazil, a judgment obtained in such jurisdictions will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

LEGAL MATTERS

The validity of the Notes (including the Guarantee) will be passed upon for the Bank by Clifford Chance US LLP, its U.S. counsel, and for the Initial Purchasers by Davis Polk & Wardwell LLP, their U.S. counsel.

Matters of Brazilian law will be passed upon for the Bank by Campos Mello Advogados, its Brazilian counsel, and for the Initial Purchasers by Pinheiro Neto Advogados, their Brazilian counsel.

Matters of Cayman Islands law, relating to the Notes (including the Guarantee) and the Indenture, will be passed upon for the Bank by Ogier, its Cayman Islands counsel.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2010 and 2009, included in this Offering Memorandum, have been audited by KPMG Auditores Independentes, independent accountants ("KPMG"), as stated in their report appearing herein. The independent accountants' report covering the December 31, 2010 and 2009 Brazilian GAAP consolidated financial statements includes an other matters paragraph stating that the Bank has recorded assets relating to the surplus of the Bank's PREVI, which was determined based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. In addition, KPMG's independent accountants' report related to the consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2010 and 2009, included in the Offering Memorandum states that the balances and respective income of certain indirect investments and the net assets used in the calculation of the Bank's PREVI were audited by other independent accountants and that KPMG's evaluation with respect to those assets and income is based on the reports issued by those independent accountants.

The consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2009 and 2008, included in this Offering Memorandum, have been audited by KPMG Auditores Independentes, independent accountants ("KPMG"), as stated in their report appearing herein. The independent accountants' report covering the December 31, 2009 and 2008 Brazilian GAAP consolidated financial statements includes an emphasis paragraph stating that the Bank has recorded assets relating to the PREVI surplus, which was determined based on criteria established by management and which include actuarial and financial estimates and assumptions and fulfills the regulatory requirements. In addition, KPMG's independent auditors' report related to the consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2009 and 2008, included in the Offering Memorandum states that the balances and respective income of certain indirect investments and the net assets used in the calculation of the retirement and pension plan were audited by other independent auditors and that KPMG's evaluation with respect to those assets and income is based on the reports issued by those independent auditors.

With respect to the unaudited interim consolidated financial statements of the Bank and its subsidiaries as of and for the nine months ended September 30, 2011 and 2010, included in this Offering Memorandum, KPMG, independent accountants, has reported that it applied the procedures in accordance with the specific standards established by IBRACON together with the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*) (the "CFC"), as described in their report included elsewhere in this Offering Memorandum.

KPMG Auditores Independentes is duly registered with the CFC, with the Regional Accounting Councils (*Conselhos Regionais de Contabilidade*) of several Brazilian states, including the State of São Paulo, with the IBRACON and with the CVM.

GENERAL INFORMATION

The issue and terms of the Notes have been authorized by the Bank pursuant to resolutions of its Executive Board adopted on August 30, 2011.

Application has been made to admit the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF.

As set forth in Article 2 of the Bank's by-laws, the objectives of the Bank include, without limitation, performing all active, passive and accessory banking transactions, rendering banking services and intermediation and financial support services in their multiple forms and exercising any activities that can be performed by members of Brazil's National Financial System. The Bank's by-laws are available on the Bank's website at www.bb.com.br and at the offices of the Luxembourg agents and copies of the Indenture (containing the forms of the Notes and the Guarantee) and the Purchase Agreement will be available for inspection at the office of the trustee (currently 60 Wall Street, MS NYC60-2710, New York, New York 10005, United States of America) and Deutsche Bank Luxembourg S.A. as the listing agent for the Notes on the Luxembourg Stock Exchange and the Luxembourg paying agent (currently 2 Boulevard Konrad Adenauer, L-1115, Luxembourg). In addition, copies of the most recent audited Financial Statements of the Bank may be obtained at those offices.

The Bank produces audited annual and semi-annual consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. The Bank also produces interim quarterly unaudited consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements, including the Bank's Financial Statements contained herein and prepared in accordance with Brazilian GAAP, may be obtained from the Bank's offices and its website. Since September 30, 2011, there has been no material adverse change in the financial condition of the Bank.

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Bank's financial position since September 30, 2011, the date of the last unaudited financial statements included in this Offering Memorandum.

Except as disclosed in this Offering Memorandum, the Bank is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Bank is aware is any such litigation or arbitration pending or threatened.

No single establishment of the Bank, including its headquarters, accounts for more than 10% of the Bank's revenues. In addition, the Bank does not have any patents or new manufacturing processes, nor is it dependent on any license (except for technological licenses, see "Business"), industrial, commercial or financial contract, in each case where such dependence would be of fundamental importance to the Bank's business or profitability.

The Notes, the Guarantee, the Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Notes have been assigned a CUSIP Number of 05958AAF5, an International Securities Identification Number (ISIN) of US05958AAF57 and a common code of 063345598. The Notes have been accepted for clearance through DTC's book-entry settlement system and the applicable systems used by Euroclear and Clearstream, Luxembourg.

So long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, copies of all notices to holders of the Notes will be published in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, and on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

General Information

This Offering Memorandum contains financial information relating to us, which has been prepared in accordance with the Brazilian Corporate Legislation Method ("Accounting Practices Adopted in Brazil"). There are certain differences between accounting principles under Accounting Practices Adopted in Brazil and IFRS, which incorporates all existing International Accounting Standards ("IAS") that are relevant to the financial information presented herein. The following is a summary of some of the principal differences; however, this summary does not purport to be complete and should not be construed as exhaustive. In reading this summary, prospective investors in the 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 us in the presentation of our consolidated financial statements included in this Offering Memorandum, are established in accordance with Accounting Practices Adopted in Brazil, and interpretative statements issued by the *Comitê de Pronunciamentos Contábeis*, the Brazilian accounting professional body. These accounting principles and standards, in the case of listed companies under the jurisdiction of the CVM, are complemented by certain additional instructions issued by the CVM. In addition, the CVM and other regulatory entities such as the Central Bank, the banking regulator, and the Superintendência de Seguros Privados (Private Insurance Superintendency or SUSEP), the insurance sector regulator, provide additional industry specific guidelines.

Description of Certain Differences

Deferral of fees and commissions for adjustment to the effective interest rate method

According to accounting practices adopted by Brazilian financial institutions, tariffs and commissions charged for the origination of loans to customers are recognized as revenue upon receipt.

According to IFRS, in consonance with IAS 39 - Financial Instruments: Recognition and Measurement -, tariffs and commissions included in the calculation of the effective rate of interest, directly attributable to financial instruments classified at amortized cost, should be amortized along the expected useful life of contracts.

Business combinations

According to accounting practices adopted in Brazil, the sum of goodwill or bargain purchase resulting from the acquisition of control of a firm originates from the difference between the amount of the remuneration and the book value of the net assets acquired, which is amortized in up to ten years, if based on an expectation of future profitability.

Pursuant to IFRS 3, goodwill paid by expectation of future profitability is represented by the positive difference between consideration value and the net pro rata amount acquired of the fair value of acquiree's assets and liabilities. The amount recorded as goodwill is not subject to amortization; however it is annually evaluated at a minimum in order to determine if it is subject to impairment.

Allowance for loan losses

According to accounting practices adopted by the Brazilian financial institutions, borrowings should be classified in an increasing order of risk levels, ranging from AA risk to H risk, based on consistent and verifiable criteria, according to evaluation prepared by the institution itself.

A provision to face doubtful loan losses should be set up monthly, and it may not be lower to the sum from application of minimum percentages, which vary from 0% (zero percent) for level AA operations, to 100% (one hundred percent) for operations classified as H level. Although the model utilized determined a minimum percentage of provision for each risk level, an entity may, at its sole criterion, determine an additional provision.

This practice of provisioning for loan losses is based on an expected loss model, utilizing regulatory limits defined by the Central Bank of Brazil.

According to IFRS, as of the provisions of IAS 39 - Financial Instruments: Recognition and Measurement, the Bank classified its borrowings in operations with recoverability problems (impairment) and without recoverability problems (non-impairment). The group of impairment operations is segregated in view of its relevance, generating segments of operations subject to individualized treatment (individual impairment analysis) and/or collective treatment (collective impairment analysis).

The individual assessment involves the valuation of each transaction, in which aspects inherent to the borrowing customer and specific to the transactions are weighted, such as: (i) situation of the transactions, (ii) sharing of credit risk, (iii) customers' financial and economic situation, (iv) credit restrictions and (v) related guarantees. The determination of the allowance amount in a collective manner is performed using indices of historical losses in transactions of similar nature, considering similar products and aspects related to the borrowing customer and to the transactions (level of risk, original situation and liability term).

This practice of provisioning for losses in credit operations is based on a loss incurred model, as of the occurrence of loss events.

Co-obligation credit assignment

Pursuant to accounting practices adopted by the Brazilian financial institutions, credit operations assigned to third parties through a co-obligation agreement entered into are written-off from balance sheet and the difference between the consideration received and the carrying value of the financial asset is recorded as revenue or expense in the statement of income upon assignment.

Under IFRS, according to IAS 39 - Financial Instruments: Recognition and Measurement, in case the entity shall substantially retain all risks and benefits of ownership of the asset assigned, it shall continue recognizing the asset transferred in its entirety and will recognize a financial liability for the counterparty received.

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Banco do Brasil S.A.

**Financial Statements
September 30, 2011 and 2010**



KPMG Auditores Independentes

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Report on limited review of interim consolidated financial information

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasília - DF

Introduction

We have reviewed the accompanying, individual and consolidated, financial statements of Banco do Brasil S.A., which comprise the balance sheet as of September 30, 2011 and the related statements of income, of change in shareholders' equity and of cash flows for the three-month-period and nine-month-period then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN). Our responsibility is to express an opinion on this Interim consolidated financial information based on our limited review.

Scope of review

We conducted our limited review in accordance with approved Brazilian auditing standards and International Standards on Auditing (NBC TR 2410 – Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and therefore does not allow us to obtain assurance that we become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim information do not present fairly, in all material aspects, the individual and consolidated financial position of Banco do Brasil S.A., as of September 30, 2011, the individual and consolidated performance of their operations and their individual and consolidated cash flows for the three-month-period and nine-month-period then ended, in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Brazilian Central Bank.



Other matters

Statement of change added value

We have also reviewed the interim individual and consolidated statement of change added value (DVA) for the three-month-period and nine-month-period ended September 30, 2011, presented as supplemental information. This statement was subjected to the same review procedures described above and based on our review, we are not aware of any facts that would lead us to believe that it is not presented fairly, in all material respects, in relation to other interim individual and consolidated information consolidated taken as a whole.

Brasília, November 1, 2011.

KPMG Auditores Independentes
CRC 2SP014428/O-6 F-DF

Giuseppe Masi
Accountant CRC 1SP176273/O-7 S-DF

Carlos Massao Takauthi
Accountant CRC 1SP206103/O-4 S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

BALANCE SHEET

A S S E T S	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
CURRENT ASSETS	512.077.755	423.727.363	405.470.146	572.924.862	476.495.166	458.864.872
Cash and Cash Equivalents (Note 6)	19.767.405	9.397.247	9.291.607	20.465.962	9.744.688	9.545.362
Short-term Interbank Investments (Note 7.a)	153.334.407	109.929.317	133.050.784	140.550.529	106.615.633	130.895.829
Open market investments	122.676.788	78.628.740	98.088.887	129.430.877	85.060.184	106.920.641
Interbank deposits	30.657.619	31.300.577	34.961.897	11.119.652	21.555.449	23.975.188
Securities and Derivative Financial Instruments (Note 8)	41.125.937	40.722.362	27.508.339	82.836.831	76.342.346	61.508.133
Own portfolio	18.481.849	17.355.563	15.489.011	58.633.489	46.402.185	41.927.880
Subject to repurchase agreements	21.682.895	22.532.857	11.396.083	21.919.739	26.465.657	15.527.938
Deposits with the Brazilian Central Bank	17	15	17	17	15	17
Pledged in guarantee	59.223	130.860	155.333	739.557	2.217.127	2.958.720
Derivative financial instruments	901.953	703.067	467.895	1.544.029	1.257.362	1.093.578
Interbank Accounts	92.293.646	86.287.448	73.158.615	95.420.683	89.442.660	75.430.981
Payments and receipts pending settlement (Note 9.a)	3.315.840	129.007	3.136.524	3.316.694	129.007	3.136.954
Restricted deposits (Note 9.b)	88.599.473	85.796.265	69.627.670	91.658.040	88.902.532	71.860.536
Brazilian Central Bank deposits	86.595.141	83.928.847	67.820.774	89.653.708	87.035.114	70.053.640
National Treasury - rural credits receivable	125.808	74.520	110.167	125.808	74.520	110.167
National Housing Financing System	1.878.524	1.792.898	1.696.729	1.878.524	1.792.898	1.696.729
Interbank onlendings	11.163	2.718	1.367	78.632	38.828	36.893
Correspondent banks	367.170	359.458	393.054	367.317	372.293	396.598
Interdepartmental Accounts	168.774	258.144	166.910	168.790	258.144	166.910
Internal transfers of funds	168.774	258.144	166.910	168.790	258.144	166.910
Loan Operations (Note 10)	145.584.536	120.368.657	115.496.337	161.584.338	129.099.180	125.352.115
Public sector	5.277.949	3.229.361	3.466.919	5.770.413	880.256	3.697.925
Private sector	148.071.431	124.363.469	119.374.233	164.365.587	135.727.663	129.451.047
(Allowance for loan losses)	(7.764.844)	(7.224.173)	(7.344.815)	(8.551.662)	(7.508.739)	(7.796.857)
Lease Operations (Note 10)	18.701	18.227	18.060	1.632.530	1.799.814	1.828.708
Public sector	18.701	18.227	18.060	19.011	18.787	18.713
Private sector	--	--	--	1.733.391	1.815.796	1.931.462
(Allowance for lease losses)	--	--	--	(119.872)	(34.769)	(121.467)
Other Receivables	58.360.159	55.245.556	45.341.951	67.749.671	61.658.370	52.686.636
Receivables from guarantees honored	75.958	75.303	66.540	75.958	75.303	66.540
Foreign exchange portfolio (Note 12.a)	17.452.965	9.936.710	12.693.216	18.000.417	10.291.956	15.011.028
Receivables	838.476	1.431.206	1.121.540	1.044.588	913.332	742.065
Securities trading	108.435	78.741	74.717	259.537	382.996	488.786
Insurance, pension plan and capitalization (Note 21.a)	--	--	--	1.667.639	1.086.548	887.220
Sundry (Note 11.b)	40.573.158	44.611.607	32.183.535	47.451.952	49.880.444	36.349.354
(Provision for other losses)	(688.833)	(888.011)	(797.597)	(750.420)	(972.209)	(858.357)
Others Assets (Note 13)	1.424.190	1.500.405	1.437.543	2.515.528	1.534.331	1.450.198
Others assets	281.327	291.787	284.981	459.084	388.071	371.353
(Provision for impairment)	(166.559)	(169.506)	(165.357)	(185.399)	(177.233)	(173.579)
Prepaid expenses	1.309.422	1.378.124	1.317.919	2.241.843	1.323.493	1.252.424

See the accompanying notes to the financial statements.

BALANCE SHEET

ASSETS	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
NON-CURRENT ASSETS	347.202.365	313.769.814	317.516.284	376.856.604	334.677.042	337.950.392
LONG-TERM RECEIVABLES	312.982.066	284.935.139	292.769.745	354.530.648	314.906.723	318.662.721
Short-term Interbank Investments (Note 7.a)	16.069.714	4.785.325	8.245.156	16.862.923	963.157	4.404.009
Open market investments	580.049	--	4.398.121	591.767	--	4.404.009
Interbank deposits	15.489.665	4.785.325	3.847.035	16.271.156	963.157	--
Securities and Derivative Financial Instruments (Note 8)	58.317.614	56.542.795	66.338.681	76.007.497	67.524.388	76.086.703
Own portfolio	26.393.183	30.617.318	25.529.124	40.639.712	39.315.949	33.688.290
Subject to repurchase agreements	29.784.719	23.145.800	38.259.032	31.962.492	24.860.036	39.442.183
Deposits with the Brazilian Central Bank	46.205	42	60	46.205	42	60
Pledged in guarantee	1.934.737	2.648.397	2.414.904	2.856.803	2.982.132	2.717.591
Derivative financial instruments	158.770	131.238	135.561	502.285	366.229	238.579
Interbank Accounts	47.440	83.378	32.265	47.440	83.378	32.265
Restricted deposits (Note 9.b)	--	46.644	--	--	46.644	--
National Treasury - rural credits receivable	--	46.644	--	--	46.644	--
Interbank onlendings	47.440	36.734	32.265	47.440	36.734	32.265
Loan Operations (Note 10)	180.231.454	170.927.298	161.466.713	197.510.373	188.627.319	175.567.308
Public sector	3.126.051	3.921.148	3.577.656	2.739.806	6.380.810	3.485.990
Private sector	185.868.027	175.609.950	166.876.935	204.035.037	191.171.151	181.421.487
(Allowance for loan losses)	(8.762.624)	(8.603.800)	(8.987.878)	(9.264.470)	(8.924.642)	(9.340.169)
Lease Operations (Note 10)	15.074	26.246	29.622	1.525.555	2.055.899	2.320.760
Public sector	15.074	26.246	29.622	15.554	27.034	30.532
Private sector	--	--	--	1.604.055	2.185.322	2.396.444
(Allowance for lease losses)	--	--	--	(94.054)	(156.457)	(106.216)
Other Receivables	55.976.618	50.524.101	54.846.054	60.261.264	53.303.233	58.210.302
Foreign exchange portfolio (Note 12.a)	--	1.585.804	--	--	1.585.804	--
Receivables	34.677	30.228	33.347	34.677	30.305	31.807
Securities trading	81.673	--	45.404	1.316.026	--	67.539
Specific credits (Note 11.a)	1.116.913	1.029.638	1.003.929	1.116.913	1.029.638	1.003.929
Insurance, pension plan and capitalization (Note 21.a)	--	--	--	2.374	22.022	21.275
Sundry (Note 11.b)	55.241.022	48.469.480	54.559.421	58.297.158	51.235.371	57.906.250
(Provision for other losses)	(497.667)	(591.049)	(796.047)	(505.884)	(599.907)	(820.498)
Others Assets (Note 13)	2.324.152	2.045.996	1.811.254	2,315.596	2,349.349	2,041.374
Prepaid expenses	2,324.152	2,045.996	1,811.254	2,315.596	2,349.349	2,041.374
Permanent Assets	34.220.299	28.834.675	24.746.539	22.325.956	19.770.319	19.287.671
Investments	20.550.994	17.641.326	13.755.689	7.947.602	8.127.754	7.887.548
Investments in subsidiary and associated companies (Note 14.a)	20.518.469	17.606.546	13.720.898	6.924.927	7.115.534	6.908.828
In Brazil	18.574.775	16.598.375	12.708.563	6.614.552	7.115.534	6.908.828
Abroad	1.943.694	1.008.171	1.012.335	310.375	--	--
Others Investments (Note 14.b)	77.732	86.135	86.147	1.101.691	1.096.635	1.060.995
(Provision for losses)	(45.207)	(51.355)	(51.356)	(79.016)	(84.415)	(82.275)
Property and Equipment in Use (Note 15)	4.707.833	4.610.729	4.131.655	5.209.710	4.903.927	4.395.713
Land and buildings in use	4.029.206	3.687.187	3.500.862	4.160.982	3.707.685	3.518.073
Other property and equipment in use	7.107.252	6.823.602	6.467.463	7.966.234	7.394.339	7.001.855
(Accumulated depreciation)	(6.428.625)	(5.900.060)	(5.836.670)	(6.917.506)	(6.198.097)	(6.124.215)
Leased Assets (Note 15)	--	--	--	664	818	38
Leases assets	--	--	--	1.205	1.520	831
(Accumulated depreciation)	--	--	--	(541)	(702)	(793)
Intangible Assets (Note 16)	8.795.670	6.327.609	6.563.525	8.983.790	6.451.532	6.672.859
Intangible assets	13.842.711	10.099.437	9.873.586	14.215.953	10.259.044	10.017.436
(Accumulated amortization)	(5.047.041)	(3.771.828)	(3.310.061)	(5.232.163)	(3.807.512)	(3.344.577)
Deferred Charges	165.802	255.011	295.670	184.190	286.288	331.513
Organization and expansion costs	2.042.199	2.061.656	2.064.773	2.073.706	2.154.516	2.162.010
(Accumulated amortization)	(1.876.397)	(1.806.645)	(1.769.103)	(1.889.516)	(1.868.228)	(1.830.497)
TOTAL ASSETS	859.280.120	737.497.177	722.986.430	949.781.466	811.172.208	796.815.264

See the accompanying notes to the financial statements.

BALANCE SHEET

LIABILITIES / SHAREHOLDERS' EQUITY	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
CURRENT LIABILITIES	571.192.875	505.211.636	512.711.641	619.074.674	532.710.235	545.868.991
Deposits (Note 17.a)	296.180.980	284.318.438	257.535.336	305.496.380	290.696.257	265.061.996
Demand deposits	55.991.652	63.295.580	58.794.581	57.614.413	63.502.759	59.018.229
Savings deposits	95.512.149	89.287.840	85.702.541	95.512.149	89.287.840	85.702.541
Interbank deposits	16.074.561	19.664.373	11.036.924	11.264.825	17.434.462	9.788.123
Time deposits	128.602.618	111.660.899	101.643.840	141.104.941	120.061.375	110.195.533
Other deposits	--	409.746	357.450	52	409.821	357.570
Money Market Borrowing (Note 17.c)	168.964.118	120.389.184	142.579.586	184.892.809	134.252.629	158.200.207
Own portfolio	49.149.307	43.663.028	47.381.749	60.870.229	52.879.938	58.132.883
Third-party portfolio	119.814.811	76.726.156	95.197.837	123.092.500	80.107.269	99.258.724
Subject to repurchase agreements with free movement	--	--	--	930.080	1.265.422	808.600
Funds from Acceptance and Issue of Securities (Note 19)	11.532.641	1.772.857	1.600.564	13.175.722	2.621.208	2.222.257
Funds from housing bonds, mortgage, of credit and similar	8.508.826	483.439	109.415	9.965.388	838.765	414.037
Foreign securities	3.023.815	1.289.418	1.491.149	3.210.334	1.782.443	1.808.220
Interbank Accounts	3.235.145	18.109	2.917.317	3.240.336	18.109	2.922.206
Receipts and payments pending settlement (Note 9.a)	3.220.801	486	2.903.931	3.225.992	486	2.908.820
Correspondent banks	14.344	17.623	13.386	14.344	17.623	13.386
Interdepartmental Accounts	1.753.984	3.671.766	1.784.699	1.790.200	3.687.786	1.805.071
Third-party funds in transit	1.750.514	3.667.418	1.631.160	1.786.730	3.683.438	1.651.532
Internal transfers of funds	3.470	4.348	153.539	3.470	4.348	153.539
Borrowings (Note 18.a)	8.210.494	13.103.563	11.127.898	9.812.844	6.957.419	7.802.585
Domestic loans - other institutions	--	--	--	93.446	48.585	72.043
Foreign borrowing	8.210.494	13.103.563	11.127.898	9.719.398	6.908.834	7.730.542
Domestic Onlending – Official Institutions (Note 18.b)	16.647.935	20.487.941	20.818.430	18.397.590	21.821.275	21.787.400
National Treasury	--	--	2.062.978	61.169	25.419	2.085.675
BNDES	10.737.917	9.129.773	7.688.611	11.759.272	9.896.077	8.209.142
Caixa Econômica Federal	268.021	147.079	12.795	268.021	147.079	12.795
Finame	3.369.698	3.168.319	3.129.205	4.036.829	3.709.930	3.554.947
Other institutions	2.272.299	8.042.770	7.924.841	2.272.299	8.042.770	7.924.841
Foreign Onlending (Note 18.b)	5.386	112.178	253.332	5.386	11.238	5.431
Foreign onlendings	5.386	112.178	253.332	5.386	11.238	5.431
Derivative Financial Instruments (Note 8.d)	1.697.810	2.426.655	2.306.568	3.762.225	3.979.755	3.340.618
Derivative financial instruments	1.697.810	2.426.655	2.306.568	3.762.225	3.979.755	3.340.618
Other Liabilities	62.964.382	58.910.945	71.787.911	78.501.182	68.664.559	82.721.220
Collection of taxes and contributions	3.771.868	232.021	3.259.008	3.835.821	296.980	3.309.399
Foreign exchange portfolio (Note 12.a)	13.670.773	11.458.085	25.620.118	14.153.292	11.905.011	27.947.462
Shareholders and statutory distributions	2.365.945	1.826.050	2.073.671	2.425.299	1.991.682	2.157.271
Taxes and social security (Note 20.b)	17.498.005	19.041.535	16.895.165	21.135.301	21.085.197	19.008.982
Securities trading	318.139	185.325	128.459	800.524	1.675.612	1.310.226
Expenses of technical provisions for insurance, pension plan and capitalization (Note 21.b)	--	--	--	8.983.617	5.152.564	4.593.008
Financial and development funds (Note 20.a)	1.752.779	1.469.280	1.324.339	1.752.779	1.469.280	1.324.339
Subordinated debts (Note 20.c)	--	14.941	10.022	12.081	740.479	716.569
Hybrid capital and debt instruments (Note 20.d)	107.663	55.746	93.763	107.663	55.746	93.763
Other liabilities (Note 20.e)	23.479.210	24.627.962	22.383.366	25.294.805	24.292.008	22.260.201

See the accompanying notes to the financial statements.

BALANCE SHEET

LIABILITIES / SHAREHOLDERS' EQUITY	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
NON-CURRENT LIABILITIES	231.808.119	181.789.800	162.015.690	273.994.220	228.021.290	202.741.947
LONG-TERM LIABILITIES	231.503.062	181.507.564	161.786.316	273.676.230	227.721.771	202.495.035
Deposits (Note 17.a)	112.038.147	84.368.330	81.446.576	114.022.402	86.154.411	83.274.347
Interbank deposits	2.690.329	2.358.347	2.250.387	2.320.852	1.563.640	1.427.762
Time deposits	109.347.818	82.009.983	79.196.189	111.701.550	84.590.771	81.846.585
Money Market Borrowing (Note 17.c)	7.930.774	5.869.643	6.841.584	9.834.733	7.922.326	7.393.961
Own portfolio	2.103.910	1.896.616	2.055.139	3.993.853	3.915.215	2.055.140
Third-party portfolio	5.826.864	3.973.027	4.786.445	5.826.864	3.973.027	5.336.104
Subject to repurchase agreements with free movement	--	--	--	14.016	34.084	2.717
Funds from Acceptance and Issue of Securities (Note 19)	7.309.328	5.258.702	5.010.582	15.987.498	10.864.899	10.589.445
Funds from housing bonds, mortgage, of credit and similar	--	--	--	2.634.374	1.852.461	1.796.871
Funds from debentures	--	--	--	1.765.775	1.623.056	1.655.677
Foreign securities	7.309.328	5.258.702	5.010.582	11.587.349	7.389.382	7.136.897
Borrowings (Note 18.a)	14.017.792	2.285.851	3.564.802	2.372.189	1.640.255	1.640.039
Domestic loans - official institutions	--	--	--	23.064	44.865	40.794
Foreign borrowing	14.017.792	2.285.851	3.564.802	2.349.125	1.595.390	1.599.245
Domestic Onlending – Official Institutions (Note 18.b)	27.727.472	26.765.071	24.798.742	29.626.716	28.942.750	27.061.155
National Treasury	1.617.757	1.512.821	--	1.628.257	1.524.071	--
BNDES	14.828.552	15.807.991	16.338.298	15.743.712	17.082.350	17.803.964
Finame	11.281.163	9.444.259	8.460.444	12.254.747	10.336.329	9.257.191
Foreign Onlending (Note 18.b)	246.627	413.962	410.225	95.556	85.897	90.399
Foreign onlendings	246.627	413.962	410.225	95.556	85.897	90.399
Derivative Financial Instruments (Note 8.d)	335.958	466.762	496.145	675.793	1.316.885	1.854.698
Derivative financial instruments	335.958	466.762	496.145	675.793	1.316.885	1.854.698
Other Liabilities	61.896.964	56.079.243	39.217.660	101.061.343	90.794.348	70.590.991
Foreign exchange portfolio	15.535.738	17.600.976	--	15.535.738	17.600.976	--
Taxes and social security (Note 20.b)	5.217.815	4.049.364	5.140.740	6.634.399	6.527.922	7.394.971
Securities trading	1.110.714	1.191.321	1.310.912	--	--	74.660
Expenses of technical provisions for insurance, pension plan and capitalization (Note 21.b)	--	--	--	32.981.102	27.216.851	24.538.163
Financial and development funds (Note 20.a)	1.951.781	2.099.107	2.181.651	1.951.781	2.099.107	2.181.651
Special operations	10.825	--	--	10.825	--	--
Subordinated debts (Note 20.c)	26.341.678	19.945.681	18.801.524	29.681.666	22.671.637	21.372.937
Hybrid capital and debt instruments (Note 20.d)	2.764.545	3.315.537	3.388.148	2.764.477	3.305.647	3.380.378
Other liabilities (Note 20.e)	8.963.868	7.877.257	8.394.685	11.501.355	11.372.208	11.648.231
DEFERRED INCOME	305.057	282.236	229.374	317.990	299.519	246.912
SHAREHOLDERS' EQUITY (Note 24)	56.279.126	50.495.741	48.259.099	56.712.572	50.440.683	48.204.326
Capital	33.122.569	33.077.996	33.077.996	33.122.569	33.077.996	33.077.799
Local residents	27.848.679	27.427.230	27.427.230	27.848.679	27.427.230	27.427.033
Domiciled abroad	5.273.890	5.650.766	5.650.766	5.273.890	5.650.766	5.650.766
Revaluation Reserves	4.750	6.241	6.304	4.750	6.241	6.304
Revenue Reserves	20.344.615	16.944.324	12.593.707	20.289.707	16.889.416	12.539.047
Credit Valuation Adjustments (Note 8.f)	710.602	467.435	629.741	710.602	467.435	629.741
Retained earnings (accumulated losses)	2.096.591	--	1.951.606	2.096.591	--	1.951.606
(Treasury Shares)	(1)	(255)	(255)	(1)	(452)	(255)
Non-controlling interests	--	--	--	488.354	47	84
TOTAL LIABILITIES	859.280.120	737.497.177	722.986.430	949.781.466	811.172.208	796.815.264

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

STATEMENT OF INCOME

	Banco do Brasil			3rd
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	
INCOME FROM FINANCIAL INTERMEDIATION	26.876.734	67.494.104	52.218.479	
Loans (Note 10.b)	14.557.651	40.754.247	34.382.937	
Leases (Note 10.i)	5.465	16.781	32.942	
Securities (Note 8.b)	9.862.220	21.938.559	15.946.016	
Derivative financial instruments (Note 8.e)	571.050	(271.029)	(820.096)	
Foreign exchange portfolio (Note 12.b)	--	--	466.474	
Compulsory deposits (Note 9.c)	1.880.348	5.055.546	2.210.206	
Financial income of insurance, pension plan and capitalization (Note 21.e)	--	--	--	
EXPENSES FROM FINANCIAL INTERMEDIATION	(21.739.754)	(49.421.523)	(35.704.727)	
Market narrowing (Note 17.d)	(13.325.541)	(35.607.867)	(25.633.818)	
Borrowings and onlendings (Note 18.c)	(3.983.303)	(5.484.115)	(2.592.042)	
Lease operations (Note 10.i)	(4.211)	(12.876)	(28.464)	
Foreign exchange portfolio (Note 12.b)	(1.655.918)	(742.791)	--	
Financial expenses of insurance, pension plan and capitalization (Note 21.e)	--	--	--	
Allowance for loan losses (Notes 10.f and 10.g)	(2.770.781)	(7.573.874)	(7.450.403)	
NET INCOME FROM FINANCIAL INTERMEDIATION	5.136.980	18.072.581	16.513.752	
OTHER OPERATING INCOME/EXPENSES	(2.011.227)	(5.516.208)	(5.032.684)	
Service fee (Note 22.a)	2.266.182	6.309.308	5.583.069	
Bank fee (Note 22.b)	1.252.729	3.571.418	3.274.900	
Personnel expenses (Note 22.c)	(3.479.907)	(9.724.344)	(8.945.873)	
Other administrative expenses (Note 22.d)	(3.055.560)	(8.742.069)	(8.487.796)	
Tax expenses (Note 25.c)	(752.818)	(2.365.312)	(2.141.546)	
Equity in the earnings/(loss) of associated and subsidiary companies (Note 14)	1.094.141	2.485.075	2.059.726	
Results from insurance, pension plan and capitalization (Note 21.e)	--	--	--	
Other operating income (Note 22.e)	2.316.415	8.652.395	7.990.930	
Other operating expenses (Note 22.f)	(1.652.409)	(5.702.879)	(4.366.094)	
OPERATING INCOME	3.125.753	12.556.373	11.481.068	
NON-OPERATING INCOME (Note 23)	22.261	131.207	188.324	
Income	40.333	209.552	246.420	
Expenses	(18.072)	(78.345)	(58.096)	
INCOME BEFORE TAXATION AND PROFIT SHARING	3.148.014	12.687.580	11.669.392	
INCOME AND SOCIAL CONTRIBUTION TAXES (Note 25)	112.310	(2.365.785)	(2.922.796)	
EMPLOYEE PROFIT SHARING	(369.039)	(1.168.142)	(990.649)	
NET INCOME (Note 24.g)	2.891.285	9.153.653	7.755.947	
Earnings attributable to the parent company	2.891.285	9.153.653	7.755.947	
Minority interest earnings/(losses)	--	--	--	
EARNINGS PER SHARE (Note 24.e)				
Weighted average number of shares - basic	2.860.729.215	2.860.727.055	2.662.395.314	
Basic earnings per share (R\$)	1,01	3,20	2,91	
Weighted average number of shares - diluted	2.865.416.989	2.871.294.552	2.679.065.855	
Diluted earnings per share (R\$)	1,01	3,19	2,90	

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
Financial Statements
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STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

Banco do Brasil EVENTS	Realized capital	Capital reserves	Revaluation reserves	Revenue reserves		Equity evaluation adjustments	
				Legal reserves	Statutory reserves	Banco do Brasil	Ass subsidiaries
Balances at 12.31.2009	18.566.919	5.188	6.746	2.296.291	15.005.148	212.286	--
Capital increase – capitalization of reserves	7.418.087	(5.188)	--	--	(7.412.899)	--	--
Capital increase - share public offering	7.049.900	--	--	--	--	--	--
Capital increase - "C" Bonus subscription	42.816	--	--	--	--	--	--
Capital increase - merger of subsidiaries	274	--	--	--	--	--	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	303.940	--
Disposal of treasury shares	--	--	--	--	--	--	--
Losses in the disposal of treasury shares	--	--	--	--	(2.581)	--	--
Expired dividends and interest on own capital	--	--	--	--	--	--	--
Prior-year adjustments - conformity with the Law n.º 11,638/2007	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(442)	--	--	--	--
Net income	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	256.560	3.271.319	--	--
- Dividends (Note 24.f)	--	--	--	--	(820.131)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2010	33.077.996	--	6.304	2.552.851	10.040.856	516.226	--
Changes in the period	14.511.077	(5.188)	(442)	256.560	(4.964.292)	303.940	--
Balances at 06.30.2011	33.122.569	--	5.960	3.197.314	17.508.015	361.719	--
Credit valuation adjustments	--	--	--	--	--	206.197	--
Expired dividends/interest on own capital	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(26)	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1.184)	--	--	--	--
Net income	--	--	--	--	--	--	--
Appropriations - Dividends (Note 24.f)	--	--	--	--	(360.714)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2011	33.122.569	--	4.750	3.197.314	17.147.301	567.916	--
Changes in the period	--	--	(1.210)	--	(360.714)	206.197	--
Balances at 12.31.2010	33.077.996	--	6.241	2.884.196	14.060.128	353.686	--
Capital increase - "C" Bonus subscription (Note 24.b)	44.573	--	--	--	--	--	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	214.230	--
Disposal of treasury shares	--	--	--	--	(254)	--	--
Expired dividends and interest on own capital	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(307)	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1.184)	--	--	--	--
Net income	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	313.118	3.897.165	--	--
- Dividends (Note 24.f)	--	--	--	--	(809.738)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2011	33.122.569	--	4.750	3.197.314	17.147.301	567.916	--
Changes in the period	44.573	--	(1.491)	313.118	3.087.173	214.230	--

See the accompanying notes to the financial statements.

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

BB-Consolidated EVENTS	Realized capital	Capital reserves	Revaluation reserves	Revenue reserves		Equity evaluation adjustments	
				Reserva Legal	Reservas Estatutárias	Banco do Brasil	Associated a subsidiary companies
Balances at 12.31.2009	18.566.919	5.188	6.746	2.296.291	15.005.148	212.286	57.8
Capital increase – capitalization of reserves	7.418.087	(5.188)	--	--	(7.412.899)	--	--
Capital increase - share public offering	7.049.900	--	--	--	--	--	--
Capital increase - "C" Bonus subscription	42.816	--	--	--	--	--	--
Capital increase - merger of subsidiaries	274	--	--	--	--	--	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	303.940	55.6
Disposal of treasury shares	--	--	--	--	--	--	--
Losses in the disposal of treasury shares	--	--	--	--	(2.581)	--	--
Expired dividends/interest on own capital	--	--	--	--	--	--	--
Prior-year adjustments - conformity with the Law n.º 11,638/2007	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(442)	--	--	--	--
Reciprocal participation in subsidiaries	(197)	--	--	--	--	--	--
Change in non-controlling interest	--	--	--	--	--	--	--
Net income	--	--	--	--	--	--	--
Unrealized results	--	--	--	--	(54.908)	--	--
Realization of Unrealizes results	--	--	--	--	248	--	--
Appropriations - Reserves	--	--	--	256.560	3.271.319	--	--
- Dividends (Note 24.f)	--	--	--	--	(820.131)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2010	33.077.799	--	6.304	2.552.851	9.986.196	516.226	113.5
Changes in the period	14.510.880	(5.188)	(442)	256.560	(5.018.952)	303.940	55.6
Balances at 06.30.2011	33.122.569	--	5.960	3.197.314	17.453.107	361.719	80.5
Credit valuation adjustments	--	--	--	--	--	206.197	62.1
Expired dividends/interest on own capital	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(26)	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1.184)	--	--	--	--
Change in non-controlling interest	--	--	--	--	--	--	--
Net income	--	--	--	--	--	--	--
Appropriations - Dividends (Note 24.f)	--	--	--	--	(360.714)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2011	33.122.569	--	4.750	3.197.314	17.092.393	567.916	142.6
Changes in the period	--	--	(1.210)	--	(360.714)	206.197	62.1
Balances at 12.31.2010	33.077.996	--	6.241	2.884.196	14.005.220	353.686	113.3
Capital increase - "C" Bonus subscription (Note 24.b)	44.573	--	--	--	--	--	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	214.230	28.9
Disposal of treasury shares	--	--	--	--	(254)	--	--
Expired dividends/interest on own capital	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(307)	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1.184)	--	--	--	--
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--
Change in non-controlling interest	--	--	--	--	--	--	--
Net income	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	313.118	3.897.165	--	--
- Dividends (Note 24.f)	--	--	--	--	(809.738)	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--
Balances at 09.30.2011	33.122.569	--	4.750	3.197.314	17.092.393	567.916	142.6
Changes in the period	44.573	--	(1.491)	313.118	3.087.173	214.230	28.9

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
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STATEMENT OF CASH FLOWS

	Banco do Brasil			BB-Consolidated		
	3st quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3st quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income and social contribution taxes	3.148.014	12.687.580	11.669.392	3.485.484	13.905.639	12.776.667
Adjustment to income (loss) before tax	579.784	4.881.239	7.678.093	4.278.785	16.270.133	16.367.635
Provision for credits, lease and other credits	(Notes 10.f and 10.g)	2.770.781	7.573.874	7.450.403	3.285.108	8.763.603
Depreciation and amortization	(Note 22.d)	822.383	2.424.442	2.349.283	845.190	2.488.571
Impairment assessment result	(Notes 15 and 16)	(253)	(3.696)	15.215	(376)	(3.351)
Income from holdings in subsidiaries and affiliates	(Note 14.a)	(1.094.141)	(2.485.075)	(2.059.726)	(558.355)	(398.982)
(Income)/ loss on the sale of assets	(Note 23)	(6.144)	(9.644)	(38.640)	9.140	24.135
Income on the sale of investments	(Note 23)	(899)	(92.813)	(117.166)	(5.297)	(176.961)
Capital (gain)/loss	(Note 23)	6.392	24.189	8.177	2.657	959
Foreign currency translation results	(Note 14.a)	355.634	259.156	(72.052)	576.634	424.109
Provision/(reversal) for devaluation of other assets	(Note 23)	(4.289)	(614)	4.545	(6.215)	1.584
Amortization of goodwill	(Note 14.c)	73.729	217.054	138.565	139.757	431.844
Expenses with civil, labor and tax provisions	(Note 28.b)	563.266	1.070.184	589.123	707.085	1.305.869
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.e)	--	--	--	2.406.148	7.736.496
Adjustment of actuarial assets/liabilities	(Note 27)	(471.416)	(2.297.964)	(2.103.631)	(471.416)	(2.297.964)
Effect of changes in foreign exchange rates in cash and cash equivalents		(2.435.155)	(1.845.626)	1.510.960	(2.624.523)	(2.023.555)
Minority interest results		--	--	--	(26.651)	(53.999)
Other adjustments		(104)	47.772	3.037	(101)	47.775
Equity variations						
(Increase) Decrease in short-term interbank deposits		(9.583.151)	(53.149.993)	16.646.378	(12.972.295)	(43.856.470)
(Increase) Decrease in trading securities and derivative financial instruments		(3.892.816)	(3.315.403)	1.136.734	(8.204.430)	(12.768.067)
(Increase) Decrease in interbank and interdepartmental accounts		(444.652)	(4.581.636)	(45.125.118)	(536.076)	(4.528.090)
(Increase) Decrease in loan operations		(17.214.785)	(41.937.984)	(40.895.161)	(19.870.136)	(47.289.652)
(Increase) Decrease in lease operations		3.739	10.698	13.093	166.624	707.095
(Increase) Decrease in other receivables net of deferred taxes		(7.003.393)	(5.162.141)	(9.294.459)	(8.102.968)	(7.619.997)
(Increase) Decrease in other receivables		15.663	(191.683)	(1.304.526)	(94.385)	(944.825)
Income and social contribution taxes paid		1.313.010	(661.542)	(3.084.741)	1.634.289	(1.389.511)
(Decrease) Increase in deposits		22.606.336	39.532.359	8.877.156	23.367.639	38.385.645
(Decrease) Increase in money market borrowing		785.688	50.636.065	(99.641)	1.852.112	52.552.587
(Decrease) Increase in funds from acceptance and issue of securities		5.419.282	11.810.410	4.039.649	6.743.122	15.677.113
(Decrease) Increase in borrowings and onlendings		3.087.259	3.687.140	19.365.435	(827.864)	593.791
(Decrease) Increase in other liabilities		2.537.240	(2.714.384)	10.767.658	1.713.892	(1.914.772)
(Decrease) Increase in deferred income		30.860	22.821	(19.538)	28.391	18.471
CASH PROVIDED BY (USED IN) OPERATIONS		1.388.078	11.553.546	(19.629.596)	(7.337.816)	17.799.090
CASH FLOWS FROM INVESTING ACTIVITIES						
(Increase) Decrease in securities available for sale		3.113.652	1.412.199	(2.186.108)	4.786.110	21.005
(Increase) Decrease in securities held to maturity		(322.047)	(876.213)	5.002.730	(376.388)	(1.623.867)
Dividends received from subsidiary/associated companies		498.084	1.233.348	1.505.948	--	--
(Acquisition)/sale of property, plant and equipment in use and leased		(364.391)	(787.351)	(769.245)	(424.641)	(953.478)
(Acquisition)/ sale of investments		(62.560)	(572.056)	(338.465)	(101.336)	(97.296)
Acquisition of intangible assets/ deferred assets		(3.234.983)	(3.594.514)	(2.546.028)	(3.270.640)	(3.676.334)
Net cash of assets and liabilities from ownership interest in Banco Patagonia	(Note 2.a)	--	(764.819)	--	--	(327.356)
Net cash received on disposal of Brasilsaúde		--	--	--	--	29.057
CASH PROVIDED /(USED IN) INVESTING ACTIVITIES		(372.245)	(3.949.406)	668.832	613.105	(6.657.326)
CASH FLOWS FROM FINANCING ACTIVITIES						
Change in minority interest		--	--	--	90.575	488.307
(Decrease) Increase in subordinated debts		2.024.319	6.381.056	2.423.977	2.538.903	6.281.631
(Decrease) Increase in hybrid capital and debt instruments		505.589	(499.075)	(34.874)	505.842	(489.253)
Capital increase		--	--	7.092.715	--	--
Disposal of treasury shares		--	254	30.936	--	254
Dividends and interest on own capital paid		(1.332.002)	(3.422.357)	(3.570.949)	(1.332.002)	(3.422.357)
CASH PROVIDED /(USED IN) FINANCING ACTIVITIES		1.197.906	2.459.878	5.941.805	1.803.318	2.858.582
Net variation of cash and cash equivalents		2.213.739	10.064.018	(13.018.959)	(4.921.393)	14.000.346
At the beginning of the period		39.837.109	32.576.359	49.702.511	43.468.484	25.147.713
Effect of changes in foreign exchange rates in cash and cash equivalents		2.435.155	1.845.626	(1.510.960)	2.624.523	2.023.555
At the end of the period		44.486.003	44.486.003	35.172.592	41.171.614	41.171.614
Increase in cash and cash equivalents		2.213.739	10.064.018	(13.018.959)	(4.921.393)	14.000.346

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

STATEMENT OF CHANGE ADDED VALUE

	Banco do Brasil							
	3rd Quarter 2011		01.01 to 09.30.2011		01.01 to 09.30.2010		3rd Quarter 2011	
	Balance	%	Balance	%	Balance	%	Balance	%
Income	28.050.887		72.206.264		56.668.163		32.914.843	
Income from Financial Intermediation	26.876.734		67.494.104		52.218.479		31.099.710	
Income from service and bank fee	3.518.911		9.880.726		8.857.969		4.719.875	
Allowance for loan losses	(2.770.781)		(7.573.874)		(7.450.403)		(3.285.108)	
Other income/expenses	426.023		2.405.308		3.042.118		380.366	
Income from Financial Intermediation	(18.968.973)		(41.847.649)		(28.254.324)		(22.022.623)	
Inputs Purchased from Third Parties	(1.816.809)		(5.210.254)		(4.975.337)		(2.052.068)	
Materials, electric power and other	(112.710)		(346.917)		(331.040)		(121.089)	
Expenses with outsourced services	(316.406)		(885.410)		(784.441)		(362.421)	
Communications	(Nota 22.d)		(317.756)		(881.164)		(346.987)	
Data processing	(Nota 22.d)		(230.645)		(652.532)		(147.893)	
Transport	(Nota 22.d)		(211.646)		(573.857)		(223.450)	
Security services	(Nota 22.d)		(195.650)		(555.292)		(200.765)	
Financial system services	(Nota 22.d)		(122.896)		(364.189)		(171.448)	
Advertising and publicity	(Nota 22.d)		(42.292)		(186.752)		(71.702)	
Others	(266.808)		(733.454)		(635.716)		(406.313)	
Gross Added Value	7.265.105		25.148.361		23.438.502		8.840.152	
Depreciation and amortization	(Nota 22.d)		(822.383)		(2.349.283)		(845.190)	
Wealth Created by the Entity	6.442.722		22.723.919		21.089.219		7.994.962	
Wealth Received in Transfer	1.094.141		2.485.075		2.059.726		558.355	
Equity in the earnings (loss) of subsidiary and associated companies	1.094.141		2.485.075		2.059.726		558.355	
Added Value to be Distributed	7.536.863	100,00	25.208.994	100,00	23.148.945	100,00	8.553.317	100,00
Wealth Distributed	7.536.863	100,00	25.208.994	100,00	23.148.945	100,00	8.553.317	100,00
Personnel	3.424.815	45,44	9.671.008	38,37	8.798.555	38,01	3.801.300	44,44
Salaries and fees	2.250.236		6.216.078		5.665.533		2.491.953	
Employee profit sharing	369.039		1.168.142		990.649		419.702	
Benefits and training programs	(Nota 22.c)		443.218		1.257.504		490.598	
FGTS (Government Severance Indemnity Fund for Employees)	123.073		373.361		352.608		142.981	
Other charges	239.249		613.910		532.261		256.066	
Taxes, Rates and Contributions	1.064.641	14,13	5.952.576	23,61	6.202.326	26,79	1.643.236	19,33
Federal	895.345		5.476.190		5.784.512		1.396.034	
State	210		731		675		1.096	
Municipal	169.086		475.655		417.139		246.106	
Interest on Third Parties' Capital	156.122	2,07	431.757	1,71	392.117	1,69	190.845	2,23
Rent	(Nota 22.d)		156.122		392.117		190.845	
Interest on Capital	(Nota 24.e)		2.891.285	38,36	9.153.653	36,31	2.917.936	34,23
Federal Government interest on own capital	470.998		1.335.460		1.080.392		470.998	
Interest on own capital of other shareholders	324.802		920.941		637.070		324.802	
Federal Government dividends	213.490		831.591		881.415		213.490	
Dividends from other shareholders	147.224		573.469		503.501		147.224	
Retained earnings	1.734.771		5.492.192		4.653.569		1.734.771	
Minority interest in retained earnings	--		--		--		26.651	

See the accompanying notes to the financial statements.

1 – The Bank and its Operations

O Banco do Brasil S.A. (Banco do Brasil or Bank) is a publicly listed company established under private law, with both public and private shareholders, and subject to the requirements of Brazilian corporate legislation, headquartered in Setor Bancário Sul, Quadra 1, Lote 32, Bloco C, Edifício Sede III, Brasília, Federal District, Brazil. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to promote financial intermediation and originate financial transactions in various forms, including foreign exchange transactions and supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of credit/debit cards, consortiums, investment funds and management portfolios, and to practice any activities permitted for the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of article 19 of Law n.º 4,595/1964.

2 – Company Restructuring

a) Acquisitions

EuroBank

On 04.25.2011, Banco do Brasil S.A., within its internationalization strategy, signed the Stock Purchase Agreement to acquire 100% of the capital of EuroBank, for the price of USD 6.0 million. EuroBank, a privately held company headquartered in Florida (United States), has a network of three branches located in the cities of Coral Gables, Pompano Beach and Boca Raton.

The transaction was approved at the stockholders meeting on 05.31.2011. The consummation is contingent upon the approvals of the regulatory agencies in Brazil and United States.

Banco Patagonia S.A.

On 04.12.2011, after approvals by the regulatory agencies of Brazil and Argentina, the Bank acquired controlling interest of Banco Patagonia, with the purchase of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R\$ 764,819 thousand (USD 482,040 thousand), through a cash payment, as follows, resulting in the value of USD 1.3141 per share:

	R\$ thousand
Amount paid	764,819
Value of shareholders equity ⁽¹⁾	782,319
Value of the equity corresponding to 51%	398,983
Dividends	47,188
Value of goodwill	318,648

(1) Net of values related to unrealized results, revaluation reserves, asset valuation adjustments, and dividends, with incorporation of the income accounts.

The values of the investment and of goodwill were determined based on the adjusted balance sheet of Banco Patagonia of March 31, 2011. The goodwill was allocated to the cash generating unit after determining the fair value of the net assets of Banco Patagonia.

On 08.17.2011, the Comisión Nacional de Valores of Argentina, the capital market regulatory agency of that country, authorized, in Argentina, a Mandatory Takeover Bid of Banco Patagonia to increase the share position of Banco do Brasil from 51% to 75% of the capital and the voting shares.

From 09.01.2011 to 10.05.2011, the Banco do Brasil made the Mandatory Takeover Bid, with a price per share of class A and B of Banco Patagonia of USD 1.314 to be paid in Argentine pesos at the exchange rate indicated in the Prospectus, with a deduction of \$0.3346500775 Argentine pesos per share, relating to the dividends paid for the year ended December 2010.

On 10.11.2011, the Mandatory Takeover Bid of Banco Patagonia was closed on the Stock Exchange of Buenos Aires. The offering resulted in the purchase of 57,276,942 class B common shares by Banco do Brasil at the price of \$5.1959759225 Argentine pesos per share. The Banco do Brasil

became the holder of 424,101,958 class B common shares and now holds 58.96% of the capital and voting shares of Banco Patagonia.

b) Growth of Shares

Visa Vale

On 01.24.2011, the subsidiary BB Banco de Investimento S.A. (BB BI) acquired part of the shares owned by the Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale), increasing its share from 45% to 49.99%.

Brasilcap Capitalização S.A. (Brasilcap)

On 01.06.2010, the Bank announced that the subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

On 01.24.2011, BB Seguros signed a Purchase and Sale Agreement to acquire all of the shareholding (16.67% ON) owned by Sul América Capitalização S.A. (Sulacap) in Brasilcap. On 07.22.2011, the deal became effective, and the participation of BB Seguros increased from 49.99% to 66.66%.

Summary of the values involved in the transaction:

	R\$ mil
Visa Vale	
Price for the share acquisition	85,529
Equity Value corresponding to the acquired share (4.99%)	9,887
Goodwill value for the acquisition	75,641
Brasilcap	
Price for the share acquisition	145,224
Equity Value corresponding to the acquired share (16.67%)	34,475
Goodwill value for the acquisition	110,749

c) Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance

The BB Seguros and Mapfre Partnership

On 05.05.2010, Banco do Brasil announced that BB Seguros and the insurance Group Mapfre entered into a Partnership Agreement effective for 20 years to form a strategic alliance in the field of personal insurance, casualties, and vehicles.

Based on the Agreement, as of 06.30.2011, the Bank, through BB Seguro and Mapfre, (Grupo Segurador Banco do Brasil e Mapfre), started commercial operations. The Bank set up the holding companies

BB Mapfre SH1 Participações S.A., whose branch of activity aggregates personal, property and agricultural insurance, and Mapfre BB SH2 Participações S.A., focused on casualty and vehicle insurance, with separate legal identities under private law, with majority interest of the Mapfre Group in the voting capital and shared governance.

The companies present the following configuration:

	BB Mapfre SH1 Participações S.A.			Mapfre BB SH2 Participações S.A.		
	% Total Capital	% Common	% Preferred	% Total Capital	% Common	% Preferred
BB Seguros Participações S.A.	74.99	49.99	100	50	49	51
Mapfre	25.01	50.01	--	50	51	49

The subscription of capital in SH1 by BB Seguros and Mapfre was made with transfer of the investments in insurance companies Companhia de Seguros Aliança do Brasil, Mapfre Vera Cruz Vida e Previdência S.A. and Vida Seguradora S.A., as well as holdings BB Aliança Participações S.A. e Mapfre Participações Ltda. The subscription of capital in SH2 by BB Seguros and Mapfre was made with transfer of the investments in insurance companies Aliança do Brasil Seguros S.A., Brasiveículos Companhia de Seguros, Mapfre Vera Cruz Seguradora S.A. and Mapfre Riscos Especiais Seguradora S.A., as well as holding BB Aliança Rev Participações S.A. and Mapfre Assistência S.A.

In order to equalize the intended equity interest in both holdings created due to the “Agreement”, BB Seguros subscribed capital on the amount of R\$ 332,614 thousand. The transaction was based on book values of the companies.

d) Partnership

Partnership with Bradesco S.A. in the card segment

On 03.14.2011, Banco do Brasil and Banco Bradesco executed a Memorandum of Understanding for establishment of holding company Elo Participações, that consolidates joint businesses related to electronic payment methods. Banco do Brasil owns 49.99% of the shares and Banco Bradesco, 50.01%.

On 03.30.2011, was officially launched a Brazilian brand of credit, debit and pre-paid cards, referred to as Elo, managed by Elo Serviços, controlled by Elo Participações.

On 05.20.2011, financial resources were provided by Banco do Brasil to Elo Participações S.A. in the amount of R\$ 9,200 thousand.

3 – Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the National Monetary Council (CMN), Brazilian Central Bank (Bacen), the National Council of Private Insurance (CNSP), the Superintendency of Private Insurance (Susep), the National Health Agency (ANS) and the Securities and Exchange Commission of Brazil (CVM), as applicable.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of property, plant and equipment, the allowance for loan losses, deferred tax assets, provision for labor, tax and civil claims, appreciation of derivative financial instruments, assets and liabilities relating to post-employment benefits for employees and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil in Brazil and abroad (Banco do Brasil), and the consolidated financial statements also include operations of financial and non-financial subsidiaries in Brazil and abroad, Special Purpose Entity - Dollar Diversified Payment Rights Finance Company, including the Investment Funds which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Bacen requirements (BB-Consolidated).

In the preparation of these financial statements, amounts resulting from transactions between consolidated companies, including the ownership interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and income was separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest where control is shared with other shareholders were consolidated proportionally to the ownership held in the capital. Leasing operations were considered from the funding method's standpoint, and the amounts were reclassified

from the heading of leased assets to the heading of leasing operations, after deduction of residual amounts received in advance.

Since 2008, the Committee for Accounting Pronouncements (CPC) has issued accounting standards and interpretations aligned with the international financial reporting standards approved by CVM. Bacen accepted the following pronouncements, applied in full by the Bank: CPC 01 – Reduction in Recoverable Value of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 – Disclosure on Related Parties, CPC 10 – Share-Based Payment, CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors, CPC 24 – Subsequent Event and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets. The adoption of CPC 10 - Share-Based Payment did not cause effects in financial statements of the Bank.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 – Statement of Value Added, CPC 12 – Adjustment at Present Value, CPC 19 – Investment in Joint Venture, CPC 22 – Information by segment, CPC 33 – Employee Benefits and CPC 41 – Income per share.

Pronouncements CPC 07 - Government Subsidies and Assistance, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Bacen rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

The application of other provisions which depend on Bacen's regulations results primarily, in immaterial adjustments or in changes in the way of disclosure, except the following pronouncements that may result in significant impacts on the financial statements:

CPC 04 - Intangible Assets and CPC 15 - Business Combinations – a) reclassification of intangible assets identified on the acquisitions of Banco Nossa Caixa and Banco Votorantim, which occurred in 2009 and of Banco Patagonia, which occurred in April 2011, from the Investment Account to the Intangible Assets account in the group of Non-current Assets – Permanent; b) derecognition of goodwill amortization expenses due to expectations of future profitability arising from the acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 36 - Consolidated Statements – in the formation of holding companies SH1 and SH2 (Note 2.c), the Bank contributed to their insurance companies and received indirect participation in insurance companies arising from the Mapfre, accounting with the following effects: a) derecognition of assets and liabilities of enterprises contributed by the Bank at its book value at the date control was lost; b) recognition of the assets received at fair value in return; c) recognition of the remaining investment in former subsidiaries at fair value on the same date; and d) recognition the difference with a resulting gain or loss in earnings.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for loan losses, due to the adoption of the incurred loss criterion.

These financial statements were approved by the Executive Board of Directors on 11.01.2011.

Shareholding interest included in the consolidated financial statements, segregated by business segments

			Activity	% of Total Share		
				09.30.2011	12.31.2010	09.30.2010
Banking Segment						
BB Leasing S.A. – Arrendamento Mercantil	(1)	(4)	Leasing	100%	100%	100%
Banco do Brasil – AG. Viena	(1)	(4)	Banking	100%	100%	100%
BB Leasing Company Ltd.	(1)	(4)	Leasing	100%	100%	100%
BB Securities LLC.	(1)	(4)	Broker	100%	100%	100%
BB Securities Ltd.	(1)	(4)	Broker	100%	100%	100%
Brasílian American Merchant Bank	(1)	(4)	Banking	100%	100%	100%
BB USA Holding Company, Inc.	(1)	(4)	Holding	100%	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99.62%	99.62%	99.62%
Banco Patagonia S.A.	(1)	(4)	Multiple Bank	51%	--	--
Banco Votorantim S.A.	(2)	(4)	Multiple Bank	50%	50%	50%
Investment Segment						
BB Banco de Investimento S.A.	(1)	(4)	Investment Bank	100%	100%	100%
Kepler Weber S.A.	(2)	(4)	Industry	17.54%	17.56%	17.57%
Companhia Brasileira de Securitização – Cibrasec	(3)	(5)	Purchase of Credits	12.12%	12.12%	12.12%
Neoenergia S.A.	(2)	(4)	Energy	11.99%	11.99%	11.99%
Segment of Fund Management						
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	100%	100%	100%
Segment of Insurance, Private Pension Fund and Capitalization						
BB Seguros Participações S.A.	(1)	(4)	Holding	100%	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	100%	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	100%	100%	100%
BB Aliança Participações S.A.	(3)	(4)	Holding	74.99%	100%	100%
Companhia de Seguros Aliança do Brasil	(3)	(4)	Insurance Company	74.99%	100%	100%
Brasilprev Seguros e Previdência S.A.	(3)	(4)	Insurance Company/ Pension	74.99%	74.99%	74.99%
BB Mapfre SH1 Participações S.A.	(3)	(4)	Holding	74.99%	--	--
Mapfre Vera Cruz Vida e Previdência S.A.	(3)	(4)	Insurance Company/ Pension	74.99%	--	--
Mapfre Participações Ltda.	(3)	(4)	Holding	74.99%	--	--
Vida Seguradora S.A.	(3)	(4)	Insurance Company	74.99%	--	--
BB Aliança Rev Participações S.A.	(3)	(4)	Holding	50%	100%	--
Brasileveículos Companhia de Seguros	(3)	(4)	Insurance Company	50%	100%	70%
Mapfre BB SH2 Participações S.A.	(3)	(4)	Holding	50%	--	--
Mapfre Vera Cruz Seguradora S.A.	(3)	(4)	Insurance Company	50%	--	--
Mares Mapfre Riscos Especiais S.A.	(3)	(4)	Insurance Company	50%	--	--
Mapfre Assistência S.A.	(3)	(4)	Service Rendering	50%	--	--
Aliança do Brasil Seguros S.A.	(3)	(4)	Insurance Company	50%	100%	100%
Brasilcap Capitalização S.A.	(3)	(4)	Capitalization	66.66%	49.99%	49.99%
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(4)	Insurance Company	12.09%	12.09%	12.09%
Segment of Payment Methods						
BB Administradora de Cartões de Crédito S.A.	(1)	(4)	Service Rendering	100%	100%	100%
BB Elo Cartões Participações S.A.	(1)	(4)	Holding	100%	100%	100%
Elo Participações S.A.	(2)	(4)	Holding	49.99%	--	--
Companhia Brasileira de Soluções e Serviços CBSS – Visa Vale	(3)	(4)	Service Rendering	49.99%	45%	45%
Cielo S.A.	(2)	(4)	Service Rendering	28.74%	28.74%	28.75%
Tecnologia Bancária S.A. – Tecban	(3)	(5)	Service Rendering	13.53%	13.53%	13.53%
Other Segments						
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	(4)	Credit Acquisition	100%	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	(4)	Credit Acquisition	100%	--	--
BB Administradora de Consórcios S.A.	(1)	(4)	Consortium	100%	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(5)	Tourism	100%	100%	100%
BB Money Transfers Inc.	(1)	(4)	Service Rendering	100%	100%	100%
Cobra Tecnologia S.A.	(1)	(4)	IT	99.97%	99.99%	99.94%
BV Participações S.A.	(2)	(4)	Holding	50%	50%	50%

(1) Subsidiaries.

(2) Joint control, included proportionally in consolidation.

(3) Affiliated companies, included proportionally in consolidation, as established by Bacen.

(4) Financial Statements for consolidation on Sep/2011.

(5) Financial Statements for consolidation on Aug/2011.

The following investment funds were also consolidated: BV Financeira FIDC I, BV Financeira FIDC II, BV Financeira FIDC III, BV Financeira FIDC IV, BV Financeira FIDC V, Fundo de Investimento Sedna Referenciado DI, Votorantim G&K Fundo de Investimento em Participações, Fundo de Investimento Nióbio I and BVIA Fundo de Investimento em Participações, as well as special-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, and entities that are directly or indirectly controlled by the Bank.

For purposes of comparing the financial statements, a reclassification at Banco do Brasil and BB-Consolidated was made, for the period from 01.01.2010 to 09.01.2010, of R\$ 479,273 thousand from the grouping of Service Revenue to the grouping of Income from Bank Fees, pursuant to Bacen Circular Letter 3,490/ 2011, which altered the function of accounting titles and subtitles for recording income from tariffs.

From 01.01.2010 to 09.30.2010, BB-Consolidated reclassified R\$ 225,658 thousand from the grouping of Other Operating Income to the grouping of Service Fee Income, regarding Cielo POS equipment rental incomes.

4 – Description of significant accounting policies

a) Statement of income

Income and expenses are determined on the accrual basis of accounting. The formalized transactions with post-fixed financial charges are recorded at the restated value, calculated *pro rata*, based on the variations in the agreed contractual indices, and the transactions with fixed financial charges are recorded at their redemption value, adjusted to reflect unearned income or unexpired expenses. Foreign-currency indexed transactions are adjusted to the balance sheet date based on agreed contractual indices.

b) Cash and cash equivalents

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, investments in repurchase agreements - own operations, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity not exceeding 90 days.

c) Short-term interbank investments

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustment to allowance for losses

d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three different categories, according to Bacen Circular 3068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in value are recorded, net of tax effects, in a separate shareholders' equity account.

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intention to hold to maturity. These securities are not adjusted to market value. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through pricing models, using future interest rate curves, foreign exchange rates, and price and currency index, all consistent with prices adopted during the year.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a *pro rata* basis on the accrual basis of accounting until the date of maturity or final sale, according to the exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment on 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.

e) Derivative financial instruments

Derivative financial instruments are adjusted to market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in financial asset or liability market values are considered hedge instruments and are classified according to their nature:

Market Risk Hedge - increases or decreases in value of the financial instruments, as well as of the hedged item, are recorded in income/expenses accounts for the period; and

Cash Flow Hedge - the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Shareholders' Equity account. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income/expenses for the period.

f) Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing allowance.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans already written off against the allowance are rated as level H and any gains from renegotiation are recognized as income when effectively received.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution n^o 2682/1999 (Note 10.e).

g) Taxes

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income (CSLL) ⁽¹⁾	15%
Social Integration Program (PIS/Pasep) ⁽²⁾	0.65%
Contribution to Social Security Financing – Cofins ⁽²⁾	4%
Tax Services of any kind – ISSQN	Up to 5%

(1) For non-financial firms, the CSLL rate is 9%.

(2) For non-financial firms that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and Cofins rate is 7.6%.

Deferred tax assets (tax credits) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For recording, maintaining, and writing off tax credits the Bank follows the established criteria by CMN Resolution n.º 3059/2002, and amended by CMN Resolution n.º 3355/2006, and they are supported by a study of their realizability.

h) Prepaid expenses

Refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

i) Permanent assets

Investment: investments in subsidiaries and associated companies in which the Bank has significant influence or an ownership interest of 20% or more of the voting shares, and in other companies which are part of a group or are under common control are accounted for by the equity method based on the shareholders' equity of the subsidiary or associated company.

Goodwill, the premium paid over the book value of the investment acquired due a future profitability expectation, is based on financial economic evaluations which substantiate the purchase price of the business and is amortized based on annual income projections of those evaluations. Goodwill is tested for impairment annually.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with Bacen Circulars 2397/1993 and 2571/1995, and their impacts are recorded in the statement of income for the period.

Other permanent investments are stated at cost, less allowance for losses and the impairment, if applicable.

Property and equipment: property and equipment are stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; data processing systems - 20% and others - 10% (Note 15).

Deferred : deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of restructuring expenditures , and the expenditures, up to 09.30.2008, with third parties, as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% per annum (p.a.).

Intangible: intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including acquired goodwill.

An asset meets the criteria for identification as an intangible asset, when it is separable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets that have a defined useful life comprise disbursements for acquisition of the right to provide bank services (payroll acquisitions), and are amortized over contracted periods, and acquisition/development of software, amortized on the straight-line basis at the rate of 20% per year starting from the date of availability for use, and adjusted by impairment, when applicable (Note 16). The amortization of intangible assets is recorded in "Other Administrative Expenses".

j) Impairment of non-financial assets

An impairment loss is recognized if the carrying value of an asset or its cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows, which are largely independent of the cash flows from other assets or groups of assets. Losses through impairment are recognized in income/expenses for the period.

From 2008, losses of non-financial assets, excluding tax credits and other assets are reviewed at least annually to determine whether there is any indication of loss due to impairment.

Taking into account the materiality and relevance of the involved amounts, the main assets that have their recoverable amounts tested are: Buildings, Data processing systems (property, plant and equipment) and Rights due to payroll acquisition (intangible assets) and Goodwill for expected future earnings generated upon the acquisition of entities (investment).

The calculation of the recoverable amounts of the tested items employs the following assumptions:

- 1- for the calculation of the recoverable amounts of buildings, appraisal reports (for properties of significant value) and estimates (for the other properties);
- 2- for data processing equipment (mainframes and automatic teller machines), both the market value and the amount recoverable over time by use in the entity's transactions are considered. The methods applied consider the cash flow projections of the economic benefits arising from the use of each asset over its useful life, discounted to present value;
- 3- the model for evaluating losses arising from the devaluation of the Negotiation Relationship Allowance (for rights resulting from payroll acquisition) is based on monitoring contract performance. That model was prepared starting from the contribution margins of relationships with individuals linked to each contract; and
- 4- the goodwill impairment testing methodology, which corresponds to the excess amount paid on the acquisition of investments arising from expected future profitability, consists of two stages:
 - i) to measure the present value of expected result of cash-generating unit, and
 - ii) to exclude the identified assets from this result.

The remaining balance, if greater than the goodwill, indicates that there is no need to record an impairment. If lower, the difference between both will be the amount impaired. To measure this result, the assumptions adopted are based on usual market rates and on financial economic studies. The estimate involves several subjective assumptions, such as current and past performance and expected growth in the respective market and across the macroeconomic environment.

The value in use of cash-generating units related to the segment of Insurance, Pension and Capitalization is sensitive to perpetuity growth and discount rates. Indices related to the growth rate are based on the macroeconomic scenario developed by Banco do Brasil. The discount rate, used by the Bank, is determined by the cost of own capital ascertained by the CAPM (Capital Asset Pricing Model) model denominated in Brazilian currency in the unit form. For the Banking Segment sensitivity falls upon the Gross Domestic Product and National Amplified Consumer Price Index.

In the case of goodwill in the acquisition of Banco Nossa Caixa, acquired in November 2009, the methodology consisted of comparing the present value of the projected income of Banco do Brasil to the corporate and retail agencies of the State of São Paulo (cash generating unit), isolating the profitability compared with and without Banco Nossa Caixa. As from the difference identified, the amounts were projected based on the profitability growth premises to Banco do Brasil, discounted by the capital opportunity cost.

k) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, were assessed as of 06.30.2011 in accordance with criteria established by CVM Resolution n.º 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year and not per year as on 12.31.2009.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the Bank's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk value of plan assets fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to record a liability when the amount of the actuarial obligation exceeds the value of plan assets, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or refundable in future.

The portion of gains or losses recognized in income of the Bank corresponds to the excess of the Bank that did not fit in the corridor divided by the average remaining working time of the employees who participate in the plan. The corridor is the greater of:

- 1- 10% of the total actuarial obligation present present value of the defined benefit, and
- 2- 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.º 600/2009, adopted the procedure of recognizing actuarial gains/losses in the period in which the service was performed.

Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, the Banks obligations related to the retiree are evaluated by the present actuarial value of the contributions to be paid over the expected period when the plan participants and beneficiaries will be linked to the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

The actuarial asset recognized in the balance sheet (Note 27) refers to the actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law n.º 109/2001 and Resolution CGPC n.º 26/2008.

l) Operations related to insurance, pension and capitalization activities

Statement of Income/Expenses

Insurance premiums and selling expenses are recorded upon the issuance of policies or billings and are recognized in income/expenses, according to the elapsed coverage period. Revenues from premiums and the corresponding selling expenses, related to present risks without the issuing of respective policies are recognized in the statement of income/expenses based on estimates.

Income from insurance premiums of unelapsed risks is deferred for the validity period of the insurance policies, by means of the formation of provision for unearned premiums, based on the net retention of earned premiums issued.

Accepted coinsurance, retrocession and Dpvat convention (Personal injuries caused by motor vehicles) operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider - Dpvat, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized by the duration of the risk, regardless of its receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to income/expenses on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

Other income and expenses are determined on the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by the Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolutions 75/2004 and 160/2009 of the National Supplementary Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance (Susep) and the National Supplementary Health Agency (ANS).

Insurance

Provision for Unearned Premiums(PUP) represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a *pro rata die* basis.

Provision for Unearned Premiums for Present Risks but Not Yet Issued (PUP-PRNI) represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency: represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross reinsurance and net of recoveries of coinsurance ceded, monetarily restated for indexed insurance determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

Provision for Claims Incurred but not Reported (IBNR) represents the amount expected of claims incurred but not reported until the base date of the financial statements.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PUP and PUP-PRNI) higher or equal to the daily average of the month of calculation.

Pension plan

Mathematical Provision for Future Benefit Payments - Represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose perception of the benefits has not yet started.

Provision for benefits granted: refers to those already receiving the benefits.

Provisions for a Deficiency in Contributions and in Premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits granted and to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the effective plans.

Provision for Financial Fluctuation: is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Capitalization

Mathematical Reserve for Redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

Provisions for Redemption of Overdue and Prepaid Notes: are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for Unrealized Draws for Premiums are calculated on the face value of the notes, based on actuarial technical notes approved by Susep. The write-off of the provision for unrealized draws for premiums is recorded by the amount equivalent to the lapsed risk, i.e., the balance of provision for unrealized draws for premiums represents the defrayed amounts of premiums draws not yet executed.

Provision for Draws for Premiums Payable is formed at the amounts of the notes payable from draws for premiums restated for the period between the date of the draw and the effective settlement.

m) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined in CMN Resolution n.º 3823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence assuring their realization usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims and civil claims related to economic plans, provisions are based on the average payments for cases closed in the last 24 and 12 months, respectively, for calculating the value of the obligations; and

Individual – cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations provided in the legislation, regardless of the probability of success of lawsuits in progress, which have their amounts recognized in full in the financial statements.

n) Earnings per share

The disclosure of earnings per share is done according to the criteria defined in Resolution CVM 636/2010. Bank's basic earnings per share were calculated by dividing the net profit attributable

to shareholders by the weighted average number of total shares, excluding treasury shares (Note 24.e).

5 – Information by Segment

The information by segment was compiled with a basis on the reports used by Management in the appraisal of the segment's performance, decision making regarding the allocation of funds for investment and other purposes, considering the regulatory environment and the similarities between goods and services.

The operations of Banco do Brasil are basically divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. In addition, the Bank participates in other business activities, such as leasing and operating support, that were aggregated in "Other".

Intersegment transactions are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

a) Banking Segment

Responsible for the most significant portion of Banco do Brasil, preponderantly had taken in Brazil, involves a large diversity of products and services, such as deposits, loans and services that are made available to customers by means of a wide variety of distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by network and customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

b) Investment Segment

In this segment, deals are performed in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, as well as equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Segment of Fund Management

Responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, institution, organization and management of investment funds and clubs. Revenues mainly derived from commissions and management fees charged to investors for services rendered.

d) Segment of Insurance, Private Pension Fund, and Capitalization

In this segment, products and services offered are related to life, property and automobile insurance, complementary private pension plans and capitalization plans.

Income comes mainly from revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

e) Segment of Payment Methods

Such segment is mainly responsible for funding, transmission, processing services and financial settlement of operations in electronic means.

Revenues are derived mainly from commissions and management fees charged to commercial and banking establishments for the services rendered described in the previous paragraph, as well as income from rent, installation and maintenance of electronic terminals.

f) Other segments

Other segments comprise the operational support and consortium segments, which have not been aggregated as they are not individually significant.

Their revenues are originated mainly from provision of services not covered in previous segments, such as: credit recovery, consortium administration, development, manufacture, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies, intermediation of air tickets, lodging and organization of events.

Notes to the financial statements

R\$ thousand

BB-Consolidated	3rd Quarter 2011							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other Segments	Intersegment transactions	
Income	35,757,444	308,455	300,551	1,363,775	518,910	398,211	(516,821)	38,130,525
Income from loans and leases	17,684,466	--	--	--	--	--	--	17,684,466
Income from operations with securities and derivative financial instruments	10,810,744	35,369	21,613	11,136	61,705	8,992	(142,445)	10,807,114
Income from foreign exchange operations and Compulsory	392,784	--	--	--	(119)	--	--	392,665
Financial results from insurance operations, pension and capitalization	--	--	--	622,115	--	--	16,778	638,893
Income from service fees	2,407,521	81,287	212,576	131,788	433,719	292,824	(286,136)	3,273,579
Income from tariffs, rates and commissions	1,372,469	9,626	64,201	--	--	--	--	1,446,296
Equity in the (earnings)/loss of subsidiary and associated companies	550,928	7,620	(490)	297	--	--	--	558,355
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	556,465	--	--	13,557	570,022
Other Income	2,538,532	174,553	2,651	41,974	23,605	96,395	(118,575)	2,759,135
Expenses	(33,298,704)	(258,308)	(53,451)	(949,901)	(288,389)	(313,109)	516,821	(34,645,041)
Expenses of Market funding	(15,427,328)	(102,701)	--	--	--	(9,990)	139,275	(15,400,744)
Loans, assignments, transfers and leases	(4,632,412)	--	--	--	(18)	(27)	--	(4,632,457)
Allowance for loan losses	(3,285,445)	(5)	(34)	--	--	376	--	(3,285,108)
Restatement and interest of technical reserves	--	--	--	(412,850)	--	--	--	(412,850)
Personnel Expenses	(3,674,302)	(11,502)	(12,654)	(77,838)	(24,057)	(50,983)	1,342	(3,849,994)
Other administrative expenses	(2,509,361)	(13,184)	(4,825)	(254,507)	(50,558)	(60,487)	313,232	(2,579,690)
Depreciation	(236,499)	(608)	--	(3,952)	(2,867)	(1,686)	--	(245,612)
Amortization of deferred assets	(26,571)	--	--	(5,476)	(565)	(1,405)	--	(34,017)
Amortization of intangible assets	(565,513)	--	--	(9)	--	(39)	--	(565,561)
Revenues / (Expenses) from impairment	206	--	--	--	170	--	--	376
Other expenses	(2,941,479)	(130,308)	(35,938)	(195,269)	(210,494)	(188,868)	62,972	(3,639,384)
Profit before tax and participations	2,458,740	50,147	247,100	413,874	230,521	85,102	--	3,485,484
Income tax and social contribution	201,922	3,853	(100,269)	(148,525)	(76,077)	(28,750)	--	(147,846)
Profit sharing	(409,137)	--	(103)	(4,817)	(350)	(5,295)	--	(419,702)
Net income	2,251,525	54,000	146,728	260,532	154,094	51,057	--	2,917,936
Earnings attributable to the parent company	2,224,873	54,000	146,728	260,532	154,094	51,058	--	2,891,285
Minority interest earnings/(losses)	26,652	--	--	--	--	(1)	--	26,651
Balance Sheets								
Assets	904,051,530	6,854,027	947,026	48,744,809	2,446,415	4,527,463	(17,789,804)	949,781,466
Investment in subsidiaries and associate companies	11,462,515	3,616,679	64	572,016	--	--	(8,726,347)	6,924,927
Liabilities	847,284,078	3,826,850	667,707	44,704,734	1,873,088	1,913,522	(7,201,085)	893,068,894

Notes to the financial statements

R\$ thousand

BB-Consolidated	01.01 a 09.30.2011							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	
Income	95,751,795	902,632	836,588	3,818,075	1,460,849	1,054,579	(1,359,235)	102,465,283
Income from loans and leases	48,068,022	--	--	--	--	--	--	48,068,022
Income from operations with securities and derivative financial instruments	22,637,647	145,532	53,591	30,819	162,181	19,130	(447,302)	22,601,598
Income from foreign exchange operations and Compulsory	4,743,432	--	--	--	(67)	(64)	7	4,743,308
Financial results from insurance operations, pension and capitalization	--	--	--	1,603,881	--	--	41,892	1,645,773
Income from service fees	6,640,191	260,458	713,586	364,303	1,243,813	719,305	(710,014)	9,231,642
Income from tariffs, rates and commissions	3,892,971	26,208	64,201	--	--	--	--	3,983,380
Equity in the (earnings)/loss of subsidiary and associated companies	391,681	10,750	--	(3,449)	--	--	--	398,982
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,708,226	--	--	41,335	1,749,561
Others Income	9,377,851	459,684	5,210	114,295	54,922	316,208	(285,153)	10,043,017
Expenses	(84,856,852)	(633,491)	(164,376)	(2,679,880)	(790,307)	(793,973)	1,359,235	(88,559,644)
Expenses of Market funding	(39,765,277)	(292,883)	--	--	--	(30,098)	373,748	(39,714,510)
Loans, assignments, transfers and leases	(7,140,789)	--	--	--	(65)	(102)	--	(7,140,956)
Allowance for loan losses	(8,765,222)	(16)	(107)	--	--	1,742	--	(8,763,603)
Restatement and interest of technical reserves	--	--	--	(1,055,245)	--	--	--	(1,055,245)
Personnel Expenses	(10,197,855)	(31,449)	(38,149)	(188,219)	(68,473)	(133,102)	4,805	(10,652,442)
Other administrative expenses	(7,020,012)	(40,512)	(17,635)	(705,345)	(141,535)	(161,495)	816,239	(7,270,295)
Depreciation	(702,108)	(1,797)	--	(7,689)	(7,590)	(5,132)	--	(724,316)
Amortization of deferred	(96,151)	--	--	(16,350)	(1,647)	(3,899)	--	(118,047)
Amortization of intangible assets	(1,646,045)	--	--	(40)	--	(121)	--	(1,646,206)
Revenues / (Expenses) from impairment	3,245	--	--	--	106	--	--	3,351
Other expenses	(9,526,638)	(266,834)	(108,485)	(706,992)	(571,103)	(461,766)	164,443	(11,477,375)
Profit before tax and participations	10,894,943	269,141	672,212	1,138,195	670,542	260,606	--	13,905,639
Income tax and social contribution	(2,328,614)	(20,964)	(269,970)	(420,597)	(222,713)	(87,614)	--	(3,350,472)
Profit sharing	(1,303,431)	(21)	(309)	(15,024)	(998)	(27,732)	--	(1,347,515)
Net income	7,262,898	248,156	401,933	702,574	446,831	145,260	--	9,207,652
Earnings attributable to the parent company	7,208,893	248,156	401,933	702,574	446,831	145,266	--	9,153,653
Minority interest earnings/(losses)	54,005	--	--	--	--	(6)	--	53,999
Balance Sheets								
Assets	904,051,530	6,854,027	947,026	48,744,809	2,446,415	4,527,463	(17,789,804)	949,781,466
Investment in subsidiaries and associate companies	11,462,515	3,616,679	64	572,016	--	--	(8,726,347)	6,924,927
Liabilities	847,284,078	3,826,850	667,707	44,704,734	1,873,088	1,913,522	(7,201,085)	893,068,894

Notes to the financial statements

R\$ thousand

BB-Consolidated	01.01 a 09.30.2010							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	
Income	76,881,492	708,053	700,588	3,235,555	1,182,685	868,717	(890,077)	82,687,013
Income from loans and leases ⁽¹⁾	40,150,617	--	--	--	--	--	(95,976)	40,054,641
Income from operations with securities and derivative financial instruments	15,451,039	64,088	37,309	20,820	100,601	10,756	(251,927)	15,432,686
Income from foreign exchange operations and Compulsory	2,854,710	--	--	--	--	--	4	2,854,714
Financial results from insurance operations, pension and capitalization	--	--	--	1,355,078	--	--	34,400	1,389,478
Income from service fees	5,780,397	324,535	665,105	507,067	952,540	573,071	(494,449)	8,308,266
Income from tariffs, rates and commissions	3,558,681	--	--	--	--	--	(13)	3,558,668
Equity in the (earnings)/loss of subsidiary and associated companies	(23,938)	19,112	(5,445)	--	--	--	--	(10,271)
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,204,605	--	--	192,130	1,396,735
Others Income	9,109,986	300,318	3,619	147,985	129,544	284,890	(274,246)	9,702,096
Expenses	(66,781,415)	(392,276)	(129,362)	(2,149,289)	(599,097)	(653,008)	794,101	(69,910,346)
Expenses of Market funding	(28,049,152)	(178,822)	--	--	--	(33,206)	231,596	(28,029,584)
Loans, assignments, transfers and leases	(4,334,334)	--	--	--	(42)	(81)	--	(4,334,457)
Allowance for loan losses	(8,133,648)	(12)	(78)	--	--	1,359	--	(8,132,379)
Restatement and interest of technical reserves	--	--	--	(962,341)	--	--	--	(962,341)
Personnel Expenses	(9,240,550)	(22,396)	(35,601)	(132,635)	(45,292)	(94,682)	3,681	(9,567,475)
Other administrative expenses	(6,705,557)	(39,060)	(15,137)	(585,811)	(118,819)	(160,012)	476,282	(7,148,114)
Depreciation	(650,282)	(216)	--	(3,595)	(4,939)	(5,339)	--	(664,371)
Amortization of deferred	(134,363)	--	--	(10,576)	(1,367)	(2,446)	--	(148,752)
Amortization of intangible assets	(1,576,593)	--	--	(70)	--	(90)	--	(1,576,753)
Revenues / (Expenses) from impairment	(15,670)	--	--	--	(925)	--	--	(16,595)
Other expenses	(7,941,266)	(151,770)	(78,546)	(454,261)	(427,713)	(358,511)	82,542	(9,329,525)
Profit before tax and participations	10,100,077	315,777	571,226	1,086,266	583,588	215,709	(95,976)	12,776,667
Income tax and social contribution ⁽²⁾	(2,995,695)	(88,933)	(230,869)	(352,271)	(198,357)	(69,881)	41,068	(3,894,938)
Profit sharing	(1,144,450)	(155)	(370)	(9,706)	--	(26,029)	--	(1,180,710)
Net Income ⁽³⁾	5,959,932	226,689	339,987	724,289	385,231	119,799	(54,908)	7,701,019
Earnings attributable to the parent company	5,959,932	226,689	339,987	724,289	385,231	119,819	(54,908)	7,701,039
Minority interest earnings/(losses)	--	--	--	--	--	(20)	--	(20)
Balance Sheets								
Assets	759,042,981	6,319,036	798,902	35,049,560	2,132,498	4,428,785	(10,956,498)	796,815,264
Investment in subsidiaries and associate companies	7,735,480	3,285,533	17,457	486,767	--	--	(4,616,409)	6,908,828
Liabilities	711,999,497	4,100,637	546,331	31,471,328	1,715,117	2,434,399	(3,656,371)	748,610,938

(1) Includes intersegment transactions in the amount of R\$ 95,976 thousand, related to the elimination of unrealized results in the BB-Consolidated, due to the credit cession of the Banco do Brasil to Ativos S.A.

(2) were activated in BB-Consolidated the amount of R\$ 41,068 thousand (highlighted on intersegment transactions) relating to tax credits incident to unrealized results (previous section).

(3) Includes intersegment transactions in the amount of R\$ 54,908 thousand, related to unrealized results, net of tax.

6 – Cash and Cash Equivalents

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Cash and Cash Equivalents	19,767,405	9,397,247	9,291,607	20,465,962	9,744,688	9,545,362
Local currency	18,803,863	8,559,836	8,728,080	19,229,824	8,848,327	8,910,333
Foreign currency	963,542	837,411	563,527	1,219,198	883,681	622,986
Investments in gold	--	--	--	16,940	12,680	12,043
Interbank Investments ⁽¹⁾	24,718,598	23,179,112	25,880,985	20,705,652	15,403,025	12,872,631
Subject to repurchase agreements – held position	306,548	149,794	204,472	1,614,117	513,055	3,243,732
Interbank deposits	23,298,166	22,567,704	24,495,154	17,750,572	14,384,692	8,447,540
Investments in foreign currency	1,113,884	461,614	1,181,359	1,340,963	505,278	1,181,359
Total Cash and Cash Equivalents	44,486,003	32,576,359	35,172,592	41,171,614	25,147,713	22,417,993

(1) Refer to investments whose maturity is less than or equal to 90 days.

7 – Short-term Interbank Investments**a) Breakdown**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Open Market Investments	123,256,837	78,628,740	102,487,008	130,022,644	85,060,184	111,324,650
Sales Pending Settlement – Held Position	306,548	149,794	4,341,612	2,919,972	1,419,922	7,447,783
Financial Treasury bills	--	--	--	363,180	3,193	152,161
National Treasury bills	--	88,409	86,169	1,696,936	201,371	402,950
National Treasury notes	--	--	4,050,971	448,657	1,135,054	6,588,466
Others Securities	306,548	61,385	204,472	411,199	80,304	304,206
Sales Pending Settlement – Financed Position	122,950,289	78,478,946	98,145,396	126,210,285	82,375,105	103,068,449
Financial Treasury bills	105,001,451	52,794,239	83,266,979	105,001,451	52,794,239	83,739,413
National Treasury bills	16,995,433	19,735,808	10,326,498	18,758,686	22,644,595	14,002,245
National Treasury notes	373,355	5,889,416	4,136,840	1,870,098	6,876,788	4,911,712
Others Securities	580,050	59,483	415,079	580,050	59,483	415,079
Sales Pending Settlement – Sold Position	--	--	--	892,387	1,265,157	808,418
Federal Government securities – National Treasury	--	--	--	892,387	1,265,157	808,418
Interbank Deposits	46,147,284	36,085,902	38,808,932	27,390,808	22,518,606	23,975,188
Total	169,404,121	114,714,642	141,295,940	157,413,452	107,578,790	135,299,838
Current assets	153,334,407	109,929,317	133,050,784	140,550,529	106,615,633	130,895,829
Non-current assets	16,069,714	4,785,325	8,245,156	16,862,923	963,157	4,404,009

b) Income from Short-term Interbank Investments

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 a 09.30.2011	01.01 a 09.30.2010	3rd Quarter 2011	01.01 a 09.30.2011	01.01 a 09.30.2010
Income from Money Market	3,819,699	10,327,337	8,361,334	4,051,367	10,936,429	8,832,686
Held position	31,846	175,247	686,663	86,242	313,067	784,217
Financed position	3,787,853	10,152,090	7,674,671	3,937,423	10,543,012	8,030,608
Sold position	--	--	--	27,702	80,350	17,861
Income from Interbank Investments	406,456	982,580	934,019	149,867	387,753	375,701
Total	4,226,155	11,309,917	9,295,353	4,201,234	11,324,182	9,208,387

8 – Securities and Derivative Financial Instruments

a) Securities

Maturity in days	Banco do Brasil								
	09.30.2011								
	Market Value					Total			
	Without maturity	0-30	31-180	181-360	More than 360	Cost Value	Market value	Mark to Market	Cost value
1 – Trading securities	--	1,049,532	3,637,057	4,203,231	11,177,564	19,827,552	20,067,384	239,832	17,866,247
Federal Government Bonds	--	1,049,532	3,635,242	4,197,314	11,091,396	19,733,550	19,973,484	239,934	17,699,142
Financial treasury bills	--	--	10,992	--	4,494,703	4,506,081	4,505,695	(386)	4,873,609
National treasury bills	--	1,049,532	--	4,197,314	4,122,691	9,198,635	9,369,537	170,902	10,347,881
Treasury notes	--	--	3,624,250	--	2,474,002	6,028,834	6,098,252	69,418	2,477,652
Corporate bonds	--	--	1,815	5,917	86,168	94,002	93,900	(102)	167,105
Debentures	--	--	1,815	5,917	86,168	94,002	93,900	(102)	166,820
Shares									285
2 - Securities available for sale	257,032	1,852,364	7,546,953	6,905,557	50,475,828	66,460,173	67,037,734	577,561	67,816,316
Federal Government Bonds	--	1,213,723	3,996,289	5,591,868	33,734,286	43,859,078	44,536,166	677,088	52,110,127
Financial treasury bills	--	--	2,375,248	2,120,638	25,308,913	29,806,970	29,804,799	(2,171)	36,166,255
National treasury bills	--	1,199,464	--	1,869,216	1,571,193	4,584,814	4,639,873	55,059	5,848,901
Treasury notes	--	--	1,511,324	42,484	1,492,787	3,007,503	3,046,595	39,092	3,843,060
Agricultural debt securities	--	415	1,004	622	7,300	10,399	9,341	(1,058)	10,883
Brazilian foreign debt securities	--	--	100,530	76,710	2,879,335	2,623,098	3,056,575	433,477	2,430,777
Foreign Government bonds	--	13,844	8,183	1,482,198	2,375,174	3,729,576	3,879,399	149,823	3,732,128
Others	--	--	--	--	99,584	96,718	99,584	2,866	78,123
Corporate bonds	257,032	638,641	3,550,664	1,313,689	16,741,542	22,601,095	22,501,568	(99,527)	15,706,189
Debentures	--	--	300,198	886,361	14,811,914	15,982,301	15,998,473	16,172	12,300,926
Promissory notes	--	317,377	2,917,082	307,150	--	3,541,983	3,541,609	(374)	1,402,858
Credit Notes	--	--	--	--	20,892	21,017	20,892	(125)	25,384
Shares in investment funds	203,434	643	--	4,764	758,831	1,071,055	967,672	(103,383)	327,121
Shares	53,598	--	--	--	--	9,185	53,598	44,413	9,182
Rural Product Bills - Commodities	--	83,688	281,224	115,414	12,025	493,648	492,351	(1,297)	449,498
Certificate of deposit	--	46,477	46,465	--	--	92,830	92,942	112	299,933
Others	--	190,456	5,695	--	1,137,880	1,389,076	1,334,031	(55,045)	891,287

Notes to the financial statements

Maturity in days	Banco do Brasil									
	09.30.2011									
	Market value					Total				
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value
3 - Securities held to maturity	--	--	3,593,427	--	7,502,038	11,277,710	11,095,465	(182,245)	10,401,497	10,219,252
Federal Government Bonds	--	--	3,593,427	--	7,390,889	10,981,157	10,984,316	3,159	10,121,705	10,118,546
Financial treasury bills	--	--	3,566,308	--	7,271,450	10,842,658	10,837,758	(4,900)	9,979,376	9,974,476
National treasury notes	--	--	--	--	23,671	24,805	23,671	(1,134)	23,515	22,381
Brazilian foreign debt securities	--	--	27,119	--	95,768	113,694	122,887	9,193	118,814	119,665
Corporate bonds	--	--	--	--	111,149	296,553	111,149	(185,404)	279,792	280,641
Others	--	--	--	--	111,149	296,553	111,149	(185,404)	279,792	280,641
Total	257,032	2,901,896	14,777,437	11,108,788	69,155,430	97,565,435	98,200,583	635,148	96,084,060	96,273,601

Maturity in days	Banco do Brasil									
	09.30.2011									
	Market value					Total				
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value
Total by portfolio	257,032	2,901,896	14,777,437	11,108,788	69,155,430	97,565,435	98,200,583	635,148	96,084,060	96,273,601
Own portfolio	257,032	2,901,896	5,413,075	5,110,728	31,075,848	44,515,029	44,758,579	243,550	47,646,615	47,890,165
Subject to repurchase agreements	--	--	9,353,897	5,987,806	36,060,121	51,009,470	51,401,823	392,352	45,657,058	45,617,606
Deposits with the Brazilian Central Bank	--	--	17	--	46,205	46,282	46,222	(60)	102	102
Pledged in guarantee	--	--	10,448	10,254	1,973,256	1,994,654	1,993,959	(694)	2,780,285	2,779,580

Maturity in years	Banco do Brasil								
	09.30.2011								
	Market value					Total			
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value	Market value	Mark to Market	Cost value
Total by category	257,032	28,788,121	55,339,491	11,080,043	2,735,896	97,565,435	98,200,583	635,148	96,084,060
1 - Trading securities	--	8,889,820	9,920,987	1,256,577	--	19,827,552	20,067,384	239,832	19,827,552
2 - Securities available for sale	257,032	16,304,873	38,011,639	9,819,503	2,644,687	66,460,173	67,037,734	577,561	66,882,612
3 - Securities held to maturity	--	3,593,428	7,406,865	3,963	91,209	11,277,710	11,095,465	(182,245)	10,913,215

Notes to the financial statements

R\$ thousand

	Banco do Brasil								
	09.30.2011			12.31.2010			09.30.2010		
	Book value			Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	40,223,984	58,158,844	98,382,828	40,019,295	56,411,557	96,430,852	27,040,444	66,203,120	93,243,564
Own portfolio	18,481,849	26,393,183	44,875,032	17,355,563	30,617,318	47,972,881	15,489,011	25,529,124	41,018,135
Subject to repurchase agreements	21,682,895	29,784,719	51,467,614	22,532,857	23,145,800	45,678,657	11,396,083	38,259,032	49,655,115
Deposits with the Brazilian Central Bank	17	46,205	46,222	15	42	57	17	60	77
Pledged in guarantee	59,223	1,934,737	1,993,960	130,860	2,648,397	2,779,257	155,333	2,414,904	2,570,237

R\$ thousand

	Banco do Brasil					
	09.30.2011		12.31.2010		09.30.2010	
Total by category						
Trading Securities	20,067,384	20%	17,838,046	18%	19,300,999	21%
Securities available for sale	67,037,734	68%	68,191,309	71%	60,586,061	65%
Securities held to maturity	11,277,710	12%	10,401,497	11%	13,356,504	14%
Portfolio book value	98,382,828	100%	96,430,852	100%	93,243,564	100%
Mark-to-market - held to maturity	(182,245)		(167,863)		(153,505)	
Portfolio market value	98,200,583		96,262,989		93,090,059	

Maturity in days	BB-Consolidated									
	09.30.2011									12.31.2010
	Market value					Total				Total
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value
1 - Trading securities	5,780,302	4,633,222	6,947,683	7,445,607	38,346,901	62,237,817	63,153,715	915,898	50,134,629	50,444,111
Federal Government Bonds	74,577	4,540,111	5,694,611	6,169,675	33,199,203	48,577,404	49,678,177	1,100,773	39,282,334	39,463,111
Financial treasury bills	39,738	324,918	21,260	153,795	10,474,091	11,015,435	11,013,802	(1,633)	10,198,197	10,196,564
National treasury bills	--	1,279,567	517,102	5,769,308	7,447,325	14,208,291	15,013,302	805,011	13,386,869	13,356,111
National treasury notes	--	319,618	4,731,658	122,692	14,142,102	19,153,151	19,316,070	162,919	13,345,239	13,557,111
Agricultural debt securities	--	73,886	22,380	54,313	227,575	377,306	378,154	848	27,232	27,111
Brazilian foreign debt securities	--	40,885	2,408	11,452	139,964	154,231	194,709	40,478	148,250	146,111
Foreign Government bonds	47,151	19,264	20,138	11,376	713,983	719,520	811,912	92,392	965,407	965,111
Others	(12,312)	2,481,973	379,665	46,739	54,163	2,949,470	2,950,228	758	1,211,140	1,213,111
Corporate bonds	5,705,725	93,111	1,253,072	1,275,932	5,147,698	13,660,413	13,475,538	(184,875)	10,852,295	10,981,111
Debentures	--	10	98,323	50,996	1,780,408	3,377,283	1,929,737	(1,447,546)	2,735,435	2,755,111
Promissory notes	--	--	90,528	--	--	90,528	90,528	--	15,569	15,111
Shares	2,418,285	--	--	--	--	1,690,245	2,418,285	728,040	1,596,607	1,735,111
Shares in investment funds	3,212,018	11,538	3,149	9,141	182,290	2,889,557	3,418,136	528,579	1,316,704	1,313,111
Rural Product Bills - Commodities	--	18,465	103,178	21,728	31,250	169,221	174,621	5,400	228,948	233,111
Certificate of deposit	19,545	28,831	932,836	1,152,113	2,714,182	4,846,019	4,847,507	1,488	3,875,813	3,875,111
Eurobonds	--	--	10,598	1,696	59,765	76,167	72,059	(4,108)	52,479	51,111
Others	55,877	34,267	14,460	40,258	379,803	521,393	524,665	3,272	1,030,740	1,001,111

Notes to the financial statements

Maturity in days	BB-Consolidated									
	09.30.2011									12.31.2010
	Market value					Total				Total
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value
2 – Securities available for sale	2,757,630	1,858,149	8,045,323	7,183,444	55,519,952	76,485,211	75,364,498	(1,120,713)	74,697,382	75,142,211
Federal Government Bonds	108,655	1,213,724	4,071,846	5,819,922	36,086,435	46,533,378	47,300,582	767,204	55,218,970	55,543,111
Financial treasury bills	65,535	--	2,375,248	2,127,224	25,457,061	30,027,301	30,025,068	(2,233)	36,511,087	36,508,854
National federal treasury Bills	--	1,199,464	--	1,869,216	1,572,529	4,586,170	4,641,209	55,039	5,901,449	5,892,410
National treasury notes	--	--	1,524,563	43,940	3,119,646	4,642,133	4,688,149	46,016	6,476,073	6,437,057
Agricultural debt securities	--	415	1,004	622	7,300	10,399	9,341	(1,058)	10,883	9,925
Brazilian foreign debt securities	--	--	103,048	76,711	2,981,840	2,688,289	3,161,599	473,310	2,487,934	2,840,844
Foreign Government bonds	--	13,845	67,983	1,702,209	2,848,474	4,459,442	4,632,511	173,069	3,732,823	3,733,642
Others	43,120	--	--	--	99,585	119,644	142,705	23,061	98,721	121,767
Corporate bonds	2,648,975	644,425	3,973,477	1,363,522	19,433,517	29,951,833	28,063,916	(1,887,917)	19,478,412	19,599,179
Debentures	--	3,671	426,604	905,815	15,988,819	17,285,389	17,324,909	39,520	13,538,724	13,610,244
Promissory notes	--	317,377	2,992,590	307,150	--	3,617,491	3,617,117	(374)	1,402,858	1,401,484
Credit Notes	--	--	24,791	30,181	41,821	96,918	96,793	(125)	25,384	25,259
Shares in investment funds	1,594,120	643	--	4,764	1,653,995	5,120,285	3,253,522	(1,866,763)	1,385,856	1,420,093
Shares	1,050,872	--	--	--	--	1,000,882	1,050,872	49,990	1,033,506	1,102,496
Rural Product Bills - Commodities	--	83,687	281,224	115,414	12,025	493,648	492,350	(1,298)	449,498	447,000
Certificate of deposit	--	46,478	46,465	--	22,789	115,620	115,732	112	395,030	395,142
Others	3,983	192,569	201,803	198	1,714,068	2,221,600	2,112,621	(108,979)	1,247,556	1,195,000
3 – Securities held to maturity	--	--	3,782,015	211,379	14,122,931	18,279,801	18,116,325	(163,476)	16,655,934	16,496,458
Federal Government Bonds	--	--	3,782,015	211,379	13,869,916	17,841,382	17,863,310	21,928	16,376,142	16,393,100
Financial treasury bills	--	--	3,638,444	83,802	7,757,459	11,467,109	11,479,705	12,596	9,979,376	9,979,376
National treasury notes	--	--	116,446	99,991	5,969,475	6,187,216	6,185,912	(1,304)	6,111,845	6,118,149
National treasury bills	--	--	--	27,580	47,204	73,341	74,784	1,443	166,081	165,837
Agricultural debt securities	--	--	--	--	--	--	--	--	26	26
Brazilian foreign debt securities	--	--	27,120	--	95,768	113,694	122,888	9,194	118,814	129,008
Others	--	--	5	6	10	22	21	(1)	--	--
Corporate bonds	--	--	--	--	253,015	438,419	253,015	(185,404)	279,792	103,358
Certificate of deposit	--	--	--	--	141,866	141,866	141,866	--	--	--
Others	--	--	--	--	111,149	296,553	111,149	(185,404)	279,792	103,358
Total	8,537,932	6,491,371	18,775,021	14,840,430	107,989,784	157,002,829	156,634,538	(368,291)	141,487,945	142,083,487

Notes to the financial statements

Maturity in days	BB-Consolidated									
	09.30.2011									12.31.2010
	Market value					Total				Total
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value
Total by portfolio	8,537,932	6,491,371	18,775,021	14,840,430	107,989,784	157,002,829	156,634,538	(368,291)	141,487,945	142,083,319
Own portfolio	8,537,932	6,491,371	9,150,381	8,185,468	64,369,401	97,611,219	96,734,553	(876,666)	84,982,319	85,556,319
Subject to repurchase agreements	--	--	9,374,296	6,204,251	40,679,727	55,785,059	56,258,274	473,215	51,275,370	51,328,319
Deposits with the Brazilian Central Bank	--	--	17	--	46,205	46,283	46,222	(61)	102	102
Pledged in guarantee	--	--	250,327	450,711	2,894,451	3,560,268	3,595,489	35,221	5,230,154	5,199,319

Maturity in years	BB-Consolidated									
	09.30.2011									12.31.2010
	Market value					Total				Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value	Market value	Mark to Market	Cost value	Market value
Total by category	8,537,932	40,106,822	93,444,575	11,676,019	2,869,190	157,002,829	156,634,538	(368,291)	141,487,945	142,083,319
1 - Trading securities	5,780,301	19,026,513	36,963,635	1,352,475	30,790	62,237,817	63,153,715	(915,898)	59,237,817	50,134,319
2 - Securities available for sale	2,757,631	17,086,915	42,453,180	10,319,581	2,747,192	76,485,211	75,364,498	(1,120,713)	74,243,785	74,697,319
3 - Securities held to maturity	--	3,993,394	14,027,760	3,963	91,208	18,279,801	18,116,325	(163,476)	17,952,849	16,655,319

R\$ thousand									
	BB-Consolidated								
	09.30.2011			12.31.2010			09.30.2010		
	Book value			Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	81,292,802	75,505,212	156,798,014	75,084,984	67,158,159	142,243,143	60,414,555	75,848,124	136,262,679
Own portfolio	58,633,489	40,639,638	99,273,127	46,402,185	39,315,949	85,718,134	41,927,880	33,688,290	75,616,170
Subject to repurchase agreements	21,919,739	31,962,566	53,882,305	26,465,657	24,860,036	51,325,693	15,527,938	39,442,183	54,970,121
Deposits with the Brazilian Central Bank	17	46,205	46,222	15	42	57	17	60	77
Pledged in guarantee	739,557	2,856,803	3,596,360	2,217,127	2,982,132	5,199,259	2,958,720	2,717,591	5,676,311

R\$ thousand									
	BB-Consolidated								
	09.30.2011			12.31.2010			09.30.2010		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Total by category									
Trading securities				63,153,715	40%	50,444,872	35%	50,850,171	37%
Securities available for sale				75,364,498	48%	75,142,337	53%	66,205,176	49%
Securities held to maturity				18,279,801	12%	16,655,934	12%	19,207,332	14%
Portfolio book value				156,798,014	100%	142,243,143	100%	136,262,679	100%
Mark-to-market - held to maturity				(163,476)		(159,734)		(138,511)	
Portfolio market value				156,634,538		142,083,409		136,124,168	

b) Income from operations with securities

R\$ thousand							
	Banco do Brasil			BB-Consolidated			
	3 rd Quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3 rd Quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010	
Short-term Interbank Investments (Note 7.b)	4,226,155	11,309,917	9,295,353	4,201,234	11,324,182	9,208,387	
Fixed income securities	3,289,267	8,281,282	6,371,444	3,994,511	9,772,468	7,589,384	
Variable income securities	2,346,798	2,347,360	279,219	2,378,659	2,562,756	303,746	
Total	9,862,220	21,938,559	15,946,016	10,574,404	23,659,406	17,101,517	

c) Reclassification of securities

In the nine months ended September, 2011 the Banco Votorantim reclassified R\$ 1,383,710 thousand (market value) securities of foreign governments from the category "Trading securities" to the category "Securities available for sale", as a result of the Administration's intention review about these securities. This reclassification has not impacted the results and equity on this date.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as both hedge (market risk and risk of cash flow) and trading, both with limits and approved by committees at the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and is approved by the Executive Board of Directors.

In the options market, active or long positions have the Bank as holder, while passive or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a prior risk analysis.

Risk analysis of the subsidiaries is undertaken on an individual basis and its risk management is done on a consolidated basis.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using models of values at risk sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments resulting from the business dealings of the bank and its subsidiaries are credit, market, liquidity and operating risks.

Credit risk is the exposure to loss in the event of default by a counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. The *swap* contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the *swap* contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil that have the same stock exchange as guarantor.

Total credit exposure in swaps is R\$ 977,678 thousand (R\$ 1,004,041 thousand at 12.31.2010 and R\$ 961.456 thousand at 09.30.2010). The swap operations in negotiations associated with the operation to capture and/or application of R\$ 141,172 thousand (R\$ 418,170 thousand at 12.31.2010 and R\$ 672,855 thousand at 09.30.2010) are recorded at values updated as changes incurred from their indices (curve), and are not at market value, as permitted by Bacen Circular n.º 3,150/2002.

Market risk is the possibility of losses caused by changes in the behavior of interest rates and exchange rates, stock prices and commodities.

Market liquidity risk is the possibility of loss resulting from the inability to perform a transaction within a reasonable time and without significant loss of value due to the size of the transaction in the volume usually negotiated.

Operational risk denotes the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

Notes to the financial statements

Breakdown of the Portfolio of Derivatives for Trading by Index

By index	Banco do Brasil												
	09.30.2011			12.31.2010			09.30.2010			09.30.2011			Notional value
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost Value	Market value	Notional value	Cost value	Market value	
Futures contracts													
Purchase commitments	7,877,391	--	--	16,135,641	--	--	17,066,997	--	--	40,701,132	--	--	38,023
Interbank deposits	368,611	--	--	2,350,234	--	--	1,795,548	--	--	25,341,916	--	--	18,277
Currencies	6,282,399	--	--	7,438,974	--	--	7,689,072	--	--	6,341,481	--	--	8,508
T-Note	--	--	--	--	--	--	--	--	--	284,863	--	--	27
Index	--	--	--	--	--	--	143	--	--	10,239	--	--	144
Foreign exchange coupon	112,482	--	--	96,899	--	--	100,296	--	--	7,322,780	--	--	4,371
Libor	1,113,654	--	--	6,249,420	--	--	7,480,711	--	--	1,113,654	--	--	6,249
Commodities	245	--	--	114	--	--	1,227	--	--	4,027	--	--	--
SCC ⁽¹⁾	--	--	--	--	--	--	--	--	--	282,172	--	--	445
Sales commitments	20,959,411	--	--	13,633,413	--	--	10,160,745	--	--	59,933,879	--	--	61,710
Interbank deposits	18,222,174	--	--	7,862,213	--	--	2,223,421	--	--	48,353,174	--	--	50,604
Currencies	77,581	--	--	74,736	--	--	251,426	--	--	1,509,579	--	--	584
T-Note	--	--	--	--	--	--	--	--	--	263,104	--	--	294
Index	--	--	--	--	--	--	(92)	--	--	26,522	--	--	--
BGI ⁽²⁾	--	--	--	--	--	--	--	--	--	4,778	--	--	--
Foreign exchange coupon	120,826	--	--	224,469	--	--	461,289	--	--	6,938,116	--	--	3,896
Libor	2,522,307	--	--	5,455,137	--	--	7,213,663	--	--	2,522,307	--	--	5,455
Commodities	16,523	--	--	16,858	--	--	11,038	--	--	29,269	--	--	432
SCC ⁽¹⁾	--	--	--	--	--	--	--	--	--	287,030	--	--	443
Forward operations													
Asset position	4,478,961	394,812	657,683	1,604,041	117,790	80,095	2,500,030	125,307	100,420	4,503,065	401,633	659,267	1,621
Term bonds	127,605	127,605	127,605	--	--	--	--	--	--	127,605	127,605	127,605	--
Term currencies	4,350,833	267,173	529,969	1,604,041	117,790	80,095	2,500,030	125,307	100,420	4,374,937	273,994	531,553	1,621
Term commodities	523	34	109	--	--	--	--	--	--	523	34	109	--
Liability position	4,208,836	(428,435)	(450,287)	4,515,069	(453,906)	(261,984)	3,557,072	(401,107)	(255,982)	4,232,940	(428,738)	(598,699)	4,532
Term Bonds	127,605	(127,605)	(127,605)	--	--	--	--	--	--	127,605	(127,605)	(127,605)	--
Term currencies	4,055,371	(295,879)	(316,609)	4,515,069	(453,906)	(261,984)	3,557,072	(401,107)	(255,982)	4,079,475	(296,182)	(465,021)	4,532
Term commodities	25,860	(4,951)	(6,073)	--	--	--	--	--	--	25,860	(4,951)	(6,073)	--

(1) foreign exchange swap with periodic adjustments

(2) live cattle futures contract

Notes to the financial statements

By index	Banco do Brasil												
	09.30.2011			12.31.2010			09.30.2010			09.30.2011			
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value
Option market	2,036,085	(689,517)	(758,809)	55,135,530	(1,631,686)	(1,657,222)	2,198,165	(1,703,743)	(1,709,304)	500,710,170	(1,936,446)	(1,584,289)	562,698,671
Purchase - Purchase options	167,994	5,558	22,242	26,015,428	771,159	328,272	38,633	101,290	1,113	130,921,523	159,220	364,740	287,109,951
Foreign currency	167,994	5,558	22,242	26,014,195	771,137	328,255	36,676	101,210	1,009	2,264,013	100,940	305,831	29,097,211
Interbank Market	--	--	--	--	--	--	--	--	--	6	33	--	71
Interbank deposit	--	--	--	--	--	--	--	--	--	127,815,090	25,215	696	255,422,651
Bovespa Index	--	--	--	--	--	--	--	--	--	--	--	--	--
Flexible Currency Options	--	--	--	--	--	--	--	--	--	584,788	27,794	57,192	2,387,791
Shares	--	--	--	1,233	22	17	1,957	80	104	203,206	4,898	885	22,633,251
Commodities	--	--	--	--	--	--	--	--	--	54,420	340	136	179,561,111
Sold - Purchase options	156,549	5,510	1,549	--	--	--	5,895	65	130	109,798,803	39,126	128,599	--
Foreign currency	156,549	5,510	1,549	--	--	--	5,895	65	130	973,848	12,513	2,458	--
Interbank Market	--	--	--	--	--	--	--	--	--	6	56	534	--
Interbank deposit	--	--	--	--	--	--	--	--	--	108,460,005	18,313	105,845	--
Flexible Currency Options	--	--	--	--	--	--	--	--	--	31,604	694	29	--
Shares	--	--	--	--	--	--	--	--	--	326,208	7,466	19,431	--
Commodities	--	--	--	--	--	--	--	--	--	7,132	84	302	--
Purchase - Sales options	243,491	(43,824)	(138,525)	26,125,270	(833,951)	(382,245)	177,327	(163,715)	(104,264)	143,396,857	(228,496)	(404,459)	26,125,270
Foreign currency	206,498	(7,190)	(26,000)	26,062,984	(772,919)	(329,123)	115,521	(101,909)	(1,386)	2,415,048	(102,109)	(271,882)	26,062,984
Interbank Market	--	--	--	--	--	--	--	--	--	168	(3,072)	(21)	--
Prefixed	36,579	(36,579)	(112,500)	61,020	(61,020)	(53,113)	61,806	(61,806)	(102,878)	36,579	(36,579)	(112,500)	61,020
Interbank deposit	--	--	--	--	--	--	--	--	--	140,152,225	(26,243)	(860)	--
Bovespa Index	--	--	--	--	--	--	--	--	--	--	--	--	--
Flexible Currency Options	--	--	--	--	--	--	--	--	--	573,257	(54,663)	(18,271)	--
Shares	--	--	--	1,266	(12)	(9)	--	--	--	212,387	(5,353)	(637)	1,266
Commodities	414	(55)	(25)	--	--	--	--	--	--	7,193	(477)	(288)	--
Sold - Sales options	1,468,051	(656,761)	(644,075)	2,994,832	(1,568,894)	(1,603,249)	1,976,310	(1,641,383)	(1,606,283)	116,592,987	(1,906,296)	(1,673,168)	249,463,441
Foreign currency	166,471	(5,808)	(1,613)	722,743	(9,774)	--	741	(41)	(98)	2,173,558	(22,195)	(3,929)	6,733,251
Interbank Market	--	--	--	--	--	--	--	--	--	170	(1,869)	(25,407)	--
Prefixed	642,201	(642,201)	(629,478)	1,549,346	(1,549,346)	(1,603,198)	1,546,380	(1,635,435)	(1,605,392)	1,755,621	(1,837,398)	(1,482,305)	1,549,346
Interbank deposit	--	--	--	--	--	--	--	--	--	111,187,225	(19,209)	(107,480)	236,843,561
Flexible Currency Options	--	--	--	--	--	--	--	--	--	494,827	(8,569)	(13,651)	3,336,171
Shares	--	--	--	--	--	--	2,786	(205)	(254)	265,400	(6,896)	(24,965)	195,700
Commodities	659,379	(8,752)	(12,984)	722,743	(9,774)	(51)	426,403	(5,702)	(539)	716,186	(10,160)	(15,431)	805,403

Notes to the financial statements

By index	Banco do Brasil												BB
	09.30.2011			12.31.2010			09.30.2010			09.30.2011			
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value	
Swap contracts													
Asset position	7,484,769	185,029	348,882	5,591,833	298,564	352,544	6,251,143	324,193	385,201	14,080,489	622,521	722,365	10,538,133
Interbank Deposit	515,732	87,788	88,518	4,258,842	279,437	322,793	4,148,212	295,976	334,137	1,396,794	176,587	101,320	5,165,842
Foreign currency	2,143,844	81,616	130,471	372,717	7,656	8,863	591,093	15,069	20,985	3,842,569	262,963	250,924	451,735
Prefixed	4,805,739	12,788	124,284	939,886	9,350	15,981	1,472,696	9,881	23,932	5,292,074	81,491	210,047	2,610,490
IPCA	19,454	2,837	5,609	20,388	2,121	4,907	39,142	3,267	6,147	1,140,921	24,114	54,442	759,170
IGPM	--	--	--	--	--	--	--	--	--	505,605	57,582	80,470	430,287
Commodities	--	--	--	--	--	--	--	--	--	1,902,526	19,784	25,162	883,164
Others	--	--	--	--	--	--	--	--	--	--	--	--	237,445
Liability position	10,141,804	(469,248)	(731,263)	12,058,868	(403,165)	(565,504)	12,862,626	(478,770)	(632,769)	19,751,143	(1,251,446)	(1,605,114)	21,209,610
Interbank Deposit	468,480	(50,665)	(39,936)	5,747,367	(382,395)	(412,172)	5,311,553	(291,580)	(336,467)	2,491,298	(527,943)	(439,083)	7,580,800
Foreign currency	4,506,184	(341,700)	(500,983)	1,345,047	109,394	(34,061)	1,343,244	17,773	(70,068)	4,835,142	(357,071)	(521,413)	1,482,214
Prefixed	4,888,336	(74,071)	(187,279)	4,608,961	(126,826)	(110,588)	5,669,061	(189,440)	(205,538)	7,330,255	(157,949)	(277,694)	6,501,271
TMS	278,804	(2,812)	(3,065)	278,804	(93)	(5,438)	278,804	(7)	(4,437)	278,804	(2,812)	(3,065)	278,804
TR	--	--	--	78,689	(3,245)	(3,245)	172,254	(6,255)	(6,255)	5,952	(620)	(1,106)	78,689
IGPM	--	--	--	--	--	--	--	--	--	398,635	(45,458)	(66,499)	445,000
IPCA	--	--	--	--	--	--	87,710	(9,261)	(10,004)	2,566,088	(156,474)	(263,638)	2,404,363
Commodities	--	--	--	--	--	--	--	--	--	1,844,969	(3,119)	(32,616)	2,395,441
Others	--	--	--	--	--	--	--	--	--	--	--	--	43,028
Other derivative financial instruments													
Asset position	930,441	30,927	30,367	4,337,549	71,129	73,394	5,247,708	114,806	116,592	1,984,172	30,912	141,683	4,998,557
Foreign currency	930,441	30,927	30,367	4,337,549	71,129	73,394	5,247,708	114,806	116,592	1,984,172	30,912	141,683	4,998,557
Liability position	3,045,371	(65,366)	(69,618)	4,831,590	(71,448)	(80,435)	8,511,662	(153,644)	(161,817)	3,702,011	(65,572)	(125,385)	5,883,741
Foreign currency	3,045,371	(65,366)	(69,618)	4,831,590	(71,448)	(80,435)	8,511,662	(153,644)	(161,817)	3,702,011	(65,572)	(125,385)	5,883,741

Notes to the financial statements

Breakdown of the credit derivatives portfolio by maturity (notional value)

	Banco do Brasil							0 – 30	31-180	181-360	More than 360
	0 – 30	31-180	181-360	More than 360	09.30.2011	12.31.2010	09.30.2010				
Futures contracts	2,497,358	12,166,430	8,482,677	5,690,337	28,836,802	29,769,054	27,227,742	24,553,357	22,725,124	14,755,2	
Forward operations	1,603,521	2,801,672	3,348,000	934,604	8,687,797	6,119,110	6,057,102	1,608,033	2,830,580	3,362,1	
Option market	1,872	551,788	1,481,304	1,121	2,036,085	55,135,530	2,192,270	212,740,519	281,859,815	5,733,4	
Swap contracts	729,016	3,953,209	5,346,630	7,597,718	17,626,573	17,650,701	19,113,769	1,872,675	9,594,486	7,936,0	
Credit derivatives	--	--	--	--	--	--	--	2,535,892	-		
Others	751,057	1,549,054	1,648,573	27,128	3,975,812	9,169,139	13,759,370	1,008,144	2,281,543	2,175,8	

Breakdown of the credit derivative portfolio by notional value, trading market and counterpart (09.30.2011)

	Banco do Brasil					Futures contracts	Forward operations
	Futures contracts	Forward operations	Option market	Swap contracts	Others		
BM&FBovespa	25,200,841	255,210	2,036,085	--	--	96,999,050	255,210
Over-the-counter							
Financial Institutions	3,635,961	--	--	5,803,202	3,975,812	3,635,961	48,208
Client	--	8,432,587	--	11,823,371	--	--	8,432,587

Breakdown of the credit derivative portfolio

	Banco do Brasil							
	09.30.2011		12.31.2010		09.30.2010		09.30.2011	
	Notional value	Market value	Notional value	Market value	Notional value	Market value	Notional value	Market value
Asset position – Transferred risk	--	--	--	--	--	--	1,780,224	2
Credit swaps – Derivatives with Banks	--	--	--	--	--	--	1,780,224	2
Liability position – Received risk	--	--	--	--	--	--	755,668	(3)
Credit swaps – Derivatives with Banks	--	--	--	--	--	--	755,668	(3)

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Currently the portfolio is composed of customers whose risk is rated as investment grade and, as counterparty, contains the main international market leaders for this product. For the sale of protection is approved credit limit, for both the client and for the counterparty risk, according to the approval of the committees and forums of credit. The credit limit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amounts deposited as collateral.

For the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil. In this case, we consider the potential future exposure to allocate credit limit to the counterparty. The portfolio of credit derivatives did not generate impacts in the PEPR - Portion related exposures weighted by risk factor for calculating the Basel index, since information from Banco Votorantim were not included in the calculation, as per determination of the Central Bank of Brazil (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Financial treasury bills	1,931,447	2,040,492	1,930,796	1,953,575	2,061,512	1,946,116
National treasury notes	--	--	--	163,120	960,706	257,949
National treasury bills	--	--	--	430,463	10,507	872,264
Foreign government securities	--	--	--	736,094	792,678	1,227,340
Eurobonds	--	--	--	249,725	517,672	629,108
Others	--	--	--	--	116,618	104,093
Total	1,931,447	2,040,492	1,930,796	3,532,977	4,459,693	5,036,870

Portfolio of derivatives designated as hedge of market risk

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Hedging instruments						
Assets	334,904	337,107	331,216	13,584,044	11,705,985	16,061,560
Future	--	--	--	7,043,770	5,064,318	3,869,997
Swap	334,904	337,107	331,216	3,775,698	3,891,982	5,228,019
Options	--	--	--	2,764,576	2,749,685	6,963,544
Liabilities	--	--	--	41,998,650	39,601,301	41,512,765
Future	--	--	--	25,103,236	20,237,546	18,106,828
Swap	--	--	--	13,648,608	15,626,860	15,054,110
Options	--	--	--	3,246,806	3,736,895	8,351,827
Hedged items						
Assets	--	--	--	32,615,701	29,497,069	27,316,411
Loan Operations	--	--	--	19,857,835	17,213,846	14,539,072
Securities and derivative financial instruments	--	--	--	9,757,624	9,308,980	9,562,009
Lease operations	--	--	--	2,021,294	2,271,714	2,230,222
Foreign Investments	--	--	--	328,096	345,022	370,041
Other assets	--	--	--	650,852	357,507	615,067
Liabilities	333,267	337,188	331,152	3,813,296	2,945,841	2,729,882
Other liabilities	333,267	337,188	331,152	3,813,296	2,945,841	2,729,882

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, contracted derivative operations to offset the exposure to the market value changes. The hedge was assessed as effective, in accordance with the provisions of Central Bank Circular n.º 3,082/2002, which require evidence of hedge effectiveness between 80% and 125%.

Notes to the financial statements

Derivative financial instruments segregated by current and long-term

	Banco do Brasil							
	09.30.2011		12.31.2010		09.30.2010		09.30.2011	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Assets								
Fixed-term options	621,893	35,790	73,418	6,677	94,696	5,724	623,465	35,802
Options market	23,791	--	328,272	--	1,243	--	472,798	20,540
Swap contracts	225,902	122,980	227,983	124,561	255,364	129,837	308,803	413,563
Credit derivatives	--	--	--	--	116,592	--	29,661	--
Other derivative financial instruments	30,367	--	73,394	--	--	--	109,302	32,380
Total	901,953	158,770	703,067	131,238	467,895	135,561	1,544,029	502,285
Liabilities								
Fixed-term options	(411,127)	(39,160)	(218,803)	(43,181)	(209,521)	(46,461)	(559,538)	(39,160)
Options market	(782,453)	(147)	(1,703,779)	(281,715)	(1,435,211)	(275,336)	(2,050,249)	(27,378)
Swap contracts	(437,833)	(293,430)	(426,100)	(139,404)	(502,717)	(130,152)	(1,003,445)	(601,669)
Credit derivatives	--	--	--	--	--	(41,498)	(31,194)	--
Other derivative financial instruments	(66,397)	(3,221)	(77,973)	(2,462)	(159,119)	(2,698)	(117,799)	(7,586)
Total	(1,697,810)	(335,958)	(2,426,655)	(466,762)	(2,306,568)	(496,145)	(3,762,225)	(675,793)

e) Income from derivative financial instruments

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3 rd Quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3 rd Quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Swap	(367,196)	(526,690)	(252,079)	(178,183)	(579,678)	(513,484)
Forward	311,548	20,327	(87,455)	300,964	10,438	(91,981)
Options	(38,494)	(98,409)	(45,363)	14,670	(43,271)	(42,127)
Future	585,337	334,853	(230,750)	11,182	(329,184)	(659,674)
Credit derivatives	--	--	--	(912)	5,487	11,106
Others	79,855	(1,110)	(204,449)	84,989	(121,600)	(372,671)
Total	571,050	(271,029)	(820,096)	232,710	(1,057,808)	(1,668,831)

f) Equity Valuation Adjustment of securities and derivatives recognized in Shareholders' equity

	R\$ thousand					
	3rd Quarter/2011			3rd Quarter/2010		
	06.30.2011 Opening balance	Net change in the quarter	09.30.2011 Closing balance	06.30.2010 Opening balance	Net change in the quarter	09.30.2010 Closing balance
Securities available for sale						
Individual	350,747	227,971	578,718	(30,584)	63,334	32,750
Subsidiaries and affiliates	110,412	98,825	209,237	471,114	178,355	649,469
Tax effects	(18,915)	(58,438)	(77,353)	(29,154)	(23,324)	(52,478)
Total	442,244	268,358	710,602	411,376	218,365	629,741

	R\$ thousand					
	01.01.2011 to 09.30.2011			01.01.2010 to 09.30.2010		
	12.31.2010 Opening balance	Net change in the nine months	09.30.2011 Closing balance	12.31.2009 Opening balance	Net change in the nine months	09.30.2010 Closing balance
Securities available for sale						
Individual	374,799	203,919	578,718	(57,901)	90,651	32,750
Subsidiaries and affiliates	158,148	51,089	209,237	306,258	343,211	649,469
Tax effects	(65,512)	(11,841)	(77,353)	21,807	(74,285)	(52,478)
Total	467,435	243,167	710,602	270,164	359,577	629,741

9 – Interbank accounts

a) Payments and receipts pending settlement

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Assets						
Rights with participants of settlement systems						
Bank Checks and other instruments	1,048,067	128,997	1,004,724	1,048,546	128,997	1,004,836
Documents sent by other participants	2,267,773	10	2,131,800	2,268,148	10	2,132,118
Total	3,315,840	129,007	3,136,524	3,316,694	129,007	3,136,954
Current assets						
	3,315,840	129,007	3,136,524	3,316,694	129,007	3,136,954
Liabilities						
Obligations with participants of settlement systems						
Bank Checks and other instruments	1,244,092	386	1,166,407	1,244,181	386	1,166,663
Remitted receipts	1,967,888	69	1,728,360	1,972,990	69	1,732,993
Other receipts	8,821	31	9,164	8,821	31	9,164
Total	3,220,801	486	2,903,931	3,225,992	486	2,908,820
Current liabilities						
	3,220,801	486	2,903,931	3,225,992	486	2,908,820

b) Restricted deposits

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Compulsory Deposits at the Central Bank of Brazil						
	86,595,141	83,928,847	67,820,774	89,653,708	87,035,114	70,053,640
Additional reserve requirements on deposits	32,720,849	29,283,429	20,538,311	34,015,206	30,639,918	21,435,431
Time deposits	21,961,575	15,177,844	9,947,605	23,669,936	16,866,606	11,234,387
Savings deposits	16,607,360	14,760,321	14,267,473	16,607,360	14,760,321	14,267,473
Demand deposits	13,313,805	17,308,041	15,616,165	13,366,811	17,367,209	15,663,626
Resources on rural credit ⁽¹⁾	1,991,552	7,399,212	7,382,857	1,991,552	7,399,212	7,382,857
Resources on microfinance	--	--	68,363	2,843	1,848	69,866
Housing Finance System	1,878,524	1,792,898	1,696,729	1,878,524	1,792,898	1,696,729
Fund for compensation of wage changes	2,006,870	1,926,986	1,827,903	2,006,870	1,926,986	1,827,903
Other	2,217	6,951	9,247	2,217	6,951	9,247
Provision for losses on loans tied	(130,563)	(141,039)	(140,421)	(130,563)	(141,039)	(140,421)
National Treasury - Rural credit	125,808	121,164	110,167	125,808	121,164	110,167
Total	88,599,473	85,842,909	69,627,670	91,658,040	88,949,176	71,860,536
Current assets						
	88,599,473	85,796,265	69,627,670	91,658,040	88,902,532	71,860,536
Non-current assets						
	--	46,644	--	--	46,644	--

(1) Refers to funds deposited in the Central Bank, because of the failure transferring to rural credits, according to Resolution CMN n° 3745/2009. The funds were subject to special supply by the Central Bank and maintained by the Bank, if applied to rural credit until 08.01.2011, and recorded in borrowings and Transfers (Note 18.b).

c) Income on compulsory deposits

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Income Credit Linked to Central Bank	1,842,260	4,943,368	2,115,014	1,931,149	5,195,715	2,215,064
Additional reserve requirements on deposits	938,027	2,547,131	1,015,866	976,128	2,654,397	1,058,477
Requirements over the long term resources	583,166	1,497,180	439,825	633,954	1,642,261	497,264
Savings deposits	311,923	849,098	647,444	311,923	849,098	647,444
Resources of rural credit	9,144	49,959	11,879	9,144	49,959	11,879
Income Credit Linked to SFH	33,401	98,650	78,700	33,401	98,650	78,700
Income Credit Linked to Rural Credit	4,687	13,528	16,492	4,687	13,528	16,492
Total	1,880,348	5,055,546	2,210,206	1,969,237	5,307,893	2,310,256

10 – Loan operations

a) Portfolio by modality

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Loan Operations	342,343,458	307,123,928	293,295,743	376,910,843	334,159,880	318,056,449
Loans and treasury discounted	154,347,332	141,461,847	134,015,372	166,329,333	149,036,753	140,863,715
Financing	94,752,248	85,267,041	80,891,045	116,610,137	104,006,325	98,250,711
Rural and agribusiness financing	86,886,903	76,972,710	75,605,078	87,464,730	77,639,334	76,157,775
Real estate financing	6,356,098	3,421,356	2,783,104	6,505,766	3,476,494	2,783,104
Financing of Infrastructure and development	877	974	1,144	877	974	1,144
Other receivables with loan characteristics	21,728,243	19,721,065	16,973,489	22,272,476	20,158,934	17,392,360
Credit card operations	10,544,316	10,623,969	8,838,072	10,544,316	10,623,969	8,838,072
Advances on foreign exchange contracts	10,890,819	8,785,982	7,816,767	11,284,722	9,054,882	8,062,436
Guarantees honored	75,958	75,303	66,540	75,958	75,303	66,540
Others	217,150	235,811	252,110	367,480	404,780	425,312
Lease operations	33,775	44,473	47,682	3,372,011	4,046,939	4,377,151
Total Loan Portfolio	364,105,476	326,889,466	310,316,914	402,555,330	358,365,753	339,825,960
Allowance for loan losses	(17,084,167)	(16,499,018)	(17,092,002)	(18,610,520)	(17,314,731)	(18,139,722)
(Allowance for loan losses)	(16,527,468)	(15,827,973)	(16,332,693)	(17,816,132)	(16,433,381)	(17,137,026)
(Allowance for other losses)	(556,699)	(671,045)	(759,309)	(580,462)	(690,124)	(775,013)
(Allowance for lease losses)	--	--	--	(213,926)	(191,226)	(227,683)
Total Loan Portfolio Net of Provisions	347,021,309	310,390,448	293,224,912	383,944,810	341,051,022	321,686,238

b) Loan operations income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Loan operations income	14,557,651	40,754,247	34,382,937	17,091,644	46,263,686	37,688,758
Loans and treasury discounted	9,275,535	25,985,261	21,452,932	9,915,135	27,707,975	22,561,648
Financing	2,139,293	6,507,906	5,979,550	3,651,499	9,620,260	7,946,438
Rural and agribusiness financing	1,654,374	4,564,561	3,739,066	1,671,618	4,611,441	3,762,259
Recovery of written-off loans (Note 10.k)	886,636	2,458,231	2,384,259	984,705	2,792,885	2,439,746
Income housing financing	144,695	347,739	168,305	145,815	349,858	168,305
Advances on foreign exchange contracts	81,393	234,889	205,294	326,011	530,943	350,916
Guarantees honored	116	11,513	6,133	131	11,551	6,148
Others	375,609	644,147	447,398	396,730	638,773	453,298
Lease Operations Income (Note 10.i)	5,465	16,781	32,942	592,822	1,804,336	2,365,883
Total	14,563,116	40,771,028	34,415,879	17,684,466	48,068,022	40,054,641

c) Breakdown of the loan portfolio by sector

	R\$ thousand											
	Banco do Brasil						BB-Consolidated					
	09.30.2011	%	12.31.2010	%	09.30.2010	%	09.30.2011	%	12.31.2010	%	09.30.2010	%
Public sector	8,404,000	2.3	7,150,509	2.2	7,044,575	2.3	8,510,219	2.0	7,261,066	2.0	7,183,915	2.0
Government	2,791,212	0.8	2,772,577	0.9	2,612,381	0.9	2,791,212	0.7	2,772,577	0.8	2,612,381	0.7
Direct administration	2,427,586	0.7	2,449,398	0.8	2,361,788	0.8	2,427,586	0.6	2,449,398	0.7	2,361,788	0.6
Indirect administration	363,626	0.1	323,179	0.1	250,593	0.1	363,626	0.1	323,179	0.1	250,593	0.1
Business entities	5,612,788	1.5	4,377,932	1.3	4,432,194	1.4	5,719,007	1.3	4,488,489	1.2	4,571,534	1.3
BB Group	14,689	-	12,729	-	9,129	-	--	-	--	-	--	-
Industry	3,701,410	1.0	2,480,426	0.8	2,713,053	0.9	3,782,276	0.9	2,553,541	0.7	2,787,744	0.8
Financial services	155,156	-	114,766	-	114,290	-	169,106	-	126,428	-	121,102	-
Other services	1,741,533	0.5	1,770,011	0.5	1,595,722	0.5	1,767,625	0.4	1,808,520	0.5	1,662,688	0.5
Private sector	355,701,476	97.7	319,738,957	97.8	303,272,339	97.7	394,045,111	98.0	351,104,687	98.0	332,642,045	98.0
Rural	63,392,902	17.4	57,331,133	17.5	55,834,030	18.0	64,330,928	16.0	57,987,817	16.2	56,386,727	16.7
Industry	113,740,450	31.3	98,973,789	30.3	94,576,717	30.4	120,972,237	30.2	105,234,145	29.4	100,341,199	29.5
Commerce	41,631,659	11.4	38,160,481	11.7	35,664,441	11.5	44,812,010	11.1	40,125,804	11.2	37,445,553	11.0
Financial services	703,883	0.2	1,425,713	0.4	1,219,902	0.4	926,851	0.2	1,172,864	0.3	1,232,002	0.4
Individuals	86,772,943	23.8	79,022,416	24.2	75,417,598	24.3	91,438,802	22.7	98,274,542	27.4	93,515,365	27.5
Housing	5,001,444	1.4	2,931,782	0.9	2,439,047	0.8	5,051,514	1.3	2,931,782	0.8	2,439,047	0.7
Other services	44,458,195	12.2	41,893,643	12.8	38,120,604	12.3	66,512,769	16.5	45,377,733	12.7	41,282,152	12.2
Total	364,105,476	100.0	326,889,466	100.0	310,316,914	100.0	402,555,330	100.0	358,365,753	100.0	339,825,960	100.0

Notes to the financial statements

d) Loan portfolio by risk level and maturity

Banco do Brasil									
Normal operations									
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	7,683,653	6,561,091	11,465,790	2,568,699	457,050	113,849	21,746	25,586	155,000
31 to 60	5,775,074	5,266,497	6,190,065	1,725,918	268,590	55,222	15,434	11,159	92,000
61 to 90	5,934,573	3,816,230	5,479,306	1,522,614	250,734	50,803	30,934	17,751	105,000
91 to 180	10,032,282	6,555,393	12,561,548	4,174,485	590,322	134,377	38,492	29,746	140,000
181 to 360	15,010,263	12,598,917	23,122,039	7,596,618	1,021,704	261,092	76,676	87,134	378,000
More than 360	62,495,590	32,255,842	68,282,044	20,336,123	4,201,560	1,041,894	431,670	325,880	3,077,000
Installments overdue									
Up to 14 days	35,801	59,598	192,581	112,271	39,890	16,139	3,809	6,860	20,000
Others ⁽¹⁾	1,048,951	--	--	--	--	--	--	--	--
Subtotal	108,016,187	67,113,568	127,293,373	38,036,728	6,829,850	1,673,376	618,761	504,116	3,971,000

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue instalments that do not comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

Notes to the financial statements

Abnormal operations									
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	--	--	73,245	99,593	41,079	38,551	31,401	37,843	212
31 to 60	--	--	35,370	90,525	24,412	24,981	19,823	24,960	110
61 to 90	--	--	28,506	40,263	22,022	24,010	19,581	24,528	109
91 to 180	--	--	70,563	100,321	62,056	65,856	54,106	65,213	297
181 to 360	--	--	119,207	170,963	116,746	116,152	91,031	114,114	584
More than 360	--	--	189,721	278,885	277,619	313,432	276,423	345,493	2,015
Installments overdue									
01 to 14	--	--	8,349	20,756	11,884	11,475	7,688	8,746	38
15 to 30	--	--	87,703	73,186	23,184	20,182	15,914	20,998	92
31 to 60	--	--	3,820	136,338	43,488	39,755	26,358	36,647	139
61 to 90	--	--	1	3,171	87,718	48,430	32,052	35,962	172
91 to 180	--	--	1	2,698	4,719	69,665	95,399	86,616	406
181 to 360	--	--	--	1	1,443	4,775	3,335	50,490	774
More than 360	--	--	--	--	--	1	3,045	4,902	43
Subtotal	--	--	616,486	1,016,700	716,370	777,265	676,156	856,512	5,388
Total	108,016,187	67,113,568	127,909,859	39,053,428	7,546,220	2,450,641	1,294,917	1,360,628	9,366

Notes to the financial statements

	BB-Consolidated								
	Normal operations								
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	7,760,992	8,390,698	11,660,403	2,585,339	464,830	117,138	26,865	26,073	162,000
31 to 60	6,189,130	6,409,194	6,351,550	1,768,505	281,305	56,838	16,943	12,162	90,000
61 to 90	6,210,578	4,883,252	5,651,410	1,571,578	264,057	52,351	31,485	18,170	100,000
91 to 180	10,621,655	9,219,404	12,790,010	4,243,665	617,952	138,384	39,982	33,410	140,000
181 to 360	15,746,622	16,549,790	23,613,187	7,722,454	1,075,669	268,775	78,390	92,896	380,000
More than 360	64,027,651	44,012,376	69,727,553	20,520,124	4,259,613	1,053,967	439,249	340,001	3,110,000
Installments overdue									
Up to 14 days	3,094,534	1,377,539	557,701	204,627	90,473	175,124	7,980	50,462	200,000
Others ⁽¹⁾	1,048,951	--	--	--	--	--	--	--	--
Subtotal	114,700,113	90,842,253	130,351,814	38,616,292	7,053,899	1,862,577	640,894	573,174	4,030,000

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments that do not comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

Notes to the financial statements

	Abnormal operations								
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	--	--	111,305	130,195	59,747	48,189	38,650	43,119	23
31 to 60	--	--	71,271	118,314	39,993	33,946	26,575	29,762	12
61 to 90	--	--	64,078	68,314	36,782	32,872	26,191	29,366	12
91 to 180	--	--	170,781	178,773	103,083	90,783	72,830	78,846	34
181 to 360	--	--	294,431	308,255	188,451	160,727	125,463	137,934	66
More than 360	--	--	701,540	689,856	498,623	461,993	386,231	419,483	2,24
Installments overdue									
01 to 14	--	--	35,333	55,441	34,213	27,877	21,143	20,076	4
15 to 30	--	--	122,864	90,357	36,729	29,419	19,664	25,291	10
31 to 60	--	--	23,340	178,650	60,581	52,081	33,432	41,660	16
61 to 90	--	--	1	19,664	109,256	63,685	39,330	41,052	19
91 to 180	--	--	1	9,584	25,942	98,274	118,525	105,101	48
181 to 360	--	--	--	1,803	2,641	14,950	18,369	67,781	88
More than 360	--	--	--	51,196	--	1	3,073	5,133	48
Subtotal	--	--	1,594,945	1,900,402	1,196,041	1,114,797	929,476	1,044,604	6,09
Total	114,700,113	90,842,253	131,946,759	40,516,694	8,249,940	2,977,374	1,570,370	1,617,778	10,13

Notes to the financial statements

e) Allowance for loan losses by risk level

Level of risk	% Provision	Banco do Brasil								
		09.30.2011				12.31.2010				
		Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans
AA	0	108,016,187	--	--	--	90,617,509	--	--	--	85,000,000
A	0.5	67,113,568	335,568	82,382	417,950	59,239,251	296,196	41	296,237	55,000,000
B	1	127,909,859	1,279,099	3,740	1,282,839	117,892,981	1,178,930	3,740	1,182,670	108,000,000
C	3	39,053,428	1,171,603	298,111	1,469,714	37,668,789	1,130,064	298,111	1,428,175	38,000,000
D	10	7,546,220	754,622	262,435	1,017,057	7,655,850	765,585	262,434	1,028,019	8,000,000
E	30	2,450,641	735,192	626,205	1,361,397	2,116,071	634,821	626,205	1,261,026	2,000,000
F	50	1,294,917	647,459	368,390	1,015,849	1,273,308	636,654	368,390	1,005,044	1,000,000
G	70	1,360,628	952,440	206,893	1,159,333	1,115,844	781,091	206,893	987,984	1,000,000
H	100	9,360,028	9,360,028	--	9,360,028	9,309,863	9,309,863	--	9,309,863	9,000,000
Total		364,105,476	15,236,011	1,848,156	17,084,167	326,889,466	14,733,204	1,765,814	16,499,018	310,000,000

Level of risk	% Provision	BB-Consolidated								
		09.30.2011				12.31.2010				
		Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans
AA	0	114,700,113	--	--	--	97,833,583	--	--	--	91,700,000
A	0.5	90,842,253	454,211	82,383	536,594	78,894,697	394,473	41	394,514	73,000,000
B	1	131,946,759	1,319,468	4,388	1,323,856	120,646,719	1,206,467	3,740	1,210,207	111,300,000
C	3	40,516,694	1,215,501	298,300	1,513,801	38,350,191	1,150,506	298,111	1,448,617	39,000,000
D	10	8,249,940	824,994	264,896	1,089,890	8,013,281	801,328	262,434	1,063,762	8,700,000
E	30	2,977,374	893,212	626,205	1,519,417	2,239,113	671,734	626,205	1,297,939	2,500,000
F	50	1,570,370	785,185	368,390	1,153,575	1,404,747	702,374	368,390	1,070,764	1,600,000
G	70	1,617,778	1,132,445	206,893	1,339,338	1,204,624	843,237	206,893	1,050,130	1,200,000
H	100	10,134,049	10,134,049	--	10,134,049	9,778,798	9,778,798	--	9,778,798	10,300,000
Total		402,555,330	16,759,065	1,851,455	18,610,520	358,365,753	15,548,917	1,765,814	17,314,731	339,800,000

(1) Refers to the additional provision to the minimum required by CMN Resolution nº. 2,682/1999, increased the experience of Management, by simulating on the loan portfolio in accordance with the good banking practice.

f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

R\$ thousand							
Banco do Brasil							
	3rd Quarter 2011			01.01 to 09.30.2011			01.01 to 09.30.2010
	Value of allowance	Additional Provision	Existent Allowance	Value of allowance	Additional Provision	Existent Allowance	Existent Allowance
Opening balance	14,766,307	1,799,169	16,565,476	14,733,204	1,765,814	16,499,018	17,611,907
Provision/(reversal)	2,695,294	48,987	2,744,281	7,661,944	82,342	7,744,286	7,521,589
Exchange variation on allowances - foreign	25,008	--	25,008	17,327	--	17,327	(2,117)
Loans written off	(2,250,598)	--	(2,250,598)	(7,176,464)	--	(7,176,464)	(8,039,377)
Closing balance	15,236,011	1,848,156	17,084,167	15,236,011	1,848,156	17,084,167	17,092,002

R\$ thousand							
BB-Consolidated							
	3rd Quarter 2011			01.01 to 09.30.2011			01.01 to 09.30.2010
	Value of allowance	Additional Provision	Existent Allowance	Value of allowance	Additional Provision	Existent Allowance	Existent Allowance
Opening Balance	15,926,045	1,807,664	17,733,709	15,548,917	1,765,814	17,314,731	18,617,380
Provision/(reversal)	3,215,137	43,791	3,258,928	8,849,898	85,641	8,935,539	8,204,310
Exchange variation on allowances - foreign	45,371	--	45,371	32,904	--	32,904	(6,624)
Loans written off	(2,427,488)	--	(2,427,488)	(7,727,528)	--	(7,727,528)	(8,675,344)
Added values ⁽¹⁾	--	--	--	54,874	--	54,874	--
Closing balance	16,759,065	1,851,455	18,610,520	16,759,065	1,851,455	18,610,520	18,139,722

(1) Refers to the balance from Banco Patagonia

g) Changes in allowance for other doubtful accounts

Includes provisions for other receivables without characteristics of credit.

R\$ thousand						
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Opening balance	604,732	808,015	909,630	700,033	881,992	980,272
Provision/(reversal)	26,500	(170,412)	(71,186)	26,180	(171,936)	(71,931)
Exchange variation on allowances - foreign	180	176	(124)	943	939	(124)
Compensation as losses / Other settings	(1,611)	(7,978)	(3,985)	(52,847)	(38,219)	(4,375)
Added values ⁽¹⁾	--	--	--	1,533	3,066	--
Closing balance	629,801	629,801	834,335	675,842	675,842	903,842

(1) Refers to the balance from Banco Patagonia

h) Leasing portfolio by maturity

R\$ thousand						
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Up to 1 year ⁽¹⁾	18.701	18,227	18,060	1,752,402	1,834,583	1,950,175
More than 1 year, up to 5 years	15.074	26,246	29,622	1,610,312	2,203,085	2,416,970
Over 5 years	--	--	--	9,297	9,271	10,006
Total Present Value	33.775	44,473	47,682	3,372,011	4,046,939	4,377,151

(1) Includes amounts related to installments overdue.

i) Income from leasing operations

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Lease revenue	5,465	16,781	32,942	592,822	1,804,336	2,365,883
Leasing	5,465	16,781	32,942	592,822	1,804,336	2,365,727
Operating leases	--	--	--	--	--	156
Lease expenses	(4,211)	(12,876)	(28,464)	(407,117)	(1,304,435)	(1,702,779)
Leasing	(4,211)	(12,876)	(28,464)	(406,463)	(1,302,807)	(1,699,229)
Operating leases	--	--	--	(29)	(87)	(450)
Loss on disposal of leased assets	--	--	--	(625)	(1,541)	(3,100)
Total	1,254	3,905	4,478	185,705	499,901	663,104

j) Concentration of loans

	R\$ thousand					
	Banco do Brasil					
	09.30.2011	% of credit portfolio	12.31.2010	% of credit portfolio	09.30.2010	% of credit portfolio
10 largest debtors	30,634,910	8.4	28,093,555	8.6	28,490,895	9.2
Next 50 largest debtors	32,864,177	9.0	28,788,465	8.8	27,403,855	8.8
Next 100 largest debtors	23,120,130	6.3	21,141,242	6.5	19,402,001	6.3

k) Supplementary information

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Renegotiated loans ⁽¹⁾	6,454,343	16,447,303	19,970,442	7,371,878	20,392,243	23,015,511
Income from recovery of loans previously written off as loss	886,636	2,458,231	2,384,259	984,705	2,792,885	2,439,746
Loans written off as loss	2,363,190	7,362,474	8,009,631	2,525,941	7,741,396	8,501,818
Amount of Credits Assigned to Other Financial Institutions	--	--	--	--	--	1,251,357
Book value	--	--	--	--	--	1,131,506
Earnings on sales before taxes	--	--	--	--	--	119,851
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Credits contracted to release	109,881,181	91,326,087	92,182,780	102,545,517	86,083,616	89,208,233
Guarantees given ⁽²⁾	6,786,442	8,071,232	7,291,958	11,459,960	12,500,620	11,717,605
Confirmed export credits	1,060,586	742,827	721,180	1,064,697	755,362	744,318
Credit opened for import	199,914	463,154	682,432	291,286	463,424	696,814
Resources linked ⁽³⁾	656,032	716,859	627,593	1,115,228	1,179,658	1,096,638
Credit operations linked ⁽³⁾	894,076	805,419	812,034	965,993	890,628	901,891

(1) Refers to the book value of loan operations, normal and abnormal, renegotiated in the quarter using Internet, ATM network or the agency chain. It is considered a renegotiation any type of agreement involving the change in maturity or the payment terms originally agreed, as composition of debt, extension, novation, granting of a new operation for partial or full liquidation of previous operation.

(2) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20.e) totaling R\$ 108,997 thousand (R\$ 82,230 thousand, on 12.31.2010, R\$ 80,991 thousand, at 09.30.2010) in Banco do Brasil and R\$ 113,074 thousand in BB-Consolidated (R\$ 85,510 thousand, on 12.31.2010, R\$ 84,464 thousand, at 09.30.2010), calculated in accordance with Resolution CMN No. 2.682/1999.

(3) On 09.30.2011, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

11 – Other Receivables**a) Specific credits**

Refer to National Treasury credits – extension of the terms of rural financing - in the amount of R\$ 1,116,913 thousand (R\$ 1,029,638 thousand on 12.31.2010 and R\$ 1,003,929 thousand on 09.30.2010), as established in Law 9,138/1995.

b) Sundry

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Deferred tax assets - Tax credits (Note 25.e)	21,053,764	19,751,902	20,371,834	23,771,729	21,969,538	22,570,807
Credit and debit card operations	13,713,212	14,121,902	12,278,268	13,713,212	14,121,902	12,278,268
Sundry debtors from escrow deposits – lawsuit (Note 28.e)	13,141,105	12,485,258	12,285,924	13,141,105	12,485,258	12,285,924
Actuarial assets - Previ (Note 27.d)	12,688,408	9,894,787	15,061,424	12,688,408	9,894,787	15,061,424
Sundry debtors from escrow deposits – contingencies (Note 28.d)	10,502,238	9,401,829	9,531,253	12,123,586	10,843,777	10,821,088
Fund allocation of surplus - Previ (note 27.e)	9,539,824	9,119,367	1,893,276	9,539,824	9,119,367	1,893,276
Income tax and social contribution on net income to offset	7,488,267	9,495,380	6,798,259	8,554,226	10,268,266	7,574,176
National Treasury - equalization of taxes Agricultural Crop	3,267,614	3,493,439	3,384,999	3,267,614	3,493,439	3,384,999
Receivables - non-financial companies	--	--	--	2,252,211	2,888,627	2,305,623
Notes and credits receivable – other	648,540	887,161	795,391	2,038,065	1,265,895	1,281,200
Sundry debtors – domestic	1,292,233	1,391,406	1,619,744	1,788,149	1,740,272	2,010,733
Accounts receivable – National Treasury	1,017,460	1,305,327	1,050,955	1,017,460	1,305,327	1,050,955
Advances to Credit Guarantee of Fund (FGC)	528,681	711,686	772,688	528,681	711,686	772,688
Sundry debtors – foreign	68,154	14,138	28,017	434,463	15,370	31,768
Salary and other advances	171,791	247,735	172,620	193,394	256,385	188,868
Purchase of assets receivable	135,784	177,806	190,513	135,785	177,806	190,513
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	66,492	85,282	91,343	66,492	85,282	91,343
Sundry debtors from escrow deposits - others	17,379	56,899	6,593	49,476	58,494	6,588
Others	473,234	439,783	409,855	445,230	414,337	455,363
Total	95,814,181	93,081,087	86,742,956	105,749,109	101,115,815	94,255,604
Current assets	40,573,158	44,611,607	32,183,535	47,451,952	49,880,444	36,349,354
Non-current assets	55,241,022	48,469,480	54,559,421	58,297,158	51,235,371	57,906,250

12 – Foreign Exchange Portfolio

a) Breakdown

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Other Receivables						
Receivables from sales of foreign exchange	24,614,005	28,661,146	23,448,567	24,718,088	28,691,802	24,333,030
(Advances received in local/foreign currency)	(22,516,276)	(27,541,940)	(21,318,058)	(22,842,227)	(27,834,542)	(21,491,020)
Forward foreign exchange purchases pending settlement	15,170,814	10,241,560	10,366,418	15,928,869	10,852,280	11,963,556
Income receivable on advances granted and financed imports	97,847	84,139	116,429	109,112	90,611	125,602
Bills of exchange and time drafts in foreign currency	80,845	72,340	74,603	80,845	72,340	74,603
Foreign currency receivables	5,730	5,269	5,257	5,730	5,269	5,257
Total	17,452,965	11,522,514	12,693,216	18,000,417	11,877,760	15,011,028
Current assets	17,452,965	9,936,710	12,693,216	18,000,417	10,291,956	15,011,028
Non-current assets	--	1,585,804	--	--	1,585,804	--
Other Liabilities						
Forward foreign exchange sales pending settlement	26,793,245	27,631,836	22,939,971	26,898,218	27,661,366	23,815,180
(Financed imports)	(22,669)	(17,510)	(28,100)	(22,669)	(17,510)	(29,186)
Foreign exchange purchase liabilities	13,695,993	10,574,863	10,706,373	14,400,926	11,200,934	12,339,185
(Advances on foreign exchange contracts)	(11,268,102)	(9,144,263)	(8,012,148)	(11,650,739)	(9,406,691)	(8,247,557)
Foreign currency payables	5,321	10,408	10,562	60,571	64,161	66,380
Unearned income on advances granted	2,723	3,727	3,460	2,723	3,727	3,460
Total	29,206,511	29,059,061	25,620,118	29,689,030	29,505,987	27,947,462
Current liabilities	13,670,773	11,458,085	25,620,118	14,153,292	11,905,011	27,947,462
Non-current liabilities	15,535,738	17,600,976	--	15,535,738	17,600,976	--
Net Foreign Exchange Portfolio	(11,753,546)	(17,536,547)	(12,926,902)	(11,688,613)	(17,628,227)	(12,936,434)
Memorandum Accounts						
Credit opened for imports	669,610	935,474	1,201,704	775,062	949,106	1,228,174
Confirmed export credit	1,060,586	742,827	721,180	1,064,697	755,362	744,318

b) Foreign Exchange Results

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Foreign exchange income	3,600,133	7,087,789	5,815,350	4,247,517	8,298,335	6,535,868
Foreign exchange expenses	(5,256,051)	(7,830,580)	(5,348,876)	(5,824,089)	(8,862,920)	(5,991,410)
Foreign Exchange Result	(1,655,918)	(742,791)	466,474	(1,576,572)	(564,585)	544,458

13 – Other Assets

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Non-operating Assets	258,339	269,978	266,395	402,304	349,428	334,410
Assets in special regime	160,377	162,028	156,464	160,463	162,114	156,550
Vehicles	564	648	651	103,323	77,445	65,966
Buildings	70,686	78,865	81,084	91,276	80,212	82,659
Property	18,675	19,185	19,185	18,675	19,185	19,185
Machinery and equipment	5,534	6,725	6,506	6,458	7,656	7,438
Other	2,503	2,527	2,505	22,109	2,816	2,612
Supply Materials	22,988	21,809	18,586	56,780	38,643	36,943
Subtotal Other Assets	281,327	291,787	284,981	459,084	388,071	371,353
(Provision for impairment)	(166,559)	(169,506)	(165,357)	(185,399)	(177,233)	(173,579)
Prepaid Expenses	3,633,574	3,424,120	3,129,173	4,557,439	3,672,842	3,293,798
Premiums for purchased credits payroll ⁽¹⁾	2,905,189	2,557,495	2,264,068	2,148,694	2,046,909	1,855,138
Insurance and capitalization selling expenses	--	--	--	883,434	389,024	327,914
Contracts for providing banking services	578,784	702,278	713,431	578,784	702,278	713,431
Commissions paid to tradesmen – financing of vehicles	14,591	27,668	33,417	403,032	101,720	117,178
Personnel expenses – meal program	85,118	82,068	76,218	85,118	82,068	76,218
Other	49,892	54,611	42,039	458,377	350,843	203,919
Total Other Assets	3,748,342	3,546,401	3,248,797	4,831,124	3,883,680	3,491,572
Current assets	1,424,190	1,500,405	1,437,543	2,515,528	1,534,331	1,450,198
Non-current assets	2,324,152	2,045,996	1,811,254	2,315,596	2,349,349	2,041,374

(1) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

Notes to the financial statements

14 – Investments

a) Changes in subsidiaries and affiliates

	Banco do Brasil							Book value	Changes from	
	Book value		Changes from 01.01 to 09.30.2011			Book value				Equity Income
	12.31.2010	Dividends	Other Events	Equity income	09.30.2011	09.30.2010	01.01 to 09.30.2010			12.31.2010
Domestic	16,598,375	(570,442)	546,868	1,999,974	18,574,775	12,708,563	2,096,610	7,115,534	(11,554)	
Banco Votorantim S.A.	3,955,638	(128,345)	5,153	88,227	3,920,673	3,887,145	226,435	--	--	
BB Leasing S.A. – Arrendamento Mercantil	3,315,768	(27,983)	--	112,167	3,399,952	58,674	32,832	--	--	
BB Aliança Participações S.A. ⁽¹⁾	1,358,987	--	(1,374,298)	15,311	--	1,175,904	349,178	--	--	
BB Seguros Participações S.A.	1,190,044	--	2,136,777	572,293	3,899,114	700,360	281,508	--	--	
BB Banco de Investimento S.A.	1,113,206	(104,685)	27,557	632,031	1,668,109	962,888	693,647	--	--	
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	133,647	(255,257)	(1,510)	402,440	279,320	252,571	339,988	--	--	
Mapfre Nossa Caixa Vida e Previdência S.A. ⁽²⁾	102,351	--	(102,351)	--	--	90,323	46,444	102,351	--	
BV Participações S.A.	67,140	(6,969)	--	31,143	91,314	61,576	23,782	--	--	
Cobra Tecnologia S.A. ⁽³⁾	63,114	--	70,001	(25,978)	107,137	78,375	(36,372)	--	--	
Cadam S.A.	44,019	--	--	(19,094)	24,925	44,804	(1,527)	44,019	--	
BB Corretora de Seguros e Administradora de Bens S.A.	33,540	--	(13)	104,602	138,129	120,297	86,747	--	--	
BB Administradora de Consórcios S.A.	24,443	(46,920)	--	79,828	57,351	32,643	42,558	--	--	
BB Administradora de Cartões de Crédito S.A.	21,205	--	(47)	11,070	32,228	28,951	7,728	--	--	
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	11,848	(140)	(207)	429	11,930	10,556	244	--	--	
BB Elo Cartões Participações S.A. ⁽⁴⁾	10,771	--	--	(4,127)	6,644	10,760	284	--	--	
Tecnologia Bancária S.A.– Tecban ⁽⁵⁾	7,636	--	--	(653)	6,983	7,616	450	--	--	
Nossa Caixa Capitalização S.A. ⁽²⁾	5,394	--	(5,413)	19	--	5,515	244	--	--	
Companhia Brasileira de Securitização – Cibrasec ⁽⁵⁾	2,216	(143)	--	211	2,284	2,225	47	--	--	
Cia. Hidromineral Piratuba	2,211	--	--	55	2,266	2,157	70	2,211	--	
Cia. Catarinense de Assessoria e Serviços - CCA ⁽⁶⁾	228	--	--	--	228	228	--	228	--	
BB Banco Popular do Brasil S.A. ⁽⁷⁾	--	--	--	--	--	--	1,768	--	--	
BESC Financeira S.A.- Bescredi ⁽⁷⁾	--	--	--	--	--	--	414	--	--	
BESC S.A. Arrendamento Mercantil - BESC Leasing ⁽⁷⁾	--	--	--	--	--	--	141	--	--	
Itapebi	--	--	--	--	--	--	--	63,307	(11,554)	
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	--	1,553	--	
Pronor ⁽⁸⁾	--	--	--	--	--	--	--	18,606	--	
Other equity ⁽⁹⁾	--	--	--	--	--	--	--	--	--	
Goodwill/Bargain purchase on acquisition of investments ⁽¹⁰⁾	5,134,969	--	(208,781)	--	4,926,188	5,174,995	--	6,883,259	--	

Notes to the financial statements

	Banco do Brasil							Book value	Changes from 01.01 to 09.30.2011	
	Book value		Changes from 01.01 to 09.30.2011			Book value				Equity Income
	12.31.2010	Dividends	Other Events	Equity income	09.30.2011	09.30.2010	01.01 to 09.30.2010			12.31.2010
Abroad	1,008,171	--	497,610	485,101	1,943,694	1,012,335	(36.884)	--	--	
Brasileian American Merchant Bank	707,151	--	87,923	(3,563)	791,511	704,548	39,258	--	--	
Banco do Brasil AG. Viena (Áustria)	200,628	--	11,979	1,622	214,229	209,457	(11.733)	--	--	
BB Leasing Company Ltd.	72,878	--	8,337	769	81,984	73,778	(1.003)	--	--	
BB Securities LLC	27,514	--	4,093	5,777	37,384	24,552	8.617	--	--	
Banco Patagonia ⁽¹¹⁾	--	(47,188)	499,190	56,209	508,211	--	--	--	--	
Goodwill on acquisition of investments ⁽¹⁰⁾	--	--	310,375	--	310,375	--	--	--	--	
Profit / (loss) in the agencies	--	--	(259,156)	259,156	--	--	(72.052)	--	--	
Profit / (loss) of subsidiaries	--	--	(164,953)	164,953	--	--	--	--	--	
Increase / decrease in equity resulting from handling	--	--	(178)	178	--	--	29	--	--	
Total Investments in Subsidiaries and Affiliates	17,606,546	(617,630)	1,044,478	2,485,075	20,518,469	13,720,898	2.059.726	7,115,534	(11,554)	

(1) Investment transferred to holding BB-Mapfre SH1 Participações S.A. (Note 2.c).

(2) Investment transferred to subsidiary BB-Seguros Participações S.A. in 1st half of 2011.

(3) The information refers to the period from December 2010 to September 2011.

(4) New denomination to Nossa Caixa S.A. – Administradora de Cartão de Crédito.

(5) The information refers to period from December 2010 to August 2011.

(6) Company in liquidation process, not valued by the equity method.

(7) Companies incorporated by the Banco do Brasil in 1st half of 2010.

(8) Investment divested in 1st half of 2011.

(9) Refers to investments on non-financial associated companies.

(10) According to Note 14.d

(11) According to Note 2.a

	R\$ thousand					
	Realized capital stock	Adjusted Shareholders' Equity	Net income (loss) for the period	Quantity of Shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
Domestic						
Banco Votorantim S.A.	4,026,875	8,718,154	455,272	33,356,791	7,412,620	50.00
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,399,952	112,167	3,000	--	100.00
BB Seguros Participações S.A.	3,087,847	3,899,114	572,293	235,922	--	100.00
BB Banco de Investimento S.A.	743,806	1,668,109	632,031	3,249	--	100.00
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	279,320	402,440	100,000	--	100.00
BV Participações S.A.	60,423	182,629	62,288	15,105	15,106	50.00
Cobra Tecnologia S.A .	119,527	107,168	(26,125)	248,459	248,586	99.9746
Cadam S.A.	183,904	115,179	(88,235)	--	4,762	21.64
BB Corretora de Seguros e Administradora de Bens S.A.	26,917	138,129	104,600	1,000	--	100.00
BB Administradora de Consórcios S.A.	14,100	57,351	79,828	14	--	100.00
BB Administradora de Cartões de Crédito S.A.	9,300	32,228	11,070	398,158	--	100.00
BESC Distribuidora de Títulos e Valores Mobiliários S.A. – Bescval	6,312	11,975	431	10,168,624	--	99.62
BB-Elo Cartões Participações S.A.	10,000	6,644	(4,127)	10,000	--	49.99
Tecnologia Bancária S.A.- Tecban ⁽¹⁾	166,207	154,834	(14,485)	169,395	--	13.53
Companhia Brasileira de Securitização – Cibrasec ⁽²⁾	68,475	75,388	6,946	8	--	12.12
Cia. Hidromineral Piratuba	4,059	13,995	341	63,931	--	16.19
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	-	260	520	48.13
Itapebi	105,000	338,619	66,237	19,950	--	19.00
Estruturadora Brasileira de Projetos - EBP	50,280	13,009	(16,517)	3,859	--	11.11
Abroad						
Brasilian American Merchant Bank	446,760	791,511	(3,563)	241,023	--	100.00
Banco do Brasil AG. Viena (Áustria)	46,899	214,229	1,622	188	--	100.00
BB Leasing Company Ltd.	--	81,984	769	1,000	--	100.00
BB Securities LLC	9,268	37,384	5,777	5,000	--	100.00
Banco Patagonia	316,836	996,492	110,213	366,825,016	--	51.00

(1) Banco do Brasil's direct interest of 4.51%.

(2) Banco do Brasil's direct interest of 3.03%.

b) Other investments

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Tax incentive investments	11,386	18,810	18,811	85,105	82,988	82,296
Equity securities	58	58	58	146	146	146
Stocks and shares	52,623	52,482	52,477	56,753	56,186	56,306
Other investments ⁽¹⁾	3,235	3,265	3,276	949,257	944,993	909,920
Other investments abroad	10,430	11,520	11,525	10,430	12,322	12,327
Total	77,732	86,135	86,147	1,101,691	1,096,635	1,060,995
Allowance for losses	(45,207)	(51,355)	(51,356)	(79,016)	(84,415)	(82,275)

(1) Includes in BB-Consolidated, the amount of R\$ 869,957 thousand (R\$ 866,917 thousand on 12.31.2010 and R\$ 825,210 thousand on 09.30.2010), relating to the investments of Neoenergia, a jointly-owned subsidiary.

c) Goodwill on acquisition of investments

Changes of Goodwill	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Opening Balance	5.310.292	5.134.969	5.114.807	6.744.151	6.887.333	5.601.574
Acquisitions ⁽¹⁾	--	318.648	206.878	110.748	505.038	1.262.912
Amortizations ⁽²⁾	(73.729)	(217.054)	(138.565)	(139.757)	(431.844)	(157.495)
Others ⁽³⁾	--	--	--	--	(245.385)	--
Closing balance	5.236.563	5.236.563	5.183.120	6.715.142	6.715.142	6.706.991

(1) According to Note 2.a.

(2) Recorded in Other Operating Expenses.

(3) Includes reductions for participation in goodwill on investments in BrasiVeículos Companhia de Seguros and Companhia de Seguros Aliança do Brasil, amounting to R\$ 123,645 thousand and R\$ 121,740 thousand, respectively.

There was no impairment provision for goodwill on the acquisition of investments in the period from 01.01 to 09.30.2011.

d) Expected Goodwill Amortization

	R\$ thousand									
	4rd Quarter 2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Banco do Brasil	73,728	543,699	697,692	796,473	900,947	1,000,848	1,114,159	51,430	57,587	5,236,563
Banco Nossa Caixa	58,121	473,923	617,846	709,394	807,756	900,156	1,007,459	--	--	4,574,655
Banco Votorantim	11,470	49,191	54,570	56,722	57,981	60,466	61,133	--	--	351,533
Banco Patagonia	4,137	20,585	25,276	30,357	35,210	40,226	45,567	51,430	57,587	310,375
Tax effects ⁽¹⁾	(29,491)	(217,480)	(279,077)	(318,589)	(360,379)	(400,339)	(445,664)	(20,572)	(23,034)	(2,094,625)
Net total	44,237	326,219	418,615	477,884	540,568	600,509	668,495	30,858	34,553	3,141,938
Other participations										
BB-BI	23,729	109,997	127,614	147,360	168,092	191,781	211,293	43,280	--	1,023,146
Cielo	20,900	96,911	111,552	127,883	146,681	168,243	192,975	38,571	--	903,716
VisaVale	2,829	13,086	16,062	19,477	21,411	23,538	18,318	4,709	--	119,430
BB Aliança Participações S.A.	34,543	116,984	90,674	--	--	--	--	--	--	242,201
Aliança do Brasil	34,543	116,984	90,674	--	--	--	--	--	--	242,201
BB-Aliança Rev Participações S.A	3,016	22,653	26,049	30,096	25,589	--	--	--	--	107,403
BrasiVeículos	3,016	22,653	26,049	30,096	25,589	--	--	--	--	107,403
BB Seguros	7,379	19,429	18,308	15,505	11,022	9,154	8,593	8,780	7,659	105,829
Brasilcap	7,379	19,429	18,308	15,505	11,022	9,154	8,593	8,780	7,659	105,829
BB-Consolidated	142,395	812,762	960,337	989,434	1,105,650	1,201,783	1,334,045	103,490	65,246	6,715,142
Tax effects ⁽¹⁾	(54,262)	(315,561)	(376,033)	(393,037)	(440,064)	(480,164)	(533,103)	(40,869)	(25,638)	(2,658,731)
Net total	88,133	497,201	584,304	596,397	665,586	721,619	800,942	62,621	39,608	4,056,411

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution of 9% for non-financial company.

The expected amortization of goodwill generated by acquisitions of equity is based on projections of results that supported the business, prepared by specialized firms contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

15 – Property and Equipment and Leased Assets

R\$ thousand								
Banco do Brasil								
	12.31.2010	01.01 to 09.30.2011			09.30.2011			09.30.2010
	Book Balance	Changes	Depreciation	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance	Book Balance
Property and Equipment in Use								
Buildings	1,767,296	343,896	(170,874)	3,819,891	(1,876,294)	(3,278)	1,940,318	1,635,593
Data processing systems	1,552,105	217,390	(376,835)	4,064,221	(2,670,156)	(1,405)	1,392,660	1,346,033
Furniture and equipment in use	533,840	116,811	(75,927)	1,310,334	(735,610)	--	574,724	492,593
Land	212,604	(10)	--	212,594	--	--	212,594	212,744
Facilities	176,920	26,931	(26,868)	946,327	(769,344)	--	176,983	178,034
Constructions in progress	128,509	52,411	--	180,920	--	--	180,920	78,709
Communication systems	129,210	10,851	(22,483)	311,853	(194,275)	--	117,578	94,600
Security systems	94,307	30,639	(17,188)	290,129	(182,371)	--	107,758	86,646
Furniture and equipment in stock	15,889	(11,569)	--	4,320	--	--	4,320	6,636
Transport systems	49	1	(72)	553	(575)	--	(22)	67
Total	4,610,729	787,351	(690,247)	11,141,142	(6,428,625)	(4,683)	4,707,833	4,131,655

R\$ thousand									
BB-Consolidated									
	12.31.2010	01.01 to 09.30.2011			09.30.2011			09.30.2010	
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance	Book Balance
Property and Equipment in Use									
Buildings	1,775,777	425,134	(172,344)	--	3,931,249	(1,899,404)	(3,278)	2,028,566	1,644,097
Data processing systems	1,652,762	276,663	(384,515)	--	4,309,706	(2,763,391)	(1,405)	1,544,910	1,439,696
Furniture and equipment in use	651,357	170,949	(95,672)	106	1,778,043	(1,050,257)	(1,046)	726,740	614,582
Land	218,994	14,018	--	--	233,012	--	--	233,012	215,957
Facilities	200,495	46,028	(29,869)	--	1,012,943	(796,289)	--	216,654	190,874
Constructions in progress	156,401	57,803	--	--	214,204	--	--	214,204	94,272
Communication systems	133,618	13,136	(23,090)	--	325,111	(201,447)	--	123,664	99,077
Security systems	95,215	31,795	(17,402)	--	294,452	(184,844)	--	109,608	87,553
Transport systems	3,419	6,037	(1,424)	--	29,906	(21,874)	--	8,032	2,969
Furniture and equipment in stock	15,889	(11,569)	--	--	4,320	--	--	4,320	6,636
Leased Assets	818	(154)	--	--	1,205	(541)	--	664	38
Total	4,904,745	1,029,840	(724,316)	106	12,134,151	(6,918,047)	(5,729)	5,210,374	4,395,751

16 – Intangible Assets

a) Changes and Breakdown

R\$ thousand										
Banco do Brasil										
	12.31.2010	01.01 to 09.30.2011			09.30.2011			09.30.2010		
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment ⁽¹⁾	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance	Book Balance
Rights due to payroll acquisition	5,803,461	1,447,920	(368,993)	(1,527,507)	3,696	10,202,850	(4,791,373)	(52,900)	5,358,577	6,141,423
Acquisition/development of software	524,148	214,807	(128)	(116,571)	--	877,924	(255,668)	--	622,256	422,102
Other intangible assets ⁽²⁾	--	2,814,837	--	--	--	2,814,837	--	--	2,814,837	--
Total	6,327,609	4,477,564	(369,121)	(1,644,078)	3,696	13,895,611	(5,047,041)	(52,900)	8,795,670	6,563,525

Notes to the financial statements

R\$ thousand

	BB-Consolidated									
	12.31.2010	01.01 to 09.30.2011				09.30.2011			09.30.2010	
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment ⁽¹⁾	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance	Book Balance
Rights due to payroll acquisition	5,803,461	1,447,920	(368,993)	(1,527,507)	3,696	10,202,850	(4,791,373)	(52,900)	5,358,577	6,141,423
Acquisition/development of software	642,261	275,646	(128)	(118,418)	(105)	1,239,662	(440,301)	(105)	799,256	527,214
Other intangible assets ^(2,3)	5,810	2,820,774	--	(281)	(346)	2,826,792	(489)	(346)	2,825,957	4,222
Total	6,451,532	4,544,340	(369,121)	(1,646,206)	3,245	14,269,304	(5,232,163)	(53,351)	8,983,790	6,672,859

(1) Recorded in Other Operating Expenses. Recorded parcial reversion of provision for impairment in amount of R\$ 3,696 thousand in the nine months ended in September 2011.

(2) Refer to exploration right of Banco Postal (Note 31.e).

(3) Refer to commercial cooperation agreements from Banco Votorantim.

b) Estimate for Amortization

R\$ thousand

Year	Banco do Brasil							Total
	2011	2012	2013	2014	2015	2016		
Amounts to be amortized	564,238	2,484,056	2,116,717	1,729,035	1,074,785	826,839	8,795,670	

R\$ thousand

Year	BB-Consolidated							Total
	2011	2012	2013	2014	2015	2016		
Amounts to be amortized	573,644	2,521,680	2,154,341	1,766,659	1,112,409	855,057	8,983,790	

17 – Deposits and Money Market Borrowing**a) Deposits**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Demand Deposits	55,991,652	63,295,580	58,794,581	57,614,413	63,502,759	59,018,229
Individuals	22,811,875	27,256,630	24,340,572	22,871,658	27,304,103	24,379,591
Companies	20,424,225	24,730,542	22,268,507	22,004,982	24,925,483	22,479,180
Restricted	7,679,090	5,232,546	6,872,287	7,707,213	5,219,078	6,868,609
Government	2,474,559	3,311,606	3,009,123	2,474,559	3,311,606	3,009,123
Foreign currency	768,526	521,739	510,248	768,456	521,644	510,248
Special from Federal Treasury	716,317	805,562	717,390	716,317	805,562	717,390
Institutions of the financial system	580,227	364,871	408,272	566,994	342,328	386,068
Related companies	314,294	468,532	487,547	277,757	469,831	488,307
Domiciled abroad	17,748	20,552	17,263	21,686	20,124	16,341
Other	204,791	583,000	163,372	204,791	583,000	163,372
Savings Deposits	95,512,149	89,287,840	85,702,541	95,512,149	89,287,840	85,702,541
Individuals	88,864,529	83,636,945	79,533,004	88,864,529	83,636,945	79,533,004
Companies	6,356,840	5,391,191	5,896,405	6,356,840	5,391,191	5,896,405
Related companies	282,299	251,709	264,882	282,299	251,709	264,882
Institutions of the financial system	8,481	7,995	8,250	8,481	7,995	8,250
Interbank Deposits	18,764,890	22,022,720	13,287,311	13,585,677	18,998,102	11,215,885
Time Deposits	237,950,436	193,670,882	180,840,029	252,806,491	204,652,146	192,042,118
National currency	143,135,543	109,697,944	96,849,973	153,669,161	120,397,640	107,946,027
Judicial	76,282,117	64,687,761	62,291,017	76,354,453	64,688,005	62,291,260
Foreign currency	9,537,749	8,483,755	10,269,118	13,787,850	8,765,079	10,374,910
Funds and programs – FAT (Note 17.e)	8,346,191	10,234,642	10,786,307	8,346,191	10,234,642	10,786,307
Funproger (Note 17.f)	134,905	111,968	101,591	134,905	111,968	101,591
Others	513,931	454,812	542,023	513,931	454,812	542,023
Deposits for Investments	--	409,746	357,450	52	409,821	357,570
Total	408,219,127	368,686,768	338,981,912	419,518,782	376,850,668	348,336,343
Current liabilities	296,180,980	284,318,438	257,535,336	305,496,380	290,696,257	265,061,996
Non-current liabilities	112,038,147	84,368,330	81,446,576	114,022,402	86,154,411	83,274,347

b) Segregation of deposits by deadline chargeability

	R\$ thousand									
	Banco do Brasil							Total 09.30.2011	12.31.2010	09.30.2010
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years				
Time deposits ⁽¹⁾	86,539,902	25,306,536	16,756,180	47,552,669	61,783,536	11,613	237,950,436	193,670,882	180,840,029	
Savings deposits	95,512,149	--	--	--	--	--	95,512,149	89,287,840	85,702,541	
Demand deposits	55,991,652	--	--	--	--	--	55,991,652	63,295,580	58,794,581	
Interbank deposits	--	9,918,804	6,155,757	2,536,249	140,886	13,194	18,764,890	22,022,720	13,287,311	
Deposits for investments	--	--	--	--	--	--	--	409,746	357,450	
Total	238,043,703	35,225,340	22,911,937	50,088,918	61,924,422	24,807	408,219,127	368,686,768	338,981,912	

Notes to the financial statements

R\$ thousand

	BB-Consolidated						Total 09.30.2011	12.31.2010	09.30.2010
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years			
Time deposits ⁽¹⁾	86,539,902	30,626,740	23,938,299	49,845,803	61,837,524	18,223	252,806,491	204,652,146	192,042,118
Savings deposits	95,512,149	--	--	--	--	--	95,512,149	89,287,840	85,702,541
Demand deposits	57,614,413	--	--	--	--	--	57,614,413	63,502,759	59,018,229
Interbank deposits	--	5,051,496	6,213,329	2,164,821	142,674	13,357	13,585,677	18,998,102	11,215,885
Deposits for investments	52	--	--	--	--	--	52	409,821	357,570
Total	239,666,516	35,678,236	30,151,628	52,010,624	61,980,198	31,580	419,518,782	376,850,668	348,336,343

(1) Includes the amounts of R\$ 83,514,822 thousand, (R\$ 72,371,360 thousand on 12.31.2010 and R\$ 72,212,294 thousand on 9.30.2010) at Banco do Brasil and R\$ 94,373,632 thousand (R\$ 82,387,902 thousand, on 12.31.2010 and R\$ 81,909,851 thousand on 9.30.2010) in BB-Consolidated, relating to term deposits with early repurchase clause (liquidity commitment), considering the original maturity dates established in the fundings.

c) Money market borrowing

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Own Portfolio	51,253,217	45,559,644	49,436,888	64,864,082	56,795,153	60,188,023
Financial treasury bills	32,526,574	35,272,948	48,785,885	31,824,326	34,966,238	47,448,763
Corporate bonds	671,164	--	--	10,980,234	8,834,614	8,628,818
National treasury bills	7,210,572	--	--	10,760,377	2,677,992	2,209,286
Treasury notes	9,248,516	9,557,645	--	8,809,248	9,137,821	565,479
Securities abroad	1,596,391	729,051	651,003	2,058,133	736,193	753,833
Others	--	--	--	431,764	442,295	581,844
Third-Party Portfolio	125,641,675	80,699,183	99,984,282	128,919,364	84,080,296	104,594,828
Financial treasury bills	105,059,403	52,793,688	83,266,575	105,059,404	52,793,688	83,864,009
National treasury bills	17,016,731	19,688,654	10,323,913	18,782,341	22,569,425	13,615,357
Securities abroad	3,192,150	2,335,240	2,256,954	3,190,216	2,335,240	2,252,332
Treasury notes	373,391	5,881,601	4,136,840	1,887,403	6,381,943	4,863,130
Subject to Repurchase Agreements with Free Movement	--	--	--	944,096	1,299,506	811,317
Total	176,894,892	126,258,827	149,421,170	194,727,542	142,174,955	165,594,168
Current liabilities	168,964,118	120,389,184	142,579,586	184,892,809	134,252,629	158,200,207
Non-current liability	7,930,774	5,869,643	6,841,584	9,834,733	7,922,326	7,393,961

d) Expenses with Money Market and Expenses borrowings with Deposits

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Expenses Borrowings with Deposits	(8,496,827)	(22,069,814)	(15,546,285)	(9,960,708)	(24,635,647)	(16,879,696)
Time deposits	(4,416,099)	(11,230,757)	(7,440,364)	(4,846,772)	(12,436,473)	(8,328,059)
Savings deposits	(1,790,409)	(5,086,177)	(4,231,411)	(1,790,409)	(5,086,177)	(4,231,411)
Demand deposits	(1,447,885)	(3,872,202)	(2,927,337)	(1,447,885)	(3,872,006)	(2,927,337)
Interbank deposits	(345,846)	(778,455)	(432,697)	(302,696)	(664,163)	(446,232)
Others	(496,588)	(1,102,223)	(514,476)	(1,572,946)	(2,576,828)	(946,657)
Expenses with Money Market Repurchase Commitments	(4,828,714)	(13,538,053)	(10,087,533)	(5,440,036)	(15,078,863)	(11,149,888)
Third-party portfolio	(3,880,088)	(10,311,019)	(7,749,894)	(4,029,039)	(10,699,585)	(8,101,660)
Own portfolio	(948,169)	(3,226,493)	(2,333,488)	(1,329,338)	(4,255,393)	(3,012,835)
Subject to repurchase agreements with free movement	(457)	(541)	(4,151)	(81,659)	(123,885)	(35,393)
Total	(13,325,541)	(35,607,867)	(25,633,818)	(15,400,744)	(39,714,510)	(28,029,584)

Notes to the financial statements

e) Fund for Workers' Assistance (FAT)

Program	Resolution/ TADE	Return of FAT funds			09.30.2011			12.31.2010		
		Type ⁽¹⁾	Initial date	Final date	Available TMS ⁽²⁾	TJLP Applied ⁽³⁾	Total	Available TMS ⁽²⁾	TJLP Applied ⁽³⁾	Total
Proger Rural and Pronaf					321,744	3,108,292	3,430,036	269,114	4,223,643	4,492,757
Pronaf Custeio	04/2005	RA	11/2005	--	6,185	39,636	45,821	36,963	73,351	110,314
Pronaf Investimento	05/2005	RA	11/2005	--	251,246	2,016,462	2,267,708	84,368	2,581,667	2,666,035
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	644,206	644,206	--	1,019,428	1,019,428
Giro Rural Fornecedores	14/2006	RA	08/2006	--	37,229	238,451	275,680	114,269	310,209	424,478
Rural Custeio	02/2006	RA	11/2005	--	1,236	6,560	7,796	1,982	10,742	12,724
Rural Investimento	13/2005	RA	11/2005	--	25,848	162,977	188,825	31,532	228,246	259,778
Proger Urbano					185,900	4,457,418	4,643,318	214,352	5,193,775	5,408,127
Urbano Investimento	18/2005	RA	11/2005	--	115,943	4,105,720	4,221,663	169,514	4,686,928	4,856,442
Urbano Capital de Giro	15/2005	RA	11/2005	--	67,084	346,074	413,158	38,804	485,761	524,565
Empreendedor Popular	01/2006	RA	11/2005	--	2,873	5,624	8,497	6,034	21,086	27,120
Other					44,063	228,774	272,837	62,916	270,842	333,758
Exports	27/2005	RA	11/2005	--	654	1,185	1,839	--	2,145	2,145
Integrar Área Rural	26/2005	RA	11/2005	--	--	--	--	--	18	18
Integrar Área Urbana	25/2005	RA	11/2005	--	72	392	464	8,129	408	8,537
Inclusão Digital	09/2005	RA	11/2005	--	--	--	--	--	10	10
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	5,633	46,062	51,695	17,183	31,748	48,931
FAT Giro Setorial Médias e Grandes Empresas	09/2006	RA	09/2007	--	--	--	--	--	--	--
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	90	222	312	1,666	4,367	6,033
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	4,891	8,801	13,692	19,033	50,005	69,038
FAT Giro Cooperativo Agropecuário	10/2006	RA	07/2006	--	--	--	--	--	--	--
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,216	9,056	10,272	1,394	12,391	13,785
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	9,749	65,715	75,464	3,377	90,747	94,124
FAT Taxista	02/2009	RA	09/2009	--	15,000	60,591	75,591	5,382	31,731	37,113
FAT Encargos a Capitalizar	--	--	--	--	6,758	36,750	43,508	6,752	47,272	54,024
Total					551,707	7,794,484	8,346,191	546,382	9,688,260	10,234,642

(1) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.

(2) Funds remunerated by the Average Selic Rate (TMS).

(3) Funds remunerated by the Long Term Interest Rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment and managed by the Executive Council of the Workers' Assistance Fund (Codefat). Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, which acts as the manager of FAT.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (Proger), whose resources are allocated through special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, Proger in the urban program- Investment and Working Capital - and rural program, the National Program for Strengthening Family Farming - Pronaf, the program that allocates resources for the purchase of construction materials - FAT Housing, in addition to the special lines such as FAT Rural and Urban Integration, FAT Giro Setorial - Micro and Small-Sized Companies, FAT Giro Setorial - Medium and Large-Sized Companies, FAT Fomentar - Micro and Small-Sized Companies, FAT Fomentar - Medium and Large-Sized Companies, FAT Giro Agropecuário, FAT Digital Inclusion and FAT Taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily *pro rata basis* using the Average Selic Rate. As they are applied on loans, the interest rate is changed to the Long-term Interest Rate during the effective period of the loans. The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in CODEFAT Resolutions 439/2005 and 489/2006.

f) Guarantee Fund for Generation of Employment and Earnings (Funproger)

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance is R\$ 134,905 thousand at 09.30.2011 (R\$ 111,968 thousand at 12.31.2010 and R\$101,591 thousand at 09.30.2010).

The objective of Funproger is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado financing, through the payment of a commission. The net assets of Funproger are accumulated through funds arising from the difference between the Average Selic Rate and the Long-Term Interest Rate in respect of the remuneration of the special deposit balances available in FAT. Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the fund manager.

18 – Borrowings and Onlendings

a) Borrowings

	Banco do Brasil					Total 09.30.2011	R\$ thousand	
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years		12.31.2010	09.30.2010
Abroad								
Borrowings from BB Group companies overseas	--	247,728	12,534,000	--	--	12,781,728	8,846,200	7,615,404
Borrowings from bankers abroad	1,889,951	5,576,189	598,260	60,714	--	8,125,114	5,291,481	5,618,555
Public sector onlendings ⁽¹⁾	139,997	111,434	445,735	222,867	--	920,033	914,401	1,050,647
Imports	95,825	137,054	110,457	44,240	1,519	389,095	318,861	383,108
Exports	11,199	1,117	--	--	--	12,316	18,471	24,986
Total	2,136,972	6,073,522	13,688,452	327,821	1,519	22,228,286	15,389,414	14,692,700
Current liabilities						8,210,494	13,103,563	11,127,898
Non-current liabilities						14,017,792	2,285,851	3,564,802

R\$ thousand

	BB-Consolidated						12.31.2010	09.30.2010
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 09.30.2011		
Domestic								
Borrowing from non financial companies	93,446	--	23,064	--	--	116,510	82,771	102,102
Others	--	--	--	--	--	--	10,679	10,735
Abroad								
Borrowings from bankers abroad	2,684,961	6,318,389	1,526,055	61,310	--	10,590,715	7,179,761	7,806,570
Public sector onlendings ⁽¹⁾	139,996	111,433	445,736	222,868	--	920,033	914,401	1,050,647
Exports	127,852	190,253	--	--	--	318,105	178,092	185,622
Imports	78,174	68,340	65,630	26,831	695	239,670	231,970	286,948
Total	3,124,429	6,688,415	2,060,485	311,009	695	12,185,033	8,597,674	9,442,624
Current liabilities						9,812,844	6,957,419	7,802,585
Non-current liabilities						2,372,189	1,640,255	1,640,039

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

b) Onlendings**Domestic – Official Institutions**

R\$ thousand

Programs	Financial charges	Banco do Brasil			BB-Consolidated		
		09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
National Treasury - Rural Credit		1,617,757	1,512,821	2,062,978	1,689,426	1,549,490	2,085,675
Pronaf	TMS (if available) or 0.5% p.a. to 4.5% p.a.	1,348,567	1,274,161	1,832,011	1,348,567	1,274,161	1,832,011
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	102,232	47,678	67,211	102,232	47,678	67,211
Recoop	5.75% p.a. to 7.25% p.a.	98,830	117,353	121,272	98,830	117,353	121,272
Farming/livestock breeding	TR or TR + 9% p.a.	41,758	41,274	41,129	41,758	41,274	41,129
Others	--	26,370	32,355	1,355	98,039	69,024	24,052
BNDES		25,566,469	24,937,764	24,026,909	27,502,984	26,978,427	26,013,106
Banco do Brasil S.A.	0.6305% p.a. to 14.1% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 4.5% p.a.	25,566,469	24,937,764	24,026,909	25,566,468	24,937,764	24,026,909
Banco Votorantim	Pre/TJLP/ exch. Var. + 1.3% p.a. to 10.5% p.a.	--	--	--	1,936,516	2,040,663	1,986,197
Caixa Econômica Federal		268,021	147,079	12,795	268,021	147,079	12,795
Finame		14,650,861	12,612,578	11,589,649	16,291,576	14,046,259	12,812,138
Banco do Brasil S.A.	1% p.a. to 11% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 5.5% p.a.	14,650,861	12,612,578	11,589,649	14,660,315	12,625,745	11,604,350
Banco Votorantim	TJLP / Pre – 0.3% p.a. to 11.5% p.a.	--	--	--	1,631,261	1,420,514	1,207,788
Other Official Institutions		2,272,299	8,042,770	7,924,841	2,272,299	8,042,770	7,924,841
Special supply - Rural savings	TR	1,991,552	7,399,212	7,382,857	1,991,552	7,399,212	7,382,857
Funcafé	TMS (if available) or 6.75% p.a.	280,608	643,419	541,846	280,608	643,419	541,846
Others	--	139	139	138	139	139	138
Total		44,375,407	47,253,012	45,617,172	48,024,306	50,764,025	48,848,555
Current liabilities		16,647,935	20,487,941	20,818,430	18,397,590	21,821,275	21,787,400
Non-current liabilities		27,727,472	26,765,071	24,798,742	29,626,716	28,942,750	27,061,155

Foreign

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Funds obtained under the terms of Resolution CNN 3844/2010	251,536	525,663	663,080	100,465	96,658	95,353
Special fund for support to small and medium manufacturing companies - FAD 3	477	477	477	477	477	477
Total	252,013	526,140	663,557	100,942	97,135	95,830
Current liabilities	5,386	112,178	253,332	5,386	11,238	5,431
Non-current liabilities	246,627	413,962	410,225	95,556	85,897	90,399

c) Expense of Borrowings and Onlendings

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Cost of Borrowings	(2,167,504)	(2,225,355)	(417,191)	(2,311,847)	(2,377,184)	(310,584)
Expenses Onlendings	(710,736)	(1,926,050)	(1,704,547)	(757,665)	(2,073,775)	(1,836,882)
BNDES	(420,501)	(1,206,209)	(1,028,721)	(456,730)	(1,304,207)	(1,123,810)
Finame	(163,901)	(462,217)	(433,709)	(183,975)	(520,707)	(474,549)
National Treasury	(42,360)	(113,034)	(103,618)	(43,501)	(114,786)	(103,863)
Caixa Econômica Federal	(3,873)	(7,578)	(4,012)	(3,873)	(7,578)	(4,012)
Foreign	(66,107)	(66,107)	(100,409)	(55,592)	(55,592)	(96,570)
Others	(13,994)	(70,905)	(34,078)	(13,994)	(70,905)	(34,078)
Expenses for Financial and Development Liabilities	(256,985)	(484,632)	(344,934)	(256,985)	(484,632)	(344,934)
Expenditure Obligations with Foreign Banks	(848,078)	(848,078)	(125,370)	(898,843)	(900,930)	(139,278)
Total	(3,983,303)	(5,484,115)	(2,592,042)	(4,225,340)	(5,836,521)	(2,631,678)

19 – Resources from Securities Issues

							R\$ thousand		
Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2011	12.31.2010	09.30.2010	
Banco do Brasil									
Program Global Medium – Term Notes						5,144,250	2,964,545	2,972,639	
	R\$	350,000	9.75%	07/2007	07/2017	334,351	332,768	329,256	
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	184,392	159,776	169,080	
	USD	950,000	4.5%	01/2010	01/2015	1,778,954	1,617,034	1,622,992	
	USD	500,000	6%	01/2010	01/2020	931,743	854,967	851,311	
	EUR	750,000	4.5%	01/2011	01/2016	1,914,810	--	--	
Certificates of Deposits - Long Term						1,677,422	2,286,150	1,857,154	
	USD	150,000	2.54%	10/2009	10/2012 ⁽¹⁾	--	--	250,532	
	USD	4,000	3.8%	11/2009	12/2012	7,414	6,662	6,773	
	USD	1,000	3.67%	12/2009	12/2012	1,854	1,665	1,693	
	USD	99,000	3.03%	01/2010	01/2013 ⁽¹⁾	--	164,875	167,647	
	USD	100,000	2.88%	01/2010	01/2013 ⁽¹⁾	--	166,540	169,340	
	USD	200,000	2.12%	03/2010	03/2013 ⁽¹⁾	--	328,041	332,987	
	USD	2,000	3.19%	05/2010	05/2013	3,707	3,331	3,387	
	USD	5,000	2.69%	08/2010	06/2012 ⁽¹⁾	--	8,251	8,376	
	USD	10,000	3.4%	08/2010	08/2016 ⁽¹⁾	--	16,548	16,821	
	USD	100,000	2.5%	08/2010	08/2012 ⁽¹⁾	--	164,830	167,340	
	USD	100,000	2.67%	08/2010	07/2012 ⁽¹⁾	--	164,918	167,432	
	USD	200,000	3.34%	08/2010	06/2012 ⁽¹⁾	--	332,990	338,573	
	USD	4,806	2.02%	09/2010	09/2012 ⁽¹⁾	--	8,003	8,138	
	USD	30,000	2.48%	09/2010	09/2013 ⁽¹⁾	--	49,962	50,802	
	USD	100,000	2.34%	09/2010	08/2012 ⁽¹⁾	--	164,807	167,313	
	USD	150,000	2.1%	10/2010	10/2012	275,718	246,800	--	
	USD	25,000	2.2%	11/2010	11/2012 ⁽¹⁾	--	41,635	--	
	USD	100,000	2.92%	11/2010	10/2012	46,340	166,482	--	
	USD	150,000	2.63%	12/2010	12/2013	278,040	249,810	--	
	USD	100,000	2.78%	01/2011	01/2013	185,360	--	--	
	USD	99,000	2.87%	02/2011	01/2013	183,506	--	--	
	USD	100,000	2.72%	03/2011	03/2013	185,919	--	--	
	USD	200,000	2.02%	03/2011	03/2013	366,384	--	--	
	USD	10,000	3%	08/2011	08/2016	18,417	--	--	
	USD	1,704	8.8%	08/2011	11/2012	3,167	--	--	
	USD	2,000	1.59%	09/2011	04/2014	3,707	--	--	
	USD	5,000	1.53%	09/2011	04/2013	9,268	--	--	
	USD	28,600	1.95%	09/2011	02/2013	53,013	--	--	
	USD	30,000	2.55%	09/2011	09/2013	55,608	--	--	
Certificates of Deposits - Short Term⁽²⁾						3,511,471	1,289,609	1,671,938	
Certificate of Loan							7,816	--	
Resources Letters of Credit Agribusiness⁽³⁾						5,171,376	275,445	109,415	
Short Term									
	R\$					1,188,435	275,445	109,415	
Long Term ⁽³⁾									
	R\$					3,982,941	--	--	
Letters of Credit						3,337,450	207,994	--	
Total Banco do Brasil						18,841,969	7,031,559	6,611,146	
Banco Patagonia						79,565	--	--	
Bonds G PAT Series I									
	ARS	50,000	14.30%	03/2010	03/2012	19,174	--	--	
Bonds G PAT Series II									
	ARS	94,310	14.12%	05/2010	05/2012	28,429	--	--	
Bonds G PAT Series III									
	ARS	71,000	15.27%	08/2011	08/2012	31,962	--	--	
Special Purpose Entities Abroad⁽⁴⁾									
Securitization of future flow of payment orders from abroad									
	USD	250,000	6.55%	12/2003	12/2013	172,968	202,361	221,168	
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	463,585	416,517	422,065	
	USD	200,000	Libor 3m+1.2%	09/2008	09/2015	295,519	315,303	338,891	
	USD	150,000	5.25%	04/2008	06/2018	278,689	250,429	254,603	
Total Special Purpose Entities Abroad						1,210,761	1,184,610	1,236,727	

Notes to the financial statements

									R\$ thousand
	Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2011	12.31.2010	09.30.2010
Banco Votorantim									
Debentures									
With exchange variation		R\$		PTAX+12.0436%	12/2006	12/2011	1,674,495	1,506,785	1,530,733
Post-fixed		R\$		DI + 0.35%	06/2006	07/2012	886,156	783,564	826,179
Post-fixed		R\$		DI	04/2006	07/2027	200	--	--
Real Estate Receivables Certificates									
				93.5% of DI	02/2009	01/2012	1,488	2,316	9,125
Letters of Credit - Agribusiness									
Pre-fixed				90% of DI	07/2007	03/2020	773,954	894,759	832,009
Post-fixed				11.86% to 12.35%	05/2008	04/2013	8,038	--	--
Letters of Credit									
Pre-fixed				11.6% to 14%	07/2010	02/2015	26,985	6,822	6,620
Post-fixed				100% a 112% DI	07/2010	07/2017	3,204,968	1,296,658	1,248,202
Post-fixed				108% Selic	02/2011	02/2013	434	--	--
Post-fixed				5.48% to 7.81% IPCA	01/2011	09/2014	67,447	--	--
Post-fixed				4.95% to 5.99% IGPM	08/2011	09/2013	1,284	--	--
Program Global Medium – Term Notes									
Short-Term ⁽⁵⁾							3,187,234	743,658	720,894
							243,322	478,224	311,051
Long-Term							2,943,923	265,434	409,843
	USD	100,000		6.88%	10/2005	10/2015 ⁽¹⁾	--	--	108,158
	R\$	55,500		16.2%	11/2005	11/2010	--	--	30,168
	R\$	100,000		9.25%	12/2005	12/2012	94,150	81,296	85,460
	USD	100,000		3.91%	09/2006	09/2016	87,810	80,532	80,173
	R\$	100,000		10.62%	04/2007	04/2014	107,181	103,606	105,884
	USD	4,636		8.9%	06/2009	07/2014	5,863	--	--
	USD	5,471		7.5%	07/2009	07/2014	5,938	--	--
	USD	5,480		6.9%	07/2009	07/2014	5,854	--	--
	USD	250,000		4.3%	02/2010	02/2013	461,724	423,680	423,550
	USD	27,816		3.98%	02/2010	02/2013	28,021	--	--
	USD	37,500		4.3%	04/2010	02/2013	69,967	57,637	63,659
	CHF	125,000		2.8%	12/2010	12/2013	296,310	216,696	-
	USD	2,318		3.02%	02/2011	02/2016	2,159	--	--
	USD	625,000		5.25%	02/2011	02/2016	1,117,594	--	--
	USD	28,850		3%	03/2011	03/2014	53,509	--	--
	USD	8,650		3%	03/2011	03/2014	14,243	--	--
	USD	1,623		4%	04/2011	03/2014	1,641	--	--
	USD	232		4%	04/2011	03/2014	235	--	--
	USD	186		3.18%	05/2011	05/2016	175	--	--
	USD	742		3.18%	05/2011	05/2016	699	--	--
	R\$	10,000		14.19%	05/2011	01/2015	16,801	--	--
	R\$	309,253		6.25%	05/2011	05/2016	518,325	--	--
	USD	3,000		3.5%	07/2011	07/2013	5,609	--	--
	USD	26,800		3.5%	07/2011	07/2013	50,104	--	--
Total Banco Votorantim							8,946,327	4,450,997	4,347,583
Non-Financial Corporations									
Cibrasec									
Real Estate Receivables Certificates ⁽⁶⁾							6,337	7,233	5,537
Kepler Weber S.A.									
Debentures		R\$		9.6%	09/2007	09/2020	15,665	17,977	124,944
Ativos S.A. Securitizadora de Créditos Financeiros									
Debentures		R\$		DI + 1.5%	03/2010	03/2014	75,614	98,294	--
Total Non-Financial Corporations							97,616	116,271	124,944
Eliminated Amount on Consolidation ⁽⁷⁾							(13,018)	(2,577)	(1,444)
Total BB-Consolidated							29,163,220	13,486,107	12,811,702
Current liabilities							13,175,722	2,621,208	2,222,257
Non-current liabilities							15,987,498	10,864,899	10,589,445

(1) Operations settled in advance during the year 2010 and from 01.01.2011 to 09.30.2011.

(2) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.37% p.a. and 2.92% p.a.

(3) Operations period between 361 and 720 days.

(4) The Special Purpose Entity (SPE) - "Dollar Diversified Payment Rights Finance Company" was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market, (b) use of resources obtained by issuing securities to pay for the purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for any agency for Brasil ("Rights on Consignment") and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. Bank does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.

(5) Securities with a maturity of less than 360 days, foreign currency and national, and interest rates between 2.28% p.a. and 14.3% p.a.

(6) Reference Rate - TR, General Market Price Index - IGPM, IPCA and average maturity of 116 months.

(7) Refers to securities issued by BB-Consolidated, in possession of subsidiary abroad.

20 – Other Liabilities**a) Financial and Development Funds**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
PIS/Pasep	1,934,871	2,027,901	1,999,534	1,934,871	2,027,901	1,999,534
Merchant Navy	1,112,710	901,393	806,704	1,112,710	901,393	806,704
Funds from the State Government of São Paulo	558,069	516,424	463,544	558,069	516,424	463,544
Special Lending Program for Agrarian Reform – Procera	27,733	36,634	169,013	27,733	36,634	169,013
Consolidation of Family Farming – CAF	26,162	36,181	15,033	26,162	36,181	15,033
Combating Rural Poverty – Our First Land – CPR/NPT	2,674	2,957	5,149	2,674	2,957	5,149
Land and Agrarian Reform – BB Banco da Terra	2,489	2,237	1,764	2,489	2,237	1,764
Others	39,852	44,660	45,249	39,852	44,660	45,249
Total	3,704,560	3,568,387	3,505,990	3,704,560	3,568,387	3,505,990
Current liabilities	1,752,779	1,469,280	1,324,339	1,752,779	1,469,280	1,324,339
Non-current liabilities	1,951,781	2,099,107	2,181,651	1,951,781	2,099,107	2,181,651

b) Taxes and Social Security

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Legal liabilities (Note 28.e)	12,608,362	12,241,776	12,113,814	13,354,972	12,942,257	12,771,072
Deferred tax liabilities (Note 25.d)	5,961,236	4,733,093	5,689,339	7,146,134	5,907,382	6,829,907
Taxes and contributions on net income payable	6,349	4,748,986	4,658	277,222	5,257,069	184,834
Provision for tax litigation (Note 28.b)	214,444	195,377	203,164	1,400,665	1,260,923	1,268,697
Taxes payable	661,194	771,502	642,203	1,094,460	1,181,390	977,215
Provision for taxes and contributions on net income	2,947,838	83,766	3,066,328	4,180,681	750,904	4,062,538
Others	316,397	316,399	316,399	315,566	313,194	309,690
Total	22,715,820	23,090,899	22,035,905	27,769,700	27,613,119	26,403,953
Current liabilities	17,498,005	19,041,535	16,895,165	21,135,301	21,085,197	19,008,982
Non-current liabilities	5,217,815	4,049,364	5,140,740	6,634,399	6,527,922	7,394,971

c) Subordinated Debt

							R\$ thousand		
Funding	Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2011	12.31.2010	09.30.2010		
Banco do Brasil									
FCO – Resources from Fundo Constitucional do Centro-Oeste					14,275,266	13,455,864	13,548,547		
Funds applied ⁽¹⁾					13,344,119	11,751,006	11,429,747		
Resources available ⁽²⁾					898,073	1,492,488	1,886,829		
Charges to capitalize					33,074	212,370	231,971		
Subordinated CDB Issued in the Country					4,179,473	3,807,875	3,701,853		
	900,000	113.8% from CDI	03/2009	09/2014	1,190,565	1,082,844	1,052,142		
	1,335,000	115% from CDI	03/2009	03/2015	1,768,842	1,607,190	1,561,147		
	1,000,000	105% from CDI	11/2009	11/2015	1,220,066	1,117,841	1,088,564		
Subordinated Debt Abroad					4,556,103	1,614,119	507,673		
USD thousand	300,000	8.5%	09/2004	09/2014	546,869	500,519	507,673		
USD thousand	660,000	5.375%	10/2010	01/2021	1,237,623	1,113,600	--		
USD thousand	1,500,000	5.875%	05/2011	01/2022	2,771,611	--	--		
Subordinated Letters of Credit					3,330,836	1,082,764	1,053,473		
	1,000,000	108.5% from CDI	03/2010	03/2016	1,185,233	1,082,764	1,053,473		
	1,006,500	111% from CDI	03/2011	03/2017	1,075,168	--	--		
	335,100	111% from CDI	04/2011	04/2017	356,232	--	--		
	13,500	111% from CDI	05/2011	05/2017	14,203	--	--		
	700,000	111% from CDI	09/2011	10/2017	700,000	--	--		
Total Subordinated Debt from Banco do Brasil					26,341,678	19,960,622	18,811,546		
Banco Votorantim									
Subordinated CDB Issued in the Country					1,498,690	1,631,268	1,583,657		
	312,500	CDI+0.491417%	11/2007	11/2012	473,725	434,228	422,860		
	8,500	CDI+0.491417%	12/2007	12/2012	12,863	11,791	11,481		
200,000 ⁽³⁾		CDI+0.540556%	12/2007	12/2012	12,022	277,838	270,530		
	32,500	IGPM+7.219701%	12/2007	12/2012	54,200	49,360	46,972		
	57,500	IPCA+7.934241%	03/2008	03/2013	91,625	82,321	79,057		
	7,500	IPCA+7.855736%	08/2009	08/2014	9,924	8,921	8,569		
	5,250	IPCA+7.924428%	08/2009	08/2014	6,957	6,250	6,003		
	19,500	IPCA+8.002932%	08/2009	08/2014	25,879	23,239	22,314		
	2,500	IPCA+7.953867%	08/2009	08/2014	3,313	2,976	2,858		
	260,000	CDI+1.670229%	08/2009	08/2014	332,371	301,977	293,196		
	250,000	CDI+1.635268%	12/2009	12/2014	308,948	280,768	272,628		
	135,000	CDI+1.674668%	12/2009	12/2014	166,863	151,599	147,189		
Subordinated Note	USD thousand	575,000	7.38%	01/2010	01/2020	1,094,376	942,842	987,756	
Subordinated Letters of Credit					763,081	152,483	--		
	1,000	IPCA+6.88494%	11/2010	11/2016	1,128	1,020	--		
	5,000	IPCA+7.25%	11/2010	11/2020	5,631	5,085	--		
	5,000	IPCA+7.2%	11/2010	11/2016	5,619	5,076	--		
	15,000	IPCA+7.1%	11/2010	11/2016	16,917	15,294	--		
	94,950	CDI+1.3%	11/2010	11/2016	99,228	95,982	--		
	30,000	CDI+1.6%	12/2010	12/2016	31,078	30,026	--		
	324,900	CDI+1.94%	05/2011	05/2017	341,864	--	--		
	35,550	IGPM+7.420494%	05/2011	05/2017	36,880	--	--		
	1,400	IPCA+7.626766%	05/2011	05/2017	1,461	--	--		
	4,650	IPCA+7.713512%	05/2011	05/2017	4,855	--	--		
	7,500	IPCA+7.95%	05/2011	05/2017	7,811	--	--		
	45,000	IPCA+7.95%	07/2011	07/2016	46,071	--	--		
	15,000	IGPM+7.7%	07/2011	07/2017	15,309	--	--		
	13,843	IPCA+8.02%	07/2011	07/2019	7,056	--	--		
	25,000	IPCA+7.9%	08/2011	08/2016	25,553	--	--		
	25,000	IPCA+7.93%	08/2011	08/2017	25,483	--	--		
	20,000	IPCA+7.76%	08/2011	08/2017	20,316	--	--		
	11,000	IPCA+7.85%	08/2011	08/2017	11,200	--	--		
	10,050	IGPM+7.7%	08/2011	08/2017	10,281	--	--		
	1,250	115% do CDI	08/2011	08/2017	1,277	--	--		
	33,000	117% do CDI	09/2011	09/2017	33,000	--	--		
	15,000	IGPM+6.74%	09/2011	09/2017	15,063	--	--		
Debentures	693,575	CDI+0.5%	04/2006	04/2016	--	725,538	706,547		
Total Subordinated Debt from Banco Votorantim					3,356,147	3,452,131	3,277,960		
Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BB-Consolidated					(4,078)	(637)	--		
Total Subordinated Debt from BB-Consolidated⁽⁴⁾					29,693,747	23,412,116	22,089,506		

(1) Contracted charges are paid by borrowers, with less the *del credere* financial institution, according to article 9 of Law n.º 7,827/1989.

(2) Remunerated based on extra-rate announced by the Central Bank of Brazil (Bacen), according to article 9 of Law n.º 7,827/1989.

(3) The amount of R\$ 192,071 thousand from the issued value was settled in the nine months ended in September 2011.

(4) The amount of R\$ 23,362,522 thousand (R\$ 18,738,173 thousand on 12.31.2010 and R\$ 18,071,344 thousand on 09.30.2010) compose the level II of the Referential Equity (PR), in conformity with CMN Resolution n.º 3,444/2007. As determined by Bacen, subordinated debts issued by Banco Votorantim do not compose the Bank's PR (Note 29.f).

d) Capital and Debt Hybrid Instruments

Funding	Banco do Brasil and BB-Consolidated					
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	09.30.2011	12.31.2010	09.30.2010
Perpetual Bonuses						
	500,000	7.95%	01/2006	--	911,750	926,897
	1,500,000	8.5%	10/2009	2,872,208	2,459,533	2,555,014
Total Banco do Brasil	2,000,000			2,872,208	3,371,283	3,481,911
Values eliminated in the BB-Consolidated				(68)	(9,890)	(7,770)
Total BB-Consolidated				2,872,140	3,361,393	3,474,141
Current liabilities				107,663	55,746	93,763
Non-current liabilities				2,764,477	3,305,647	3,380,378

The amount of R\$ 2,687,720 thousand of Perpetual Bonuses compose the level I of the Referential Equity (R\$ 2,414,830 thousand and R\$ 816,046 thousand in 12.31.2010, and R\$ 2,455,430 thousand and R\$ 829,766 thousand in 09.30.2010, respectively, the level I and the level II of Referential Equity), in conformity with CMN Resolution n.º 3,444/2007 (Note 29.f).

The Bank settled, in January 2011, the USD 500,000 thousand bonus, issued in January 2006, through the exercise of the redemption option provided in the operation.

The bonus of USD 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 or on each twice yearly payment of interest thereafter, provided by prior authorization of Bacen. If the Bank does not exercise the option to redeem in October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of 10 years North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of 10 years North American Treasury bonds. The terms of Perpetual Bonuses determine that the Bank suspend the twice yearly payments of interest and/or accessories on those securities issued (which shall not be paid or accrued) if:

- (i) the Bank is not framed or the payment of such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks;
- (ii) Bacen or the regulatory authorities determine the suspension of payments of such charges;
- (iii) any event of insolvency bankruptcy occurs;
- (iv) any default occurs; or
- (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and/or accessories.

e) Sundry

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Credit/debit card operations	9,479,556	10,420,831	8,609,598	9,479,556	10,420,831	8,609,598
Actuarial liabilities (Note 27.d)	7,099,494	6,906,736	6,803,459	7,099,494	6,906,736	6,803,459
Provisions for payments	3,445,772	3,102,822	3,236,883	4,751,776	3,707,256	3,845,892
Sundry creditors – domestic	1,300,652	1,893,896	1,418,427	3,286,695	3,698,337	3,209,611
Provisions for civil claims (Note 28.b)	3,607,602	3,464,569	3,312,660	3,764,318	3,594,694	3,470,217
Provision for labor claims (Note 28.b)	2,342,785	2,462,390	2,839,084	2,506,710	2,538,036	2,909,692
Funds bounded to credit operations	656,032	716,859	627,593	1,115,228	1,179,658	1,096,638
Obligations for premiums granted by the customer loyalty	1,217,106	1,088,368	1,482,531	1,217,106	1,088,368	1,482,531
Liabilities for official agreements	800,053	756,351	752,123	800,053	756,351	752,123
Liabilities for purchase of properties and rights	819,694	465,922	233,311	827,672	467,917	233,754
Liabilities for payment services	866,488	389,253	801,065	866,488	389,253	801,065
Provision for losses with Compensation Fund of Salaries	246,299	289,274	284,249	246,299	289,274	284,249
Variations – FCVS						
Sundry creditors – overseas	68,941	142,065	45,110	317,387	150,779	52,623
Provisions for guarantees provided	108,996	82,230	80,991	113,074	85,510	84,464
Contracts of assumption of liabilities – securitization (Note 20.f)	--	35,869	54,312	--	35,869	54,312
Others	383,608	287,784	196,655	404,304	355,347	218,204
Total	32,443,078	32,505,219	30,778,051	36,796,160	35,664,216	33,908,432
Current liabilities	23,479,210	24,627,962	22,383,366	25,294,805	24,292,008	22,260,201
Non-current liabilities	8,963,868	7,877,257	8,394,685	11,501,355	11,372,208	11,648,231

f) Securitization

Funding	R\$ thousand						
	Banco do Brasil and BB-Consolidated						
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	Maturity	09.30.2011	12.31.2010	09.30.2010
Future flow of credit/debit card invoice receivables							
	178,474	5.911%	07/2003	06/2011	--	28,822	43,626
	44,618	4.777%	07/2003	06/2011	--	7,047	10,686
Total	223,092				--	35,869	54,312

The Special Purpose Entity (SPE) "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes:

- (a) issue and sell securities in the international market;
- (b) use of funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. against Visa International Service Association over the receivables arising from:
 - (i) credit or debit purchases made in Brazilian territory, in any currency processed by Cielo, with Visa cards, issued by financial institutions located outside of Brazil; or
 - (ii) credit or debit purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and
- (c) payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities.

The Bank is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds interest in Cielo. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. The Bank is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.

21 – Operations of insurance, pension and capitalization**a) Operation credits**

BB-Consolidated	R\$ thousand		
	09.30.2011	12.31.2010	09.30.2010
Direct insurance premiums receivable	1,242,103	977,155	760,437
Credit insurance business with insurers	49,283	7,097	6,379
Credit insurance transactions with reinsurers	376,031	122,771	141,679
Credits reinsurance pension	2,596	1,547	--
Total	1,670,013	1,108,570	908,495
Current assets	1,667,639	1,086,548	887,220
Non-current assets	2,374	22,022	21,275

b) Technical provisions

BB-Consolidated	R\$ thousand		
	09.30.2011	12.31.2010	09.30.2010
Insurance	3,963,799	2,712,682	2,231,891
Provision for unearned premiums	2,135,996	1,465,400	1,120,828
Provision for unsettled claims	1,249,004	888,751	775,659
Provision for IBNR ⁽¹⁾	345,625	181,251	174,561
Provision for insufficiency of premiums	138,746	139,403	124,387
Mathematical provision for future benefits	4,103	4,173	7,442
Other provisions	90,325	33,704	29,014
Pension plan	34,919,297	27,567,107	24,864,964
Mathematical provision for future benefits	32,973,571	25,858,592	23,228,573
Mathematical provision for vested benefits	756,892	643,665	606,505
Provision for financial surplus	414,091	395,635	388,639
Provision for insufficiency of contributions	344,639	301,435	256,399
Provision for financial fluctuation	257,577	254,698	246,729
Mathematical provision for redemptions	57,628	42,183	39,648
Provision for insufficiency of premiums	34,624	31,371	54,013
Provision for IBNR ⁽¹⁾	7,406	6,065	5,803
Other provisions	72,869	33,463	38,655
Capitalization	3,081,623	2,089,626	2,034,316
Mathematical provision for redemptions	2,935,010	2,028,909	1,948,858
Provision for prize draws and redemptions	102,035	35,256	64,017
Other provisions	44,578	25,461	21,441
Total	41,964,719	32,369,415	29,131,171
Current liabilities	8,983,617	5,152,564	4,593,008
Non-current liabilities	32,981,102	27,216,851	24,538,163

(1) Incurred but not reported.

c) Technical provisions by product

BB-Consolidated	R\$ thousand		
	09.30.2011	12.31.2010	09.30.2010
Insurance	3,963,799	2,712,682	2,231,891
Auto	1,150,528	1,067,363	714,430
Life	1,470,575	857,975	793,137
Property/casualty	1,157,713	676,712	628,224
Dpvat	184,983	110,632	96,100
Pension plan	34,919,297	27,567,107	24,864,964
Free benefit generating plan - PGBL	11,748,767	9,858,613	9,241,841
Living benefits life insurance - VGBL	18,133,751	13,083,869	11,189,382
Traditional plans	5,036,779	4,624,625	4,433,741
Capitalization	3,081,623	2,089,626	2,034,316
Total	41,964,719	32,369,415	29,131,171

Notes to the financial statements

d) Guarantee of technical provisions

BB-Consolidated	09.30.2011				12.31.2010			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	29,563,689	--	29,563,689	--	22,693,391	--	22,693,391
Shares in Investment Funds (except VGBL and PGBL)	1,997,049	3,779,006	1,971,752	7,747,807	1,464,706	3,387,192	1,386,313	6,238,211
Federal Government securities	1,385,654	1,859,127	392,093	3,636,874	814,204	1,788,979	283,944	2,887,127
Corporate bonds	340,688	25,301	820,857	1,186,846	239,104	27,523	498,339	764,966
Credit rights	638,588	--	57,438	696,026	578,124	--	25,326	603,450
Property	12,748	--	--	12,748	1,709	--	--	1,709
Deposits held at IRB and deposits in court	3,779	--	--	3,779	96	--	--	96
Total	4,378,506	35,227,123	3,242,140	42,847,769	3,097,943	27,897,085	2,193,922	33,188,950

e) Financial and Operational Results per Segment

BB-Consolidated	3rd Quarter 2011				01.01 a 09.30.2011			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Financial Income	121,551	402,530	114,812	638,893	306,633	1,096,507	242,633	1,645,773
Financial revenues	143,383	802,877	117,654	1,063,914	355,342	2,006,712	246,863	2,608,917
Financial expenses	(21,832)	(400,347)	(2,842)	(425,021)	(48,709)	(910,205)	(4,230)	(963,144)
Restatement and interest of technical reserves	(19,652)	(337,049)	(56,149)	(412,850)	(35,831)	(889,774)	(129,640)	(1,055,245)
Operating results	473,932	49,021	47,069	570,022	1,564,945	70,483	114,133	1,749,561
Retained premiums and contribution (Note 21.f)	1,285,935	1,963,008	535,390	3,784,333	3,570,290	6,549,906	1,315,918	11,436,114
Change in technical provisions	(133,846)	(1,859,255)	(197)	(1,993,298)	(290,634)	(6,374,256)	(16,361)	(6,681,251)
Retained claims	(539,770)	--	--	(539,770)	(1,521,996)	--	--	(1,521,996)
Selling expenses	(138,387)	(44,447)	(21,078)	(203,912)	(192,715)	(80,464)	(52,210)	(325,389)
Expenses with prize draws and redemptions of financial bonds	--	--	(467,046)	(467,046)	--	--	(1,133,214)	(1,133,214)
Expenses with benefits and redemptions of pension plans	--	(10,285)	--	(10,285)	--	(24,703)	--	(24,703)
Total	575,831	114,502	105,732	796,065	1,835,747	277,216	227,126	2,340,089

Notes to the financial statements

f) Retained insurance premiums, pension plan contributions and capitalization certificates

BB-Consolidado	3rd Quarter 2011				01.01 a 09.30.2011			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Premiums issued (VGBL retirement)	1,437,110	1,577,307	--	3,014,417	3,842,650	5,397,684	--	9,240,334
Supplementary pension contributions (includes VGBL risk portion)	1,839	396,858	--	398,697	1,839	1,180,595	--	1,182,434
Revenues from capitalization certificates	--	--	535,390	535,390	--	--	1,315,918	1,315,918
Coinsurance premiums ceded	(14,537)	(2,115)	--	(16,652)	(31,281)	(2,115)	--	(33,396)
Reimbursed premiums (return of VGBL contribution)	(5,227)	(7,284)	--	(12,511)	(13,610)	(24,500)	--	(38,110)
Premiums issued net (premium issued - premium reimbursed) and supplementary pension contributions	1,419,185	1,964,766	535,390	3,919,341	3,799,598	6,551,664	1,315,918	11,667,180
Reinsurance premiums ceded, consortiums and funds	(133,250)	(1,758)	--	(135,008)	(229,308)	(1,758)	--	(231,066)
Retained insurance premiums, pension plans and capitalization	1,285,935	1,963,008	535,390	3,784,333	3,570,290	6,549,906	1,315,918	11,436,114

22 – Other Operating Income/Expenses**a) Service Fee Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Income from cards	463,227	1,154,779	927,522	875,514	2,337,025	1,898,968
Fund Management	436,946	1,227,203	1,045,305	772,629	2,296,552	1,985,273
Billing	307,350	907,012	889,235	313,717	920,158	892,443
Account fees	226,636	660,987	619,612	227,272	662,435	621,092
Collection	182,705	529,988	441,795	182,705	529,988	441,795
Interbank	168,380	471,892	405,565	168,380	471,892	405,565
Insurance, pension and capitalization	115,087	376,738	317,832	115,087	376,738	317,832
By non-financial associated companies	--	--	--	118,427	281,019	488,197
Brokerage and custody	5,146	15,834	16,934	76,050	253,924	324,797
Loans and guarantees provided	67,894	199,406	201,376	86,605	252,105	257,698
National Treasury and management of official funds	95,236	194,924	181,008	95,236	194,924	181,008
Consortium administration fees	--	--	--	55,184	145,611	79,182
Provided to the related	118,494	333,268	284,513	18,758	98,580	128,351
Other services	79,081	237,277	252,372	168,015	410,691	286,065
Total	2,266,182	6,309,308	5,583,069	3,273,579	9,231,642	8,308,266

b) Bank Fee Income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Service package	730,609	1,978,549	1,769,089	731,084	1,979,837	1,833,720
Loans and registration file	294,872	780,451	710,569	398,641	1,074,569	929,229
Income from cards	118,540	496,943	479,273	121,881	505,224	479,273
Deposit account	50,096	173,680	211,192	50,211	173,931	211,369
Transfer of funds	43,344	120,216	104,777	45,498	124,574	105,077
Management of Investment Funds	--	--	--	71,892	71,998	--
Others	15,268	21,579	--	27,089	53,247	--
Total	1,252,729	3,571,418	3,274,900	1,446,296	3,983,380	3,558,668

c) Personnel Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Salaries	(1,442,272)	(4,423,960)	(3,965,589)	(1,673,885)	(4,999,811)	(4,329,613)
Social charges	(526,129)	(1,542,295)	(1,442,534)	(605,386)	(1,741,091)	(1,576,779)
Personnel provisions	(625,000)	(1,575,773)	(1,520,249)	(625,000)	(1,575,773)	(1,520,249)
Benefits	(432,560)	(1,267,148)	(1,211,003)	(476,719)	(1,380,075)	(1,296,378)
Provisions for labor claims	(368,770)	(662,355)	(594,097)	(369,328)	(662,913)	(594,097)
Supplementary pension	(69,262)	(204,673)	(150,376)	(70,994)	(210,677)	(155,418)
Directors' fees	(5,256)	(15,771)	(15,524)	(14,803)	(42,263)	(41,927)
Training	(10,658)	(32,369)	(46,501)	(13,879)	(39,839)	(53,014)
Total	(3,479,907)	(9,724,344)	(8,945,873)	(3,849,994)	(10,652,442)	(9,567,475)

d) Other Administrative Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Amortization	(590,723)	(1,734,195)	(1,704,948)	(599,578)	(1,764,255)	(1,725,505)
Communications	(317,756)	(911,851)	(881,164)	(346,987)	(988,477)	(945,680)
Expenses with Outsourced Services	(316,406)	(885,410)	(784,441)	(362,421)	(980,361)	(886,962)
Depreciation	(231,660)	(690,247)	(644,335)	(245,612)	(724,316)	(664,371)
Transport	(211,646)	(573,857)	(506,078)	(223,450)	(605,176)	(532,908)
Security services	(195,650)	(555,292)	(487,621)	(200,765)	(566,113)	(490,674)
Rent	(156,122)	(431,757)	(392,117)	(190,845)	(529,997)	(468,641)
Financial system services	(122,896)	(364,189)	(388,390)	(171,448)	(491,333)	(470,224)
Data processing	(230,645)	(652,532)	(767,161)	(147,893)	(477,821)	(815,912)
Specialized technical services	(56,516)	(152,644)	(144,887)	(162,677)	(469,032)	(434,214)
Litigation	(172,044)	(432,717)	(504,534)	(174,181)	(434,854)	(504,534)
Maintenance and upkeep	(118,504)	(326,572)	(267,227)	(132,091)	(359,008)	(283,159)
Water, electricity and gas	(81,586)	(254,079)	(243,742)	(85,299)	(263,701)	(249,874)
Advertising and publicity	(42,292)	(186,752)	(193,726)	(71,702)	(254,576)	(271,766)
Advertising and public relations	(48,512)	(138,311)	(125,734)	(59,556)	(165,510)	(148,747)
Domestic travel	(43,277)	(115,928)	(97,887)	(51,989)	(139,545)	(118,312)
Materials	(31,123)	(92,837)	(87,297)	(35,791)	(103,526)	(92,134)
Others	(88,202)	(242,899)	(266,507)	(162,595)	(441,263)	(434,373)
Total	(3,055,560)	(8,742,069)	(8,487,796)	(3,424,880)	(9,758,864)	(9,537,990)

e) Other Operating Income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Previ – Restatement of Actuarial Assets (Note 27.c)	530,605	2,450,710	2,378,222	530,605	2,450,710	2,378,222
Equalization of rates - harvest	598,618	1,714,133	1,785,346	598,618	1,714,133	1,785,346
Restatement of guarantee deposits	391,560	1,114,907	874,703	391,560	1,114,907	874,703
Readjustment negative exchange / reclassification of balances	--	567,937	537,147	150,620	948,128	849,005
Update on allocation of surplus funds – Plan 1 (Note 27.e)	198,186	762,978	142,558	198,186	762,978	142,558
Recovery of charges and expenses	208,376	623,968	818,602	150,639	566,768	1,289,699
Reversal of provisions - Labor, civil and tax claims	17,426	234,097	573,022	17,426	234,097	573,022
Credit card transactions	96,660	208,447	148,553	96,877	208,664	148,553
Administrative expenses - Reversal of provisions	55,291	114,541	119,469	55,366	114,616	119,469
Dividends received	11,354	26,785	48,566	11,354	26,785	48,566
Personnel expenses - Reversal of provisions	5,213	9,811	104,673	5,213	9,811	104,673
Others	203,126	824,081	460,069	491,324	1,536,167	900,499
Total	2,316,415	8,652,395	7,990,930	2,697,788	9,687,764	9,214,315

f) Other Operating Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
From non-financial associated companies	--	--	--	(456,235)	(1,195,535)	(883,302)
Readjustment negative exchange / reclassification of balances	--	(798,957)	(299,573)	(110,324)	(1,060,542)	(443,835)
Premiums paid to clients	(371,411)	(1,043,398)	(436,042)	(371,411)	(1,043,398)	(436,042)
Credit/debit card transactions	(310,968)	(870,770)	(658,332)	(310,968)	(870,770)	(658,332)
Actuarial liabilities	(225,857)	(720,460)	(868,101)	(225,857)	(720,460)	(868,101)
Business partners ⁽¹⁾	(3,156)	(9,793)	(24,037)	(158,409)	(460,175)	(877,956)
Amortization of goodwill	(73,729)	(217,054)	(138,565)	(139,757)	(431,844)	(157,495)
Failures/frauds and other losses	(54,408)	(404,169)	(186,191)	(54,408)	(404,169)	(186,191)
Restatement of guarantee deposits ⁽²⁾	(114,322)	(323,409)	(337,153)	(114,322)	(323,409)	(337,153)
Amortization/early settlement of contracts	(71,497)	(211,126)	(125,279)	(71,497)	(211,126)	(125,279)
Discounts granted on renegotiations	(57,189)	(159,478)	(148,788)	(67,363)	(206,729)	(259,036)
Restatement of hybrid capital and debt instruments	(60,720)	(164,063)	(230,268)	(60,720)	(164,063)	(230,268)
Premium life insurance - consumer credit	(46,197)	(132,221)	(147,712)	(46,197)	(132,221)	(147,712)
ATM Network	(44,174)	(111,981)	(89,842)	(44,174)	(111,981)	(89,842)
Restatement of funds to be returned to the Federal Treasury - Law n.º 9,138/1995	(15,311)	(41,954)	(31,810)	(15,311)	(41,954)	(31,810)
Restatement of interest own capital/Dividends	(25,431)	(41,133)	(43,155)	(25,431)	(41,133)	(43,155)
INSS	(10,237)	(27,974)	(21,182)	(10,237)	(27,974)	(21,182)
Previ – Actuarial Adjustment	(6,000)	(18,973)	(17,674)	(6,000)	(18,973)	(17,674)
Fees for the use of Sisbacen – Central Bank of Brazil System	(4,860)	(13,187)	(12,118)	(4,860)	(13,187)	(12,118)
Expenses Proagro	(3,587)	(9,649)	(49,232)	(3,587)	(9,649)	(49,232)
Updating the acquisition of investments	--	--	(71,459)	--	--	(71,459)
Others	(153,355)	(382,930)	(429,581)	(277,771)	(715,789)	(526,002)
Total	(1,652,409)	(5,702,679)	(4,366,094)	(2,574,839)	(8,205,081)	(6,473,176)

(1) Refers mainly to commission for loans originated by partners and commercial agreements with tenants.

(2) Update refers to the provision for deposit in court regarding the lawsuit (IR e CSLL) as Note 28.e.

23 – Non-operating income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Non-operating income	40,333	209,552	246,420	61,347	355,253	487,781
Profit on sale of investments	899	92,813	117,166	5,297	176,961	214,532
Capital gains	1,909	12,159	8,796	5,649	36,259	113,327
Provision reversal for devaluation of other assets	12,437	30,875	31,202	14,609	33,115	31,332
Profit on sale of assets	7,595	19,634	41,846	10,521	29,364	45,349
Disposal of property	3,771	14,062	23,387	3,771	14,062	23,387
Rental income	4,929	11,092	9,387	5,121	11,666	9,611
Other non-operating income	8,793	28,917	14,636	16,379	53,826	50,243
Non-operating expenses	(18,072)	(78,345)	(58,096)	(37,175)	(138,775)	(115,894)
Loss on sale of assets	(1,451)	(9,990)	(3,206)	(19,661)	(53,499)	(52,109)
Capital losses	(8,301)	(36,348)	(16,973)	(8,306)	(37,218)	(17,720)
Loss in value of other assets	(8,148)	(30,261)	(35,747)	(8,394)	(34,699)	(35,924)
Other non-operating expenses	(172)	(1,746)	(2,170)	(814)	(13,359)	(10,141)
Total	22,261	131,207	188,324	24,172	216,478	371,887

24 - Shareholders' Equity**a) Book value and market value per common share**

	09.30.2011	12.31.2010	09.30.2010
Shareholders' equity - Banco do Brasil (R\$ thousand)	56,279,126	50,495,741	48,259,099
Book value per share (R\$)	19.67	17.65	16.87
Market value per common share (R\$)	24.84	31.42	32.13
Shareholders' equity - BB-Consolidated ⁽¹⁾ (R\$ thousand)	56,712,572	50,440,683	48,204,326

(1) Reconciled with the equity of Banco do Brasil (Note 24.g)

Book value per share is calculated based on the equity of Banco do Brasil.

b) Capital

The capital of R\$ 33,122,569 thousand (R\$ 33,077,996 thousand on 12.31.2010 and 09.30.2010) of Banco do Brasil is divided into 2,860,729,247 book-entry common shares without par value. The Federal Government is the largest shareholder, holding the control.

The capital increased R\$ 44,573 thousand in the period of 01.01.2011 to 09.30.2011, due to the exercise of subscription of 1,496,831 bonuses "C" (Note 24.K).

The Bank may, even without amending the bylaws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R\$ 50,000,000 thousand, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders issued by the Bank.

c) Revaluation reserves

The revaluation reserves, totaling R\$ 4,750 thousand (R\$ 6,241 thousand on 12.31.2010 and R\$ 6,304 thousand on 09.30.2010), refer to revaluations of assets made by the associated/subsidiary companies.

In the period of 01.01.2011 to 09.30.2011, reserves were held totaling R\$ 1,491 thousand. From this amount, R\$ 307 thousand (R\$ 442 thousand in the period of 01.01.2010 to 09.30.2010) due to depreciation transferred to "Retained earnings (accumulated losses)" and R\$ 1.184 thousand due to the write off shareholding disposal of the BB Banco de Investimento in the Pronor Petroquímica. The remaining balance will be held until the date of the effective realization, in accordance to the CMN Resolution n.º 3,565/2008.

d) Profit reserves

	09.30.2011	12.31.2010	R\$ thousand 09.30.2010
Reserve for Retained Earnings ⁽¹⁾	20,344,615	16,944,324	12,593,707
Legal Reserve	3,197,314	2,884,196	2,552,851
Statutory Reserves ⁽¹⁾	17,147,301	14,060,128	10,040,856
Operating margin	13,842,884	10,725,406	7,509,988
Equalization of dividends	3,304,417	3,334,722	2,530,868

(1) In the BB-Consolidated, figures of profit reserve and statutory reserves are R\$ 20,289,707 thousand and R\$ 17,092,393 thousand, respectively, due to the R\$ 54,908 thousand elimination of subsidiary company unrealized gains.

The Statutory reserve for Operating Margin aims to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Statutory Reserve for Dividend Equalization assures resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

e) Earnings per share

	3rd quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Net profit attributable to shareholders (R\$ thousand)	2,891,285	9,153,653	7,755,947
Weighted average number of shares			
Basic	2,860,729,215	2,860,727,055	2,662,395,314
Diluted	2,865,416,989	2,871,294,552	2,679,065,855
Earnings per share			
Basic earnings per share (R\$)	1.01	3.20	2.91
Diluted earnings per share (R\$)	1.01	3.19	2.90

f) Interest on own capital / Dividends

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
1st quarter/2011				
Dividends paid	449,024	0.157	05.19.2011	05.27.2011
Interest on own capital paid	723,921	0.253	03.22.2011	05.27.2011
2nd quarter/2011				
Dividends paid	595,322	0.208	08.18.2011	08.26.2011
Interest on own capital paid	736,680	0.258	06.21.2011	08.26.2011
3rd quarter/2011				
Dividends payable ⁽¹⁾	360,714	0.126	11.17.2011	11.25.2011
Interest on own capital payable	795,800	0.278	09.21.2011	11.25.2011
Total destined to shareholders in the period of 01.01 to 09.30.2011				
Dividends	1,405,060	0.491		
Interest on own capital ⁽²⁾	2,256,401	0.789		
Net income for the period	9,153,653			

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
1st quarter/2010				
Dividends paid	444,161	0.173	05.21.2010	05.31.2010
Interest on own capital paid	518,155	0.202	03.24.2010	05.31.2010
2nd quarter/2010				
Dividends paid	564,785	0.220	08.18.2010	08.26.2010
Interest on own capital paid	525,372	0.205	05.24.2010	08.26.2010
3rd quarter/2010				
Dividends paid	375,970	0.131	11.22.2010	11.30.2010
Interest on own capital paid	673,935	0.236	09.22.2010	11.30.2010
Total destined to shareholders in the period of 01.01 to 09.30.2010				
Dividends	1,384,916	0.524		
Interest on own capital ⁽²⁾	1,717,462	0.643		
Net income for the period	7,755,947			

(1) The Bank is waiting for the approval by the Banco Central do Brasil for the conversion of 4,687,773 common shares, from subscription bonuses "C", according to Note 24.k. If it happens up to the equity position base date of payment, the amount of dividends per share will be R\$ 0.12588.

(2) Amounts subject to the rate of 15% Income Tax Withholding

In accordance with Laws n.º 9,249/1995 and n.º 9,430/1996 and the Bank's bylaws, Management decided on the payment of Interest on Own Capital to its shareholders, imputed to the value of the dividends, plus additional dividends, equivalent to 40% of the net income.

Notes to the financial statements

The interest on own capital is calculated based on adjusted net equity accounts and is limited on a *pro rata* basis to the variation of long-term interest rate, as long as there is profit computed before its deduction or Reserve for Retained Earnings and profit reserves at least twice its amount.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of these financial statements, reclassified to "Retained earnings". The total interest on own capital during the period of 01.01.2011 to 09.30.2011, provided a reduction in spending on tax charges totaling R\$ 902,560 thousand (R\$ 686,985 thousand in the period of 01.01.2010 to 09.30.2010).

g) Reconciliation of Net Income and Shareholders' Equity

	R\$ thousand					
	Net Income			Shareholders' equity		
	3rd quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010	09.30.2011	12.31.2010	09.30.2010
Banco do Brasil	2,891,285	9,153,653	7,755,947	56,279,126	50,495,741	48,259,099
Unrealized gains	--	--	(54,908)	(54,908)	(54,908)	(54,660)
Reciprocal participation in subsidiaries	--	--	--	--	(197)	(197)
Non-controlling interests	26,651	53,999	(20)	488,354	47	84
BB-Consolidated	2,917,936	9,207,652	7,701,019	56,712,572	50,440,683	48,204,326

h) Non-Controlling Interests

	R\$ thousand					
	Net Income			Shareholders' equity		
	3rd quarter/2011	01.01 to 09.30.2011	01.01 to 09.30.2010	09.30.2011	12.31.2010	09.30.2010
Banco Patagonia S.A.	26,652	54,004	--	488,281	--	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	--	1	1	45	45	40
Cobra Tecnologia S.A.	(1)	(6)	(21)	28	2	44
Non-Controlling Interests	26,651	53,999	(20)	488,354	47	84

i) Stockholdings (Number of shares)

Gradual development of shares held by the Bank's shareholder, directly or indirectly, of more than 5% and by the directors and members of the Fiscal Council and Audit Committee:

Shareholders	09.30.2011		12.31.2010		09.30.2010	
	Shares	% Total	Shares	% Total	Shares	% Total
Federal Government	1,693,134,063	59.3	1,693,134,063	59.3	1,693,134,063	59.3
Ministério da Fazenda	1,483,734,063	51.9	1,483,734,063	51.9	1,483,734,063	51.9
Fundo de Garantia à Exportação	139,400,000	4.9	139,400,000	4.9	139,400,000	4.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	62,500,000	2.2	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3	7,500,000	0.3
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ ⁽¹⁾	296,593,611	10.3	296,564,911	10.3	296,393,911	10.3
BNDES Participações S.A. – BNDESPar ⁽¹⁾	235,119	--	235,119	--	235,119	--
Treasury Stock	32	--	9,753	--	9,753	--
Other shareholders	870,766,422	30.4	870,785,401	30.4	870,956,401	30.4
Total	2,860,729,247	100.0	2,860,729,247	100.0	2,860,729,247	100.0

(1) Connected to the Controller.

Notes to the financial statements

	Common shares (ON) ⁽¹⁾		
	09.30.2011	12.31.2010	09.30.2010
Board of Directors (Except the BB's President that is included in the Steering Committee of Banco do Brasil)	11	12	12
Board of Directors	27,463	33,331	29,140
Audit Committee	823	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.001% of the Bank's capital stock.

j) Number of Shares being Traded on the Market / *Free Float*

	09.30.2011		12.31.2010		09.30.2010	
	Number	%	Number	%	Number	%
Free Float ⁽¹⁾	870,738,939	30.4	870,752,058	30.4	870,927,249	30.4
Total issued	2,860,729,247	100.0	2,860,729,247	100.0	2,860,729,247	100.0

(1) According to the Law n.º 6,404/1976 and the regulation of BM&FBovespa's New Market. The shares held by the Board of Directors and Executive committee are not included.

k) C subscription bonuses

According to the market release of 03.30.2011, the Bank announced to the bonuses of subscription C holders (BBAS13), which were issued and gratuitously distributed to the shareholders on 06.17.1996, the conditions for exercising the right to subscribe new shares arising from such bonuses in the period from 03.31.2011 to 06.30.2011 (until 06.28.2011 to holders of bonuses in custody of stock exchange). Each bonus guarantees the right to subscribe 3.131799 shares at the price of R\$ 8.50 per bonus, corrected by the General Price Index - Internal Availability (IGP-DI), of Fundação Getúlio Vargas, from 06.17.1996 up to the date the application to exercise the subscription right is filed. The holders of 1,496,831 bonuses exercised their right generating 4,687,773 receipts which, after Bacen approval, will be converted to 4,687,773 common shares. The non subscribed bonuses, in total of 2,831,873, lost their validity from the closing date for subscription on 06.30.2011.

25 – Taxes**a) Breakdown of income tax and social contribution expenses**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Present values	(672,785)	(2,900,817)	(3,084,741)	(1,108,658)	(4,417,185)	(4,338,342)
Domestic income tax and social contribution	(664,752)	(2,880,471)	(3,061,219)	(1,069,820)	(4,333,380)	(4,310,914)
Foreign income tax	(8,033)	(20,346)	(23,522)	(38,838)	(83,805)	(27,428)
Deferred values	785,095	535,032	161,945	960,812	1,066,713	443,404
Deferred tax liabilities	(528,269)	(1,319,225)	(1,201,447)	(713,273)	(1,266,397)	(1,474,807)
Leasing operations – Portfolio adjustment and accelerated Depreciation	(118)	(544)	(2,269)	(185,032)	9,571	(101,064)
Mark to Market (MTM)	(149,093)	11,729	(32,390)	(149,182)	54,442	(225,729)
Actuarial gains	(202,373)	(934,701)	(907,054)	(202,373)	(934,701)	(907,054)
Restatement of judicial deposits	(88,846)	(250,140)	(214,186)	(88,846)	(250,140)	(214,186)
Income abroad	(7,764)	(29,680)	(42,843)	(7,765)	(29,680)	(42,843)
Transactions Carried out on the Futures Market	--	3,903	(2,705)	--	3,903	16,069
Recovering from losses MP n.º 517/2010 ⁽¹⁾	(80,075)	(119,792)	-	(80,075)	(119,792)	-
Deferred tax assets	1,313,364	1,854,257	1,363,392	1,674,085	2,333,110	1,918,211
Temporary differences	1,195,521	1,901,443	1,307,120	1,556,172	2,370,800	1,796,315
Income tax and social contribution losses	(29,802)	(24,552)	57,161	(29,802)	(14,922)	122,983
Mark to Market (MTM)	70,083	(103,295)	27,788	70,153	(103,429)	27,590
Transactions Carried out on the Futures Market	77,562	80,661	(28,677)	77,562	80,661	(28,677)
Total Income Tax and Social Contribution	112,310	(2,365,785)	(2,922,796)	(147,846)	(3,350,472)	(3,894,938)

(1) The MP n.º 517/2010, converted into Law n.º 12,431/2011, allowed values recovered from losses on loans are recognized at the time of actual receipt of credit in cases of rural finance and operating loans to individual value up R\$ 30 thousand.

b) Reconciliation of income tax and social contribution expense

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Profit before taxation and profit sharing	3,148,014	12,687,580	11,669,392	3,485,484	13,905,639	12,776,667
Total charges of IR (25%) and CSLL (15%)	(1,259,206)	(5,075,032)	(4,667,757)	(1,394,194)	(5,562,256)	(5,110,667)
Charges upon Interest on Own Capital	318,320	902,560	686,985	318,320	902,560	686,985
Equity in subsidiaries and associated	437,656	994,030	823,890	223,342	159,593	(5,606)
Profit sharing	146,764	466,405	396,260	166,895	538,020	472,284
Tax credits recorded – previous periods	386,438	386,438	--	386,438	386,438	--
Other amounts	82,338	(40,186)	(162,174)	151,353	225,173	62,066
Income Tax and Social Contribution Expense	112,310	(2,365,785)	(2,922,796)	(147,846)	(3,350,472)	(3,894,938)

c) Tax Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Cofins	(500,581)	(1,623,509)	(1,482,781)	(666,298)	(2,102,279)	(1,888,860)
ISSQN	(142,889)	(410,900)	(360,020)	(186,016)	(527,045)	(464,967)
PIS/Pasep	(82,942)	(265,418)	(240,952)	(113,158)	(351,479)	(313,901)
Others	(26,406)	(65,485)	(57,793)	(61,522)	(149,365)	(89,322)
Total	(752,818)	(2,365,312)	(2,141,546)	(1,026,994)	(3,130,168)	(2,757,050)

d) Deferred tax liabilities

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Arising from unrecognized actuarial gains ⁽¹⁾	5,098,023	4,049,365	5,140,740	5,098,023	4,049,365	5,140,740
Arising from leasing portfolio adjustment	3,518	2,973	2,270	806,465	930,884	892,841
Arising from restatement of judicial deposits	346,909	316,412	307,143	346,909	316,412	307,143
Arising from mark-to-market adjustment	353,512	354,775	190,082	730,339	413,899	246,639
Arising from foreign profits	29,681	--	42,843	29,681	--	42,843
Entities abroad	7,751	3,141	3,183	7,751	3,175	3,368
Arising from futures market transactions	18	4,395	3,078	18	4,395	3,078
Arising from losses MP n.º 517/2010	119,792	--	--	119,792	--	--
Other	2,032	2,032	--	7,156	189,252	193,255
Total deferred tax liabilities	5,961,236	4,733,093	5,689,339	7,146,134	5,907,382	6,829,907
Income tax	3,186,855	2,518,448	3,050,877	4,026,906	3,666,538	4,093,852
Social contribution	1,923,973	1,508,079	1,840,603	2,262,582	1,527,853	1,932,049
PIS/Pasep	118,874	98,767	111,529	119,746	99,665	112,388
Cofins	731,534	607,799	686,330	736,900	613,326	691,618

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial asset (Note 27).

e) Deferred tax assets (Tax Credit)**Recorded**

	R\$ thousand				
	Banco do Brasil				
	12.31.2010	3rd quarter 2011		09.30.2011	09.30.2010
	Balance	Constitution	Write-off	Balance	Balance
Temporary differences	16,821,714	5,749,597	4,095,248	18,476,063	17,289,513
Allowance for loan losses	6,879,043	3,203,433	3,035,390	7,047,086	7,125,457
Passive reserves	6,371,687	1,108,864	639,961	6,840,590	6,857,568
Mark to market	282,870	298,901	300,448	281,323	148,076
Other provisions	3,288,114	1,138,399	119,449	4,307,064	3,158,412
CSLL written to 18% (MP n.º 2.158/2001)	2,809,264	19,409	351,966	2,476,707	2,848,015
Fiscal losses/ negative bases	120,924	46,887	66,817	100,994	234,306
Total tax credits recorded	19,751,902	5,815,893	4,514,031	21,053,764	20,371,834
Income tax	10,573,273	3,624,199	2,590,620	11,606,852	10,990,380
Social contribution	9,147,903	2,159,565	1,890,759	9,416,709	9,365,670
PIS/Pasep	4,295	4,491	4,564	4,222	2,206
Cofins	26,431	27,638	28,088	25,981	13,578

Notes to the financial statements

	R\$ thousand				
	BB-Consolidated				
	12.31.2010	3rd quarter/2011		09.30.2011	09.30.2010
	Balance	Constitution	Write-off	Balance	Balance
Temporary differences	18,147,741	6,733,531	4,454,747	20,426,525	18,614,248
Allowance for loan losses	7,492,836	3,368,659	3,075,517	7,785,978	7,719,902
Passive reserves	6,536,650	1,189,848	646,432	7,080,066	7,012,377
Mark to market	299,337	421,912	303,564	417,685	168,713
Other provisions	3,818,918	1,753,112	429,234	5,142,796	3,713,256
CSLL written to 18% (MP n.º 2.158/2001)	2,809,263	19,409	351,965	2,476,707	2,848,015
Fiscal losses/ negative bases	618,325	50,730	440,267	228,788	709,870
Excess depreciation	394,209	255,282	9,782	639,709	398,674
Total tax credits recorded	21,969,538	7,058,952	5,256,761	23,771,729	22,570,807
Income tax	12,189,100	4,398,755	3,108,172	13,479,683	12,221,669
Social contribution	9,745,084	2,630,143	2,115,674	10,259,553	10,104,443
PIS/Pasep	4,643	4,443	4,601	4,485	34,205
Cofins	30,711	25,611	28,314	28,008	210,490

Not Recorded

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Tax credit abroad	228,659	198,728	202,221	228,659	198,728	202,221
Temporary differences	--	--	--	38,345	14,249	33,380
Installment of Fiscal losses/ negative bases	--	--	--	--	--	9,377
Installments of the negative adjustments	--	--	--	24,138	--	--
Total tax credits not recorded	228,659	198,728	202,221	291,142	212,977	244,978
Income tax	142,912	124,205	126,388	180,013	138,449	169,073
Social contribution	85,747	74,523	75,833	111,129	74,528	75,905

Estimates for the realization

The expectation of implementation of deferred assets (tax credits) is based on technical study was prepared in 06.30.2011. and the present value determined based on the average rate of funding of Banco do Brasil.

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	Par value	Present value	Par value	Present value
In 2011	2,010,272	1,934,460	2,254,073	2,160,646
In 2012	3,736,095	3,493,018	4,165,894	3,857,144
In 2013	3,832,159	3,457,804	4,047,708	3,629,437
In 2014	2,829,265	2,472,205	3,036,987	2,620,804
In 2015	2,751,839	2,331,261	2,931,765	2,447,991
From 2016	4,702,709	3,877,195	5,914,809	4,102,203
Total tax credits – 06.30.2011	19,862,339	17,565,943	22,351,236	18,818,225

In the period between 01.01 to 09.30.2011 it was possible to observe the realization of tax credits at Banco do Brasil in the amount of R\$ 4,514,031 thousand corresponding to 127.82% of the respective projection of use for the period of 2011. contained in the technical study prepared on 12.31.2010.

The realization of the nominal value of tax credit recorded. considering the recovery of those issued during the processing of the lawsuit -70%, based on a technical study conducted by the Banco do Brasil on 06.30.2011. is designed for 6 years in following proportions:

Notes to the financial statements

	Banco do Brasil		BB-Consolidated	
	Tax losses carryforwards/CSLL recoverable ⁽¹⁾	Intertemporary differences ⁽²⁾	Tax losses carryforwards/CSLL recoverable ⁽¹⁾	Intertemporary differences ⁽²⁾
In 2011	22%	8%	20%	8%
In 2012	36%	16%	33%	16%
In 2013	39%	16%	37%	16%
In 2014	3%	16%	4%	17%
In 2015	--	16%	1%	17%
From 2016	--	28%	5%	26%

(1) Projected consumption linked to the capacity to generate IRPJ and CSLL taxable amounts in subsequent periods.

(2) The consumption capacity results from the movements of provisions (expectation of reversals, write-offs and uses).

26 – Related-party Transactions

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Board of Directors, Executive Board, Audit Committee and Fiscal Council):

	R\$ thousand		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Short-term benefits	5,035	19,700	18,543
Fees	4,659	13,796	12,855
Executive Board	4,147	12,296	11,526
Audit Committee	385	1,132	979
Board of Directors	69	199	191
Fiscal Council	58	169	159
Profit sharing	--	3,912	3,718
Other	376	1,992	1,970
Benefits for termination of employment	491	1,267	2,125
Total	5,526	20,967	20,668

The Bank has no variable remuneration based on shares and other long-term benefits and does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank, participating in the Pension Plan for Employees of the Banco do Brasil (Previ). Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expense (Note 27).

The Bank does not grant loans to key management personnel, pursuant to the prohibition to all financial institutions established by the Central Bank of Brazil.

The balances referring to transactions between the consolidated companies of the Bank are eliminated in the Consolidated Financial Statements. With respect to majority shareholder, the transactions with National Treasury and with agencies of the direct administration of the Federal Government that maintain banking operations with the Bank, are included.

The Bank has banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions, except for key management personnel. There are also service provision and guarantee agreements.

These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve payment risks.

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18, respectively.

The Bank sponsors the Banco do Brasil Foundation (FBB) whose goals are the promotion, support, encouragement and sponsorship educational, cultural, social, philanthropic, recreational/sports

Notes to the financial statements

projects and provide resources to scientific and technological activities. The Foundation also assists urban-rural communities areas. In 1st half of 2011, the Bank made contributions to the FBB in the amount of R\$ 52,766 thousand (R\$ 45,632 thousand on period from 01.01.2010 to 09.30.2010).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

In the period from 01.01.2010 to 09.30.2010, Banco do Brasil acquired loan portfolios from Banco Votorantim, sold with recourse, the amount of R\$ 6,804,808 thousand (R\$ 5,521,993 thousand in the period from 01.01.2010 to 09.30.2010). The unrealized results arising from such transactions amounted to R\$ 501,623 thousand (R\$ 286,336 thousand in 09.30.2010), net of tax effects.

Summary of transactions with related parties

	09.30.2011						R\$ thousand
	Controller ⁽¹⁾	Subsidiaries ⁽²⁾	Jointly controlled ⁽³⁾	Affiliates ⁽⁴⁾	Key Management personnel ⁽⁵⁾	Other related parties ⁽⁶⁾	Total
Assets							
Interbank deposits	--	22,328,788	259,953	--	--	--	22,588,741
Securities	--	64,831	116,080	510	--	--	181,421
Loan operations	963,538	26,708	32,322	--	--	484,938	1,507,506
Receivables from related companies	--	217,502	--	--	--	--	217,502
Other assets	--	109,694	777,149	--	--	--	886,843
Liabilities							
Demand deposits	726,120	192,714	32,518	2,428	1,296	866,110	1,821,186
Saving deposits	--	--	--	--	1,053	--	1,053
Remunerated time deposits	--	6,390,862	328,536	809,871	4,514	5,616,810	13,150,593
Deposits received under security repurchase agreements	--	1,102,741	2,074,528	--	--	760,080	3,937,349
Borrowings and onlendings	1,617,757	13,119,852	--	--	--	40,485,351	55,222,960
Other liabilities	--	97,682	776,940	--	--	76,077	950,699
Guarantees and Other Recourses ⁽⁷⁾	--	637,642	7,382,516	--	--	--	8,020,158
3rd Quarter 2011							
Income from interest and services	60,783	544,721	72,491	1,194	--	449,325	1,128,514
Expenses from raising funds	(42,359)	(403,259)	(4,815)	(32,752)	(464)	(1,118,385)	(1,602,034)
01.01 to 09.30.2011							
Income from interest and services	95,489	1,300,859	113,763	5,233	--	592,207	2,107,551
Expenses from raising funds	(108,067)	(775,776)	(45,758)	(84,392)	(830)	(2,335,617)	(3,350,440)

Notes to the financial statements

							R\$ thousand
09.30.2010							
	Controller (1)	Subsidiaries (2)	Jointly controlled (3)	Affiliates (4)	Key Management personnel	Other related parties (6)	Total
Assets							
Interbank deposits	--	16,050,496	159,381	--	--	16,953	16,226,830
Securities	--	7,939	227,357	48,681	--	--	283,977
Loan operations	1,107,648	50,350	85,139	--	--	1,440,861	2,683,998
Receivables	--	27,714	--	--	--	--	27,714
Other assets	--	556,152	1,687,963	6,749	--	--	2,250,864
Liabilities							
Demand deposits	730,421	34,306	12,640	84,719	110	576,640	1,438,836
Saving deposits	--	--	--	--	604	--	604
Remunerated time deposits	--	2,619,349	610,161	471,196	5,056	6,023,378	9,729,140
Deposits received under security repurchase	--	1,226,481	250,000	52,415	--	715,914	2,244,810
Borrowings and onlendings	2,062,978	8,352,425	--	--	--	35,629,353	46,044,756
Other liabilities	--	1,261,534	231,479	--	--	215,089	1,708,102
Guarantees and Other	--	657,190	13,560,937	--	--	--	14,218,127
3rd Quarter 2010							
Income from interest and services	69,000	406,948	94,882	50,278	--	99,982	721,090
Expenses from raising funds	(37,909)	(56,752)	(3,968)	(4,907)	(724)	(653,113)	(757,373)
01.01 to 09.30.2010							
Income from interest and services	118,630	1,205,831	243,912	145,995	--	275,919	1,990,287
Expenses from raising funds	(103,618)	(340,737)	(5,857)	(9,219)	(1,090)	(1,910,786)	(2,371,307)

(1) National Treasury and agencies of the direct administration of the Federal Government.

(2) Includes related companies Note 3 as identified in item (1).

(3) Includes related companies Note 3 as identified in item (2).

(4) Includes related companies Note 3 as identified in item (3).

(5) Board of Directors, Executive Board, Audit Committee and Fiscal Council.

(6) Includes private and public companies controlled by the Federal Government, entities linked to employees.

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

27 – Benefits for employees

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

Notes to the financial statements

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Defined contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde – PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde – PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep – Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	09.30.2011			12.31.2010			09.30.2010		
	N.º of participants			N.º of participants			N.º of participants		
	Actives	Assisted	Total	Actives	Assisted	Total	Actives	Assisted	Total
Retirement and Pension Plans	114,776	105,961	220,737	110,526	104,722	215,248	107,381	103,758	211,139
Plano de Benefícios 1 – Previ	31,079	83,556	114,635	32,449	82,727	115,176	33,182	82,281	115,463
Plano Previ Futuro	66,407	425	66,832	60,113	370	60,483	55,563	325	55,888
Plano Informal	--	7,780	7,780	--	7,920	7,920	--	8,071	8,071
Other plans	17,290	14,200	31,490	17,964	13,705	31,669	18,636	13,081	31,717
Medical Assistance Plans	117,127	92,216	209,343	112,630	91,152	203,782	109,738	92,272	202,010
Cassi	102,978	82,959	185,937	98,221	82,153	180,374	94,867	81,731	176,598
Other plans	14,149	9,257	23,406	14,409	8,999	23,408	14,871	10,541	25,412

Bank's contributions to benefit plans

	R\$ thousand		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Retirement and Pension Plans	254,421	794,940	375,488
Plano de Benefícios 1 – Previ ⁽¹⁾	106,612	342,568	--
Plano Previ Futuro	54,591	158,114	120,312
Plano Informal	66,630	207,963	213,805
Other plans	26,588	86,295	41,371
Medical Assistance Plans	202,657	632,219	512,527
Cassi	176,295	562,516	487,879
Other plans	26,362	69,703	24,648
Total	457,078	1,427,159	888,015

(1) Refers to the contributions made by the participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of the Parity Fund (Note 27.e.1) and the Contribution Fund (Note 27.e.3). The 1997 Agreement aims to regulating the way of funding required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to 04.14.1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

Values recognized in earnings

	R\$ thousand		
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Retirement and Pension Plans	386,735	1,984,603	1,798,882
Plano de Benefícios 1 – Previ	530,605	2,450,710	2,378,222
Plano Previ Futuro	(54,591)	(158,114)	(109,049)
Plano Informal	(60,515)	(183,037)	(414,591)
Other plans	(28,764)	(124,956)	(55,700)
Medical Assistance Plans	(265,831)	(771,276)	(690,133)
Cassi	(238,911)	(690,257)	(662,802)
Other plans	(26,920)	(81,019)	(27,331)
Total	120,904	1,213,327	1,108,749

a) Supplementary retirement and pension plans**Previ Futuro (Previ)**

Participants in this plan are the Bank's employees hired as from 12.24.1997. The active participants contribute to Previ an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Plano de Benefícios 1 (Previ)

The participants of this plan are the Bank's employees who were enrolled up to 23.12.1997. Due to the establishment of parity between the Bank's and participants' contributions, in December 2000, a parity fund was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, it was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, being linked to its continued existence of the Reserve Special plan.

Plano Informal (Previ)

The sole responsibility of the Banco do Brasil whose contractual obligations include (a) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased up to 04.14.1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to 04.14.1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

Prevmias (Economus)

The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on 11.30.2009) enrolled after 08.01.2006, and the participants previously linked to the General regulation benefit plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, workers' compensation, disability benefits and death pension.

Regulamento Geral (Economus)

The participants of this plan are the employees from Banco Nossa Caixa enrolled up to 07.31.2006. The plan is closed to new applicants. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

Regulamento Complementar 1 (Economus)

For officials coming from Banco Nossa Caixa. Offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Grupo B' (Economus)

Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in regulation, is known a priori.

Multifuturo I (Fusesc)

The participants of this plan are the employees from Banco do Estado de Santa Catarina - Besc (merged into Banco do Brasil on 09.30.2008) enrolled after 01.12.2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Plano de Benefícios 1 (Fusesc)

The participants of this plan are the employees from Besc enrolled until 01.11.2003. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 9.89% of participation salary.

Plano BEP (Prevbep)

Participants of this plan are the employees from Banco do Estado do Piauí – BEP (merged in to Banco do Brasil on 11.30.2008). Employees and the sponsor contribute equally, in average, with 3.58% of participation salary.

b) Medical Assistance Plans

Plano de Associados (Cassi)

The Bank is the sponsor of a Health Plan managed by Cassi the main objective of which is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributed a sum equivalent to 4.5% of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

Plano Unificado de Saúde - PLUS (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Plano de Assistência Médica Complementar - PAMC (Economus)

For employees from Banco Nossa Caixa stationed in the State of São Paulo. Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs in as much as they use it, and according to the salary range progressive table.

Plano de Saúde (SIM)

The participants of this plan are the employees from Besc. Monthly contributions from members amount to 3% of the total payroll.

Notes to the financial statements

c) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers to 06.30.2010, 12.31.2010 and 06.30.2011.

Changes in present value of defined benefit actuarial obligations

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Previ	
	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010
Initial Balance	(90,805,477)	(80,270,786)	(80,270,786)	(1,994,759)	(1,743,385)	(1,743,385)	(5,297,172)	(4,943,220)
Interest cost	(4,783,578)	(8,434,756)	(4,123,612)	(104,266)	(202,866)	(103,027)	(279,738)	(542,750)
Current service cost	(273,055)	(447,544)	(222,587)	--	--	--	(41,543)	(70,937)
Benefits paid net contributions retirees	3,063,279	7,532,656	3,159,981	141,173	295,797	141,556	254,031	376,039
Liabilities transferred from other plans	--	--	--	--	--	--	--	--
Actuarial gain / (loss) on actuarial obligation	(1,912,425)	(9,185,047)	(1,548,440)	38,868	(344,305)	(270,981)	(273,906)	(116,304)
Closing Balance	(94,711,256)	(90,805,477)	(83,005,444)	(1,918,984)	(1,994,759)	(1,975,837)	(5,638,328)	(5,297,172)
Present value of actuarial liabilities with cover	(94,711,256)	(90,805,477)	(83,005,444)	--	--	--	--	--
Present value of actuarial liabilities without cover	--	--	--	(1,918,984)	(1,994,759)	(1,975,837)	(5,638,328)	(5,297,172)

Changes in fair value of plan assets

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Previ	
	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010
Initial Balance	141,566,323	137,814,150	137,814,150	--	--	--	--	--
Estimated yield on plan assets	7,553,413	13,963,696	7,220,769	--	--	--	--	--
Contributions received	236,245	459,300	27,857	141,173	295,797	141,556	254,031	376,039
Benefits paid net contributions retirees	(3,063,279)	(7,532,656)	(3,159,981)	(141,173)	(295,797)	(141,556)	(254,031)	(376,039)
Equity transfer	--	--	--	--	--	--	--	--
Allocation Fund to Sponsor and Participant ⁽¹⁾	--	(15,068,115)	--	--	--	--	--	--
Gain / (loss) on actuarial plan assets	(8,068,037)	11,929,947	(11,739,294)	--	--	--	--	--
Closing Balance	138,224,665	141,566,322	130,163,501	--	--	--	--	--

(1) Refers to the values used for setting up the fund allocation of the surplus, and to the Bank the amount of R\$ 7,519,058 thousand (Note 27.e.2).

Notes to the financial statements

Amounts recognized in the balance sheet

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados	
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010
1) Fair value of the plan's assets	138,224,665	141,566,322	130,163,501	--	--	--	--	--
2) Present value of actuarial liabilities	(94,711,256)	(90,805,477)	(83,005,444)	(1,918,984)	(1,994,759)	(1,975,837)	(5,638,328)	(5,297,172)
3) Surplus/(deficit) (1+2)	43,513,409	50,760,845	47,158,057	(1,918,984)	(1,994,759)	(1,975,837)	(5,638,328)	(5,297,172)
4) Surplus/(deficit) - plot sponsor	21,756,705	25,380,423	23,579,029	(1,918,984)	(1,994,759)	(1,975,837)	(5,638,328)	(5,297,172)
5) Unrecognized actuarial gains or (losses)	9,068,297	15,485,636	8,517,605	(148,427)	(199,476)	(199,466)	(885,087)	(689,849)
6) Net actuarial (liability)/asset (4-5)	12,688,408	9,894,787	15,061,424	(1,770,557)	(1,795,283)	(1,776,371)	(4,753,241)	(4,607,323)

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of which the last commitment will be paid.

Amounts recognized in income relating to defined benefit plans

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados	
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd quarter 2011	01.01 to 09.30.2011
Cost of current service	(61,069)	(197,595)	(167,533)	--	--	--	(21,533)	(63,076)
Contributions from participants	--	--	--	--	--	--	--	--
Interest cost	(1,253,625)	(3,645,415)	(3,139,591)	(50,203)	(154,469)	(152,947)	(148,652)	(428,390)
Expected earnings on the plan's assets	1,845,299	5,622,005	5,296,116	--	--	--	--	--
Amortization of net actuarial gains or (losses)	--	671,715	389,230	(10,312)	(28,568)	(247,736)	--	(11,097)
Unrecognized past service cost	--	--	--	--	--	--	(2,478)	(7,434)
Expense with active employees	--	--	--	--	--	--	(66,248)	(180,260)
Effect of passive/asset not recognized	--	--	--	--	--	--	--	--
Other adjustments/reversal	--	--	--	--	--	--	--	--
(Expense)/income recognized in Statement of Income	530,605	2,450,710	2,378,222	(60,515)	(183,037)	(400,683)	(238,911)	(690,257)

Notes to the financial statements

Composition of the plans' assets, shown as a percentage of the total

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados	
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010
Fixed Revenue	31.2%	29.2%	32.8%	--	--	--	--	--
Floating Revenue	61.4%	64.7%	61.2%	--	--	--	--	--
Real estate investments	4.2%	3.2%	3.2%	--	--	--	--	--
Loans and financing	3.2%	2.9%	2.8%	--	--	--	--	--
Others	--	--	--	--	--	--	--	--
Amounts listed in fair value of plan assets								
In their own financial instruments of the entity	5.8%	6.7%	5.4%	--	--	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	0.1%	--	--	--	--	--

Comparative table showing expected and actual return from plan assets

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados	
	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010	01.01 to 06.30.2010	01.01 to 06.30.2011	01.01 to 12.31.2010
Real expected yield on plan assets	5.34% p.h.	10.13% p.a.	5.24% p.h.	--	--	--	--	--
Real expected yield on assets for the period (R\$ thousand) ⁽¹⁾	7,553,413	13,963,696	7,220,769	--	--	--	--	--
Effective yield (R\$ thousand) ⁽²⁾	(514,624)	10,825,528	(4,518,525)	--	--	--	--	--

(1) Value calculated based on the actuarial goal (INPC+5% p.a.).

(2) Considers the effects of floating revenue investments.

Principal actuarial assumptions adopted in each period

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados	
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010
Inflation rate (p.a.)	4.38%	4.38%	4.20%	4.38%	4.38%	4.20%	4.38%	4.38%
Real discount rate (p.a.)	6.30%	6.30%	6.30%	6.30%	6.30%	6.70%	6.30%	6.30%
Nominal return rate of investments (p.a.)	10.96%	10.96%	10.76%	--	--	--	--	--
Real rate of future salary growth (p.a.)	0.41%	0.41%	1.26%	--	--	--	0.41%	0.41%
Average remaining work period (years)	2.58	3.57	3.79	--	--	--	13.78	13.78
Table actuarial survival	AT-83			AT-83			AT-83	
Capitalization regime	Projected credit unit			Projected credit unit			Projected credit unit	

(1) Grouped actuarial assumptions are expressed as weighted averages.

The Bank, to define the values for the defined benefit plans, uses methods and assumptions different from those submitted by entities sponsored. The most significant differences are concentrated on the definition of the figures relating to Plano 1 – Previ.

Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	6.3%	5%
Table actuarial survival	AT-83	AT-2000
Evaluation of Assets – Exclusive funds	Market value or discounted cash flow - base scenario	Discounted cash flow - conservative scenario
Capitalization Regime	Projected credit unit	Aggregate Method

Reconciliation of Plan 1 amounts calculated - Previ/Bank

R\$ thousand

	Plan assets			Actuarial liabilities			Effect in surplus		
	06.30.2011	12.31.2010	06.30.2010	06.30.2011	12.31.2010	06.30.2010	06.30.2011	12.31.2010	06.30.2010
Value determined - Previ	117,796,676	116,790,760	113,382,177	(94,743,551)	(90,629,774)	(75,916,187)	23,053,125	26,160,986	37,465,990
Incorporation of values from contract 97	13,278,803	13,147,607	12,666,487	(13,278,803)	(13,147,607)	(12,666,487)	--	--	--
Adjust the value of plan assets ⁽¹⁾	7,149,186	11,627,956	4,114,837	--	--	--	7,149,186	11,627,956	4,114,837
Adjust the liabilities - the rate of discount / capitalization regime	--	--	--	13,311,098	12,971,904	5,577,230	13,311,098	12,971,904	5,577,230
Value determined - Bank	138,224,665	141,566,323	130,163,501	(94,711,256)	(90,805,477)	(83,005,444)	43,513,409	50,760,846	47,158,057

(1) Refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow – base scenario for assets Neenergia, 521 Holdings and Invepar, while at Previ is used in the method of discounted cash flow - the conservative scenario.

Actuarial amounts for the current period and for the last four years

R\$ thousand

	06.30.2011	12.31.2010	12.31.2009	12.31.2008	12.31.2007
Plano 1 (Previ) – Surplus/(deficit)	43,513,409	50,760,845	57,543,364	28,669,191	64,229,505
Defined benefit obligation	(94,711,256)	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)
Plan assets	138,224,665	141,566,322	137,814,150	104,778,828	134,802,296
Adjustment of experience on the plan liabilities (p.a.)	(2.0%)	(8.4%)	(3.6%)	(7.1%)	(3.2%)
Adjustment experience on plan assets (p.a.)	(5.8%)	16.7%	20.8%	(28.7%)	(18.7%)
Plano Informal (Previ) – Surplus/(deficit)	(1,918,984)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)
Defined benefit obligation	(1,918,984)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)
Adjustment of experience on the plan liabilities (p.a.)	2.0%	(3.7%)	(6.1%)	(11.4%)	(9.6%)
Plano de Associados (Cassi) – Surplus/(deficit)	(5,638,328)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)
Defined benefit obligation	(5,638,328)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)
Adjustment of experience on the plan liabilities (p.a.)	(4.9%)	(2.9%)	(0.3%)	0.1%	8.8%
Other Plans – Surplus/(deficit)	(591,868)	(850,289)	(489,570)	171,899	--
Defined benefit obligation	(5,041,825)	(5,189,411)	(4,432,673)	(446,280)	--
Plan assets	4,449,957	4,339,122	3,943,103	618,179	--
Adjustment of experience on the plan liabilities (p.a.)	6.0%	(6.9%)	(17.6%)	(4.9%)	--
Adjustment experience on plan assets (p.a.)	(0.3%)	(0.5%)	(3.2%)	0.4%	--

d) Overview of actuarial asset/liability recorded in the Bank

	R\$ thousand					
	Actuarial assets			Actuarial liabilities		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Plano 1 (Previ)	12,688,408	9,894,787	15,061,424	--	--	--
Plano Informal (Previ)	--	--	--	(1,770,557)	(1,795,283)	(1,776,371)
Plano de Associados (Cassi)	--	--	--	(4,753,241)	(4,607,323)	(4,567,488)
Regulamento Geral (Economus)	--	--	--	(172,084)	(113,592)	(87,132)
Regulamento Complementar 1 (Economus)	--	--	--	(237)	(237)	(8,747)
Plus I e II (Economus)	--	--	--	(287,152)	(275,836)	(249,141)
Grupo B' (Economus)	--	--	--	(116,223)	(114,465)	(114,580)
Total	12,688,408	9,894,787	15,061,424	(7,099,494)	(6,906,736)	(6,803,459)

e) Allocations of the Surplus – Plano 1

	R\$ thousand			
	3rd quarter 2011	01.01 to 09.30.2011	01.01 to 12.31.2010	01.01 to 09.30.2010
Fundo Paridade				
Initial Balance	1,553,856	1,524,374	1,778,366	1,778,366
Restatement	32,785	125,252	205,059	142,558
Contributions to the Plano 1 – Contract 97	101	(62,884)	(459,051)	(27,648)
Closing Balance	1,586,742	1,586,742	1,524,374	1,893,276
Fundo de Destinação				
Initial Balance	4,279,152	7,594,993	7,519,058	--
Restatement	86,635	389,484	75,935	--
Transfers to Fundo de Contribuição and Fundo de Utilização	(255,159)	(3,873,849)	--	--
Closing Balance	4,110,628	4,110,628	7,594,993	--
Contribution Fund				
Initial Balance	1,279,347	--	--	--
Constitution ⁽¹⁾	--	1,398,467	--	--
Restatement	25,866	79,717	--	--
Contributions to the Plano 1	(106,667)	(279,638)	--	--
Closing Balance	1,198,546	1,198,546	--	--
Utilization Fund				
Initial Balance	2,335,848	--	--	--
Constitution ⁽¹⁾	255,159	2,475,382	--	--
Restatement	52,900	168,525	--	--
Closing Balance	2,643,907	2,643,907	--	--

(1) Funds recorded in the first half 2011.

e.1) Fundo Paridade

The plan was funded, up to 12.15.2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12.16.2000, in order to adjust to the provisions of Constitutional Amendment N.º 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this Agreement, the Bank, yet, was entitled to recognize the amount of R\$ 2,227,254 thousand, which was recorded in Other Receivables – Accounts receivable - Previ. This Asset is monthly adjusted based on the actuarial goal (INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plano 1 who joined the Plan up to 04.14.1967 and had not retired up to that date.

e.2) Fundo de Destinação

On 11.24.2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represent current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law N.º 109/2001 and CGPC Resolution N.º 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2010, under "Other receivables - Securities and credits receivable - Previ", the amount of R\$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (INPC + 5% p.a.).

e.3) Fundo de Contribuição

The fund is composed by resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three exercises, as established in the Memorandum of Understanding. The amount related to the Bank's contributions is transferred to Previ, in a monthly basis. The Fundo de Contribuição is updated by an actuarial goal (INPC + 5% p.a.).

e.4) Fundo de Utilização

The Utilization Fund is composed by resources transferred from the Fundo de Destinação and it can be used by the Bank after fulfilling the requirements established by applicable law. The Fundo de Utilização is updated by an actuarial goal (INPC + 5% p.a.).

28 – Contingent Assets and Liabilities and Legal Obligations – Taxes and Pension Plan

a) Contingent Tax Assets

The Banco do Brasil is an active participant in judicial proceedings to restore tax paid out not owed which will be recognized in the financial statements only on the assumption favorable to the Bank (not counted), according Resolution CMN n.º. 3,823/2009. The actions of most relevance:

- a.1) Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st half of 1992, in the amount of R\$ 13,831 thousand (R\$ 14,292 thousand on 12.31.2010 and R\$ 13,380 thousand on 09.30.2010);
- a.2) IOF – Law n.º. 8,033/1990 (Indexation), in the amount of R\$ 214,569 thousand (R\$ 223,660 thousand on 12.31.2010 and R\$ 207,707 thousand on 09.30.2010).

b) Contingent Liabilities – Probable

Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by ex-employees or trade unions of the banking industry. Allowance for probable losses represent various claimed requests, such as: compensation, overtime, distortion of the working day, additional function and representation, and others.

Fiscal Lawsuits

The Bank is subject to challenges by the tax authorities in relation to taxes, which can give rise to notice assessments with the subject matter of jurisdiction or the sum of taxable income or deductible expense. Most of the lawsuits originating from tax assessment notices refer mainly to ISSQN, CPMF, CSLL, IRPJ and IOF, and as a guarantee of some of them, there are attachments in cash or in properties.

Civil Lawsuits

The most significant civil lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation and the rate used for inflation correction of financial

investments during the period of the various economic plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for bringing actions seeking the recovery of values based on inflation rates affected by these economic plans, there was an increase in the volume of lawsuits filed. Actions whose success by adverse parties are considered probable are properly provisioned. The referred rates are provided by law that regulated the time the Federal Government's economic policy by that time. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is action pending trial in the Supremo Tribunal Federal (STF) - ADPF/165: Complaint of breach of fundamental precept - authored by the National Confederação Nacional do Sistema Financeiro (Consif), with the aim of declaring the constitutionality of legislation that established the economic plans.

Changes in the provisions for civil, tax and labor claims classified as probable

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Labor claims						
Opening Balance	2,245,651	2,462,390	3,242,208	2,392,876	2,538,036	3,300,748
Addition	318,643	571,885	620,261	336,169	610,286	636,407
Reversal of the provision	(63)	(224,761)	(739,989)	(851)	(228,298)	(743,910)
Monetary restatement	(271,308)	(562,718)	(426,125)	(271,404)	(562,894)	(426,280)
Written off due payment	49,862	95,989	142,341	49,920	96,115	142,727
Amounts merged/added ⁽¹⁾	--	--	388	--	53,465	--
Closing Balance	2,342,785	2,342,785	2,839,084	2,506,710	2,506,710	2,909,692
Tax Claims						
Opening Balance	203,134	195,377	174,696	1,292,012	1,260,923	1,138,706
Addition	13,508	25,592	30,056	101,630	197,082	139,565
Reversal of the provision	(50)	(3,741)	(9,077)	(12,795)	(25,093)	(40,761)
Monetary restatement	(3,495)	(5,047)	(1,055)	(3,495)	(5,047)	(2,602)
Written off due payment	1,347	2,263	8,544	25,394	30,259	33,789
Change in equity interest held in associated companies ⁽²⁾	--	--	--	(2,081)	(239,637)	--
Amounts merged/added ⁽¹⁾	--	--	--	--	182,178	--
Closing Balance	214,444	214,444	203,164	1,400,665	1,400,665	1,268,697
Civil claims						
Opening Balance	3,531,358	3,464,569	3,036,381	3,669,939	3,594,694	3,131,472
Addition	201,996	655,753	732,332	228,367	696,995	867,624
Reversal of the provision	(58,335)	(114,734)	(387,402)	(59,686)	(136,417)	(439,033)
Monetary restatement	(103,775)	(459,924)	(262,507)	(113,239)	(470,774)	(283,988)
Written off due payment	36,358	61,938	192,057	38,937	64,940	194,142
Amounts merged/added ⁽¹⁾	--	--	1,799	--	14,880	--
Closing Balance	3,607,602	3,607,602	3,312,660	3,764,318	3,764,318	3,470,217
Total Labor Demand, Taxation and Civil	6,164,831	6,164,831	6,354,908	7,671,693	7,671,693	7,648,606

(1) It is related to the balance from Banco Patagonia and from companies that make up the BB-Mapfre partnership in insurance business acquired in the first half 2011.

(2) Related to changes in equity interest held in non-financial associated companies.

c) Contingent Liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CMN nº. 3,823/2009.

Labor Lawsuits

Representing various applications demanded as compensation for overtime, distortion of the working day, additional function and representation, and others.

Fiscal Lawsuits

Represents a number of claims made such as: ISSQN, collection and other tax obligations originating from Secretaria da Receita Federal and Instituto Nacional do Seguro Social (INSS). The main contingencies originate from:

- Notices of labor infraction drawn by the INSS, aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R\$ 1,106,849 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 166,346 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 26,905 thousand.
- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 247,344 thousand.

Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Labor claims	96,713	83,822	83,878	122,037	87,335	558,541
Tax Claims	2,879,551	2,180,924	2,085,559	3,903,868	2,976,256	2,273,165
Civil claims	3,761,133	2,761,507	2,637,975	4,329,672	2,812,261	2,698,593
Total	6,737,397	5,026,253	4,807,412	8,355,577	5,875,852	5,530,299

d) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for contingencies

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Labor claims	2,610,154	2,420,578	2,554,508	2,639,876	2,440,689	2,571,994
Tax claims	4,352,564	4,149,248	4,174,360	5,779,099	5,419,232	5,295,875
Civil claims	3,539,520	2,832,003	2,802,385	3,704,611	2,983,856	2,953,219
Total	10,502,238	9,401,829	9,531,253	12,123,586	10,843,777	10,821,088

e) Legal Obligations

The Bank has a record in Other Liabilities - Fiscal and Social Security, of the amount of R\$ 12,608,362 thousand (R\$ 12,241,776 thousand on 12.31.2010 and R\$ 12,113,814 thousand on 09.30.2010) at Banco do Brasil and R\$ 13,354,972 thousand (R\$ 12,942,257 thousand on 12.31.2010 and R\$ 12,771,072 thousand on 09.30.2010) in BB-Consolidated, relating to the following actions:

Judicial Proceeding: Income and Social Contribution Taxes

In February 1998, the Bank filed a request for full offsetting of accumulated income tax loss carry forwards and negative basis of social contribution against taxable income. Since then, the Bank has been fully offsetting tax loss carry forwards and negative basis of social contribution against income tax and social contribution and has made judicial deposits in the full amount due (70% of the amount offset). These deposits prompted the 16th Vara da Justiça Federal do Distrito Federal to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's

request, based on article 151, item II, of the Código Tributário Nacional (CTN). Since 10.01.2002, the proceedings have been awaiting hearing of an extraordinary appeal by the STF.

The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

Deferred taxes including corporate income tax (IRPJ) and social contribution on net income (CSLL) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 2, item II, article 1 of CMN Resolution n.º 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of IRPJ and CSLL are being paid in full. Moreover, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of IRPJ and CSLL and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R\$ 4,221,306 thousand.

If the Bank were unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSLL recoverable", respectively, that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes recoverable, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, corresponds to R\$ 4,094,085 thousand on 09.30.2011 and its restatement by the Selic Rate corresponds to R\$ 897,858 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter

	R\$ thousand		
	09.30.2011	12.31.2010	09.30.2010
Legal Liability - Provision for lawsuit	12,021,028	11,697,619	11,582,383
Judicial Deposits	13,141,105	12,485,258	12,285,924
Amount realized	7,817,011	7,817,011	7,817,011
Restatement	5,324,094	4,668,247	4,468,913
The amount of tax credits corresponding to the 70% portion	6,585,045	6,540,168	6,571,673
Tax losses of IRPJ	3,002,033	3,002,033	3,002,033
CSLL losses to offset/ CSLL recoverable	3,583,012	3,538,135	3,569,640

Judicial Proceeding: PIS/Pasep and Cofins

Provision for lawsuit relating to the writ of mandamus intended to achieve recognition of the right of Banco do Brasil, BB Corretora, Ativos S.A. and Banco Votorantim to pay PIS/Pasep and Cofins according to the calculation bases set out in Complementary Laws n.º. 7/1970 and n.º. 70/1991, in Banco do Brasil the amount of R\$ 587,334 thousand (R\$ 544,157 thousand on 12.31.2010 and R\$ 531,431 thousand on 09.30.2010) and R\$ 1,333,944 thousand in BB-Consolidated (R\$ 1,244,638 thousand on 12.31.2010 and R\$ 1,188,689 thousand on 09.30.2010), considering R\$ 745.437 thousand from Banco Votorantim. Since the injunctions were suspended on 08.18.2010, Banco do Brasil and BB Corretora returned to collect the PIS/Pasep and Cofins from the event of July 2010 as provided for in Law n.º. 9,718/1998. The legal actions of Banco Votorantim, concerning to Cofins, had favorable judgments which are subject to an appeal.

29 - Risk Management and Regulatory Capital

a) Risk Management Process

Banco do Brasil considers the management of risks and of capital the main vectors for the decision-making process.

In the Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk management policies and concentration are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market and Liquidity and Operational), which are groups formed by Directors.

To find out more about the risk management process at Banco do Brasil, access the website bb.com.br/ri.

b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed upon with borrowers, counterparts of contracts or issues of securities.

In order to comply with the best practices of credit risk management and to increase efficiency in the economic capital management, Banco do Brasil uses risk and return metrics, present throughout its loan process, as a mechanism of risk management culture at the Institution.

c) Liquidity risk

Liquidity risk takes two forms: market liquidity risk and cash flow liquidity risk (*funding*). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

d) Operational risk

Operational risk reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

e) Market Risk

Market Risk reflects the possibility of loss that can be caused by changes in the behavior of interest and exchange rates and commodities.

Financial Instruments – Fair Value

Financial instruments recorded in balance-sheet accounts, compared to fair value:

	BB-Consolidated								
	09.30.2011		12.31.2010		09.30.2010		Unrealized gain/loss		
	Book value	Fair value	Book value	Fair value	Book value	Fair value	On Income		
							09.30.2011	12.31.2010	09.30.2010
Assets									
Short-term interbank deposits	157,413,452	157,447,681	107,578,790	107,564,261	135,299,838	135,362,868	34,229	(14,529)	
Securities	156,798,014	156,634,538	142,243,143	142,083,409	136,262,679	136,124,168	(1,284,189)	285,221	
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	--	--	(1,120,713)	444,955	
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	--	--	(163,476)	(159,734)	
Derivative financial instruments	2,046,314	2,046,314	1,623,591	1,623,591	1,332,157	1,332,157	--	--	
Loan operations	359,094,711	359,024,324	317,726,499	317,801,144	300,919,423	300,887,224	(70,387)	74,645	
Liabilities									
Interbank deposits	13,585,677	13,778,621	18,998,102	19,007,052	11,215,885	11,252,603	(192,944)	(8,950)	
Time deposits	252,806,491	252,876,856	204,652,146	204,636,840	192,042,118	192,064,311	(70,365)	15,306	
Obligations related to committed operations	194,727,542	194,748,610	142,174,955	142,100,736	165,594,168	165,408,443	(21,068)	74,219	
Borrowings and onlendings	60,310,281	60,252,493	59,458,834	59,416,542	58,387,009	58,342,435	57,788	42,292	
Derivative financial instruments	4,438,018	4,438,018	5,296,640	5,296,640	5,195,316	5,195,316	--	--	
Other liabilities	179,562,525	179,463,809	159,458,907	159,393,860	153,312,211	153,340,907	98,716	65,047	
Unrealized gain/loss, net of tax effects							(1,448,220)	533,251	

Determination of Fair Value of Financial Instruments

Short-term interbank investments: The fair value was obtained by discounted future cash flows, using interest rates exercised by the market in similar operations in the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by market value, as provided for in Bacen Circular nº 3068/2001, except for securities held to maturity. The securities fair value, including those held to maturity, were obtained according to rates collected at the market.

Loan operations: Fixed rate operations have been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank for contracting of similar operations at the balance sheet date. For these operations that are remunerated by floating rates, the fair value was equivalent to the book value itself.

Interbank deposits: The fair value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of floating operations which maturities did not exceed 30 days, the book value was deemed equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits were utilized in the determination of the fair value.

Deposits received under repurchase agreements: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applicable in contracting of similar operations in the last market day. For floating operations, book values have been deemed equivalent to market value.

Borrowing and onlendings: Such operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the fair values of such operations were considered equivalent to the book value.

Other liabilities: Fair values have been determined by the discounted cash flow method, which takes into account interest rates offered in the market for obligations for which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, fair value was approximately equivalent to the correspondent book value.

Derivatives: According to Bacen Circular nº 3,082/2002, derivatives are recorded at market value. Derivatives' market value was estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

Sensitivity analysis (CVM Instruction nº 475/2008)

The Banco do Brasil manages its risks in a dynamic process, identifying, assessing, monitoring, and controlling market risk exposure in its own position. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution nº 3,464/2007 and with Bacen Circular nº 3,354/2007, to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions, including derivative financial instruments, as follows:

1) Trading Book: consisting of own positions held for trading or as a *hedge* for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) **Banking Book**: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction 475/2008, related to scenario II and III above, does not adequately reflect the market risk management process and the best practices adopted by the Institution

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility (except Banco Votorantim capital), simulations were performed with three likely scenarios, two of which with an adverse effect for the Bank. The scenarios used are listed below:

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM & F Bovespa, Andima, etc.). Assumptions: exchange rate - Reais/Dollar of R\$ 1.72 and raising the Selic rate to 11% per annum based on market conditions observed at 09.30.2011.

Scenario II: Possible situation. Assumptions employed: parallel shock of 25.0% in the risk variables, based on market conditions observed on 09.30.2011 considering the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors;

Scenario III: Possible situation. Assumptions employed: parallel shock of 50.0% in the risk variables, based on market conditions observed on 09.30.2011 considering the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), excluding Banco Votorantim's positions, composed of public and private securities, derivative financial instruments and funds obtained through commitment operations.

		R\$ thousand					
		Scenario I					
Risk Factor	Concept	09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(669)	Increase	(13,129)	Maintenance	--
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	4	Increase	164	--	--
IPCA	Risk of variation of price index coupons	Decrease	361	Increase	(971)	Maintenance	--
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Increase	(30)	Decrease	--	Decrease	--
Exchange variation	Risk of variation of exchange rates	Decrease	(8,965)	Increase	2,382	Increase	4,307

		R\$ thousand					
		Scenario II					
Risk Factor	Concept	09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(3,323)	Increase	(35,251)	Increase	(61,458)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(15)	Increase	(41)	--	--
IPCA	Risk of variation of price index coupons	Increase	(466)	Increase	(1,451)	Increase	(2,639)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	(15)	Increase	--	Increase	--
Exchange variation	Risk of variation of exchange rates	Decrease	(31,895)	Decrease	(22,653)	Decrease	(30,331)

R\$ thousand

Risk Factor	Concept	Scenario III					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(9,428)	Increase	(73,052)	Increase	(124,579)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(29)	Increase	(82)	--	--
IPCA	Risk of variation of price index coupons	Increase	(920)	Increase	(2,837)	Increase	(5,134)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	(31)	Increase	--	Increase	--
Exchange variation	Risk of variation of exchange rates	Decrease	(63,790)	Decrease	(45,305)	Decrease	(60,661)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and accounting impact on the Bank's income. It's a result of the portfolio quality that is composed on large scale of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the reflexes of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and Non Trading (Banking), except from Banco Votorantim:

R\$ thousand

Risk Factor	Concept	Scenario I					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	1,537,181	Increase	(1,928,246)	Maintenance	--
TR	Risk of variation of interest rate coupons	Decrease	(2,418,435)	Increase	1,449,619	Decrease	(601,927)
TBF		Decrease	(10)	Decrease	(145)		
TJLP	Risk of variation of interest rate coupons	Decrease	(254,589)	Increase	137,778	Maintenance	--
TMS and CDI coupons		Increase	70,975	Increase	(27,143)	--	--
IGP-M	Risk of variation of price index coupons	Decrease	114,650	Increase	(137,572)	Maintenance	--
IGP-DI		Decrease	185	Increase	(207)		
INPC		Decrease	257,625	Increase	(70,605)		
IPCA		Decrease	(17,773)	Increase	(31,214)		
Foreign Currency Coupom	Risk of variation of foreign exchange coupon	Increase	1,900,676	Decrease	(116,853)	Decrease	258,888
Exchange variation	Risk of variation of exchange rates	Decrease	(200,567)	Increase	21,083	Increase	24,965

R\$ thousand

Risk Factor	Concept	Scenario II					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(4,662,934)	Increase	(5,300,903)	Increase	(5,212,046)
TR	Risk of variation of interest rate coupons	Decrease	(5,656,945)	Decrease	(4,570,631)	Decrease	(4,085,749)
TBF		Decrease	(258)	Decrease	(301)		
TJLP	Risk of variation of interest rate coupons	Decrease	(324,094)	Decrease	(203,752)	Decrease	(135,635)
TMS and CDI coupons		Decrease	(166,148)	Increase	(35,049)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(169,583)	Increase	(187,811)		
IGP-DI		Increase	(403)	Increase	(287)	Increase	(484,971)
INPC		Increase	(389,615)	Increase	(101,491)		
IPCA		Increase	(60,167)	Increase	(45,560)		
Foreign Currency Coupom	Risk of variation of foreign exchange coupon	Decrease	(791,783)	Decrease	(29,465)	Increase	(38,410)
Exchange variation	Risk of variation of exchange rates	Decrease	(713,556)	Decrease	(200,507)	Decrease	(175,795)

R\$ thousand

Risk Factor	Concept	Scenario III					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(8,952,306)	Increase	(10,163,642)	Increase	(10,000,662)
TR	Risk of variation of interest rate coupons	Decrease	(11,740,940)	Decrease	(9,476,165)	Decrease	(8,452,160)
TBF		Decrease	(517)	Decrease	(603)		
TJLP	Risk of variation of interest rate coupons	Decrease	(662,953)	Decrease	(414,806)	Decrease	(275,499)
TMS and CDI coupons		Decrease	(332,571)	Increase	(70,073)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(319,096)	Increase	(351,961)		
IGP-DI		Increase	(802)	Increase	(570)	Increase	(945,895)
INPC		Increase	(764,087)	Increase	(198,695)		
IPCA		Increase	(116,135)	Increase	(88,026)		
Foreign Currency Coupom	Risk of variation of foreign exchange coupon	Decrease	(1,607,865)	Decrease	(59,180)	Increase	(76,062)
Exchange variation	Risk of variation of exchange rates	Decrease	(1,427,111)	Decrease	(401,014)	Decrease	(351,589)

The scenarios used for preparing the framework of sensitivity analysis must use situations of deterioration of at least 25% and 50% for variable risk, in a individualized basis, as determined by CVM Instruction nº 475/2008. Thus, the combined analysis of the results is impaired. For example, simultaneous shocks of increase in the prefixed interest rate and reduction of TR Coupon are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, don't represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Changing the index of funding and lending transactions performed to meet customer needs;
- Market risk hedge, which purpose and effectiveness are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction nº 475/2008 - Attachment II.

Interest in Banco Votorantim

Banco Votorantim, in the first half of 2011, revised the criteria for classification of operations, which resulted in the migration of part of its trading book positions for non-trading. Thus, the sensitivity analysis of the positions regarding to the participation of Banco do Brasil's in Banco Votorantim considers the trading and non-trading book together and the trading book in a segregated way.

Simulations were also made with three possible scenarios, two of which with consequent adverse result, as follows:

Scenario I: Likely situation, which reflects the perception of the Banco Votorantim' senior management in the scenario most likely to occur. Assumptions employed: exchange rates real/dollar from R\$ 1.80 and the Selic rate of interest 10.80% per year, to the end of 2011.

Scenario II: Assumptions: parallel shock of 25% in the risk variables, based on market conditions observed on 09.30.2011 and considering the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors;

Scenario III: Assumptions: employed parallel shock of 50% in the risk variables, based on market conditions observed on 09.30.2011 and considering the worst losses by risk factor and therefore ignoring the dynamics of macroeconomic factors.

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim:

R\$ thousand

Risk Factor	Concept	Scenario I					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(12,947)	Increase	--	Maintenance	--
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	163	Increase	42,497	Decrease	(303,247)
Exchange variation	Risk of variation of exchange rates	Decrease	43,580	Increase	(690,382)	Increase	40,185
Price Indexes	Risk of variation of price index coupons	Increase	(13,494)	Increase	(2,403)	Decrease	1,544
Interest rates	Risk of variation of interest rate coupons	Maintenance	--	Increase	(425)	Increase	(108)
Other	Risk of variation of other coupons	Increase	(20)	Increase	(12,221)	Increase	(9,156)

R\$ thousand

Risk Factor	Concept	Scenario II					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(107,666)	Decrease	(605,880)	Increase	(117,332)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(9,799)	Decrease	(111,898)	Increase	(258,008)
Exchange variation	Risk of variation of exchange rates	Increase	(198,303)	Increase	(732,519)	Increase	(74,810)
Price Indexes	Risk of variation of price index coupons	Increase	(40,443)	Increase	(8,522)	Increase	(11,031)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(2,973)	Increase	(135)
Other	Risk of variation of other coupons	Decrease	(10,380)	Decrease	(21,201)	Decrease	(4,807)

R\$ thousand

Risk Factor	Concept	Scenario III					
		09.30.2011		12.31.2010		09.30.2010	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(220,443)	Decrease	(1,237,639)	Increase	(205,473)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(19,099)	Decrease	(167,073)	Increase	(106,253)
Exchange variation	Risk of variation of exchange rates	Increase	(508,365)	Increase	(1,025,643)	Increase	(156,528)
Price Indexes	Risk of variation of price index coupons	Increase	(65,634)	Increase	(14,498)	Increase	(18,411)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(5,241)	Increase	(161)
Other	Risk of variation of other coupons	Decrease	(26,402)	Decrease	(207,868)	Decrease	(111,183)

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim of the trading and non-trading book:

R\$ thousand			
Risk Factor	Concept	Scenario I	
		09.30.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	54,187
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	308
Exchange variation	Risk of variation of exchange rates	Decrease	11,438
TJLP	Risk of variation of TJLP coupons	Increase	(186)
TR/TBF	Risk of variation of TR/TBF coupons	Maintenance	--
Price Index	Risk of variation of price index coupons	Increase	(595)

R\$ thousand			
Risk Factor	Concept	Scenario II	
		09.30.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(249,672)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(10,868)
Exchange variation	Risk of variation of exchange rates	Increase	(53,174)
TJLP	Risk of variation of TJLP coupons	Increase	(1,952)
TR/TBF	Risk of variation of TR/TBF coupons	Increase	(650)
Price Index	Risk of variation of price index coupons	Increase	(2,324)

R\$ thousand			
Risk Factor	Concept	Scenario III	
		09.30.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(464,862)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(21,639)
Exchange variation	Risk of variation of exchange rates	Increase	(185,964)
TJLP	Risk of variation of TJLP coupons	Increase	(3,551)
TR/TBF	Risk of variation of TR/TBF coupons	Increase	(1,294)
Price Index	Risk of variation of price index coupons	Increase	(4,623)

f) Regulatory Capital

The Basel Ratio was determined in accordance with the criteria established by CMN Resolutions n.º 3,444/2007 and n.º 3,490/2007, which refer to the calculation of the Referential Equity (RE) and of the Required Referential Equity (RRE), respectively, without considering the information relating to Banco Votorantim as determined by Bacen.

R\$ thousand

	09.30.2011		12.31.2010		09.30.2010	
	Economic and Financial	Financial	Economic and Financial	Financial	Economic and Financial	Financial
RE - Referential equity amount	77,202,375	78,699,820	66,927,567	68,257,551	64,113,506	65,459,183
Tier I	58,832,623	58,887,504	52,397,235	52,452,142	50,103,892	50,158,510
Shareholders' equity	56,712,572	56,767,452	50,440,683	50,495,590	48,204,326	48,258,943
Revaluation reserves	(4,751)	(4,750)	(6,241)	(6,241)	(6,305)	(6,304)
Deferred Assets	(175,252)	(175,252)	(226,529)	(226,529)	(244,243)	(244,243)
Mark-to-market	(387,554)	(387,554)	(203,031)	(203,031)	(282,839)	(282,839)
Tax credits excluded from Level I of RE	(112)	(112)	(22,477)	(22,477)	(22,477)	(22,477)
Hybrid Capital and Debt Instruments - Level I	2,687,720	2,687,720	2,414,830	2,414,830	2,455,430	2,455,430
Tier II	23,754,827	23,754,826	19,763,491	19,763,491	19,190,254	19,190,253
Mark-to-market	387,554	387,554	203,031	203,031	282,839	282,839
Subordinated Debt Qualifying as Capital	23,362,522	23,362,522	18,738,173	18,738,173	18,071,344	18,071,344
Funds obtained from the FCO	14,275,266	14,275,266	13,455,864	13,455,864	13,548,547	13,548,547
Funds obtained abroad	4,179,884	4,179,884	1,369,813	1,369,813	292,134	292,134
Funds obtained from the CDB	2,513,584	2,513,584	2,829,732	2,829,732	3,177,190	3,177,190
Funds raised in Financial Letters	2,393,788	2,393,788	1,082,764	1,082,764	1,053,473	1,053,473
Hybrid Capital and Debt Instruments – Level II	-	-	816,046	816,046	829,766	829,766
Revaluation reserves	4,751	4,750	6,241	6,241	6,305	6,304
Deduction from the RE	(5,385,075)	(3,942,510)	(5,233,159)	(3,958,082)	(5,180,640)	(3,889,580)
Financial instruments excluded from RE	(5,385,075)	(3,942,510)	(5,233,159)	(3,958,082)	(5,180,640)	(3,889,580)
RRE - Required Referential Equity Amount	61,008,670	59,616,208	52,297,217	50,993,696	49,358,831	48,302,754
Credit risk ⁽¹⁾	57,469,609	56,332,865	48,900,525	47,805,205	46,102,331	45,261,531
Market Risk	105,629	105,629	31,422	31,422	34,056	34,056
Operational Risk	3,433,432	3,177,714	3,365,270	3,157,069	3,222,444	3,007,167
Sufficiency of RE: (RE – RRE)	16,193,705	19,083,612	14,630,350	17,263,855	14,754,675	17,156,429
BIS Ratio: (RE x 100) / (RRE / 0.11)	13.92	14.52	14.08	14.72	14.29	14.91

(1) From July 2011, the weighting factor of risk for exposures related to loan and leasing operations contracted with individuals, starting december 6, 2010, with contractual term longer than 24 months, was changed by the Bacen Circular n.º 3,515/2010 to 150%.

Banco do Brasil waits for the approval by Banco Central do Brasil to include R\$ 700,000 millions of financial subordinated letters in the tier II of the Referential Equity. If this issuance was considered, the Basel index in 09.30.2011 would be 14.65% and 14.05% to Consolidated Financial and Economic-Financial, respectively.

g) Fixed asset ratio

The Fixed Asset Ratio in relation to the Referential Equity (RE) is 25.75% (20.99% on 12.31.2010 and 19.82% on 09.30.2010) for the Consolidated Financial Report, and 20.30% (16.83% on 12.31.2010 and 15.92% on 09.30.2010) for the Consolidated Economic and Financial Report, in compliance with CMN Resolution n.º 2,669/1999. The difference between the Fixed Assets Ratio of Consolidated Financial and Economic-Financial is the result of the inclusion of non-financial subsidiaries / affiliates that have high liquidity and low level of restraint, which consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

30 – Statement of Comprehensive Income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010
Net income presented in the Statement of Income	2,891,285	9,153,653	7,755,947	2,917,936	9,207,652	7,701,019
Other comprehensive income / (loss)						
Assets valuation adjustments (Note 8.f)	326,796	255,008	433,862	326,796	255,008	433,862
Own	227,971	203,919	90,651	227,971	203,919	90,651
Subsidiaries and affiliates	98,825	51,089	343,211	98,825	51,089	343,211
Income and social contribution taxes related to unrealized gains / (losses) (Note 8.f)	(58,438)	(11,841)	(74,285)	(58,438)	(11,841)	(74,285)
Other comprehensive income / (loss), net of income and social contribution taxes	268,358	243,167	359,577	268,358	243,167	359,577
Comprehensive income	3,159,643	9,396,820	8,115,524	3,186,294	9,450,819	8,060,596
Comprehensive income attributable to the Parent	3,159,643	9,396,820	8,115,524	3,159,643	9,396,820	8,060,616
Comprehensive income of the Non-Controlling Investments	--	--	--	26,651	53,999	(20)

31 – Other Information**a) Novo Mercado**

At 05.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the Novo Mercado segment of BM&FBovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Fiscal Council undertake to resolve all and any dispute or controversy related with the Novo Mercado Listing Regulation by means of the Arbitration Chamber of the BM&FBovespa, in compliance with a commitment clause contained in the By-Laws of Banco do Brasil.

b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 01.21.2011, the Board of Directors approved the setting, for the year 2011, of the *payout* rate equivalent to the minimum 40% of net income, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to art. 43 of the Bank's By-Laws.

c) Bescredi and Besc Leasing - Auction of Fractions

On 03.03.2011 there was an auction for the sale at BM&FBovespa of the remaining fractions of shares of Banco do Brasil S.A., resulting from the conversion of instruments of the merged companies Besc S.A. Arrendamento Mercantil and Besc Financeira S.A. - Credito, a total of R\$ 5,247.98, equivalent to 178 shares.

d) Banco Postal

On 05.31.2011, the Bank won the bidding process to 5 years exploration period, of correspondent banking services provided by the chain of Banco Postal da Empresa Brasileira de Correios e Telégrafos - ECT. The financial offer was R\$ 2,800,000 thousand.

In accordance with the contract signed on 07.01.2011 by the companies, the Bank paid on cash R\$ 2,300,000 thousand to ECT on 07.11.2011, related to total of "Basic Value to Access the Business". The amount of R\$ 500,000 thousand, referred to "Value for the Agency Chain" will be paid on 01.02.2012, updated *pro rata temporis*, as contract clause.

From 01.01.2012, the Bank will have access to the ECT's agencies chain, with 6,915 service points located at 95% of Brazilian cities. Through this investment, the Bank anticipates its strategic plan that intend to increase its service points to achieve all the Brazilian cities.

e) Funds and Programs

The Bank is administrator of the Programa de Formação do Patrimônio do Servidor Público - PASEP with assets of R\$ 1,934,870 thousand (R\$ 2,027,901 thousand on 12.31.2010 and R\$ 1,999,534 thousand on 09.30.2010), guaranteeing a minimum return equivalent to Taxa de Juros de Longo Prazo - TJLP.

f) Investment Funds Administration

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	N.º Funds/Portfolios			Balance (R\$ thousand)		
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010
Managed funds	516	489	482	410,803,958	360,200,007	350,888,761
Investment Funds	502	471	463	400,915,960	348,659,790	338,770,810
Managed Portfolios	14	18	19	9,887,998	11,540,217	12,117,951

g) Details of branches, subsidiaries and associated abroad

	Banco do Brasil			BB-Consolidated			R\$ thousand
	09.30.2011	12.31.2010	09.30.2010	09.30.2011	12.31.2010	09.30.2010	
Assets							
BB Group	24,320,778	16,773,425	22,381,498	19,885,664	14,931,097	15,120,627	
Third parties	50,147,103	37,217,130	32,931,939	59,849,327	39,120,507	39,597,152	
Total assets	74,467,881	53,990,555	55,313,437	79,734,991	54,051,604	54,717,779	
Liabilities							
BB Group	15,419,824	9,063,431	11,207,193	11,286,678	7,093,625	8,646,944	
Third parties	55,871,874	42,378,018	41,395,489	63,187,913	43,428,217	42,372,297	
Shareholders' equity	3,176,183	2,549,106	2,710,755	5,260,400	3,529,762	3,698,538	
attributable to parent company	3,176,183	2,549,106	2,710,755	4,772,119	3,529,762	3,698,538	
participation of non-controlling	--	--	--	488,281	--	--	
Total liabilities	74,467,881	53,990,555	55,313,437	79,734,991	54,051,604	54,717,779	
	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	3rd Quarter 2011	01.01 to 09.30.2011	01.01 to 09.30.2010	
Net income (loss)	118,463	138,056	(24,575)	136,778	247,098	38,529	
attributable to parent company	118,463	138,056	(24,575)	110,126	193,093	38,529	
participation of non-controlling	--	--	--	26,652	54,005	--	

h) Consortium funds

	R\$ thousand		
	09.30.2011	12.31.2010	09.30.2010
Monthly forecast of funds receivable Purchase Pool Members	114,068	71,052	60,760
Obligations of the group due to contributions	7,095,876	4,524,352	3,804,747
Purchase Pool Members - assets to be contemplated	6,690,789	4,236,828	3,548,962
(In units)			
Quantity of groups managed	384	532	211
Quantity of active purchase pool members	318,051	208,486	173,657
Quantity of assets deliverable to purchase pool members	15,190	15,934	14,604
Quantity of assets delivered in the period	15,442	41,286	--

i) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law n^o. 10470/2002 and Decree n^o. 4050/2001.

	3rd Quarter 2011		01.01 to 09.30.2011		01.01 to 09.30.2010	
	Employees Ceded ⁽¹⁾	Cost in the Period (R\$ thousand)	Employees Ceded ⁽¹⁾	Cost in the Period (R\$ thousand)	Employees Ceded ⁽¹⁾	Cost in the Period (R\$ thousand)
With costs for the Bank						
Federal Government	8	455	8	1,407	10	1,258
Labor unions	238	6,720	238	19,879	229	17,388
Other organizations/entities:	5	503	5	1,476	5	1,191
Subsidiary and associated companies	2	225	2	671	--	--
Without cost to the Bank						
Federal, state and municipal governments	265	--	265	--	303	--
External organizations (Cassi, FBB, Previ and Economus)	753	--	753	--	739	--
Employee entities	84	--	84	--	75	--
Subsidiary and associated companies	337	--	337	--	321	--
Total	1,692	7,903	1,692	23,433	1,682	19,837

(1) Balance in the last day of the period.

j) Remuneration of Employees and Managers**Monthly wages paid to employees and Directors of the Banco do Brasil:**

	09.30.2011	12.31.2010	09.30.2010
Lowest salary	1,600.13	1,600.13	1,600.20
Highest salary	27,140.70	27,140.70	27,140.70
Average salary	4,433.59	4,444.70	4,910.30
Management			
President	47,308.80	44,505.00	44,505.00
Vice-President	42,729.60	40,197.00	40,197.00
Director	36,546.00	34,380.00	34,380.00
Directors			
Fiscal Council	3,834.10	3,606.85	3,606.85
Board of Directors	3,834.10	3,606.85	3,606.85
Audit Committee – Member	32,891.40	30,942.00	30,942.00
Audit Committee - Substitute	29,602.26	27,847.80	27,847.80

k) Insurance Policy of Assets

Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance cover for its assets in amounts considered sufficient to cover any losses.

Insurance contracted by the Bank in force on 09.30.2011:

Covered Risks	R\$ thousand	
	Amounts Covered	Value of the Premium
Property insurance for the relevant assets	8,591,967	3,320
Other	27,354	2,426
Total	8,619,321	5,746

Banco do Brasil S.A.

Report of Independent Auditors

Report of Independent Auditors

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasília - DF

We have audited the accompanying, individual and consolidated, financial statements of Banco do Brasil S.A., acknowledged as Banco do Brasil and BB – Consolidated, which comprise the consolidated balance sheet as of December 31, 2010 and the related statements of income, of changes in stockholders' equity and of cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Brazilian auditing standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2010, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

Other matters

Amounts corresponding to the prior year which were audited by the same current independent auditor sharing responsibility with another independent auditor

The financial statements for the year ended December 31, 2009, presented for the purposes of comparison, were examined by us in accordance with auditing standards in force at the time of issuance of the audit report, on February 24, 2010, which did not include any modification. The auditing standards then in force permitted the sharing of responsibility with other independent auditors. Therefore, the financial statements of the indirect investments: Brasilcap Capitalização S.A., Brasilsaúde Companhia de Seguros, Brasilveículos Companhia de Seguros, Brasilprev Seguros e Previdência S.A., Cielo S.A., Neoenergia S.A. and Itapebi Geração de Energia S.A. (Notes 3 and 14) as of December 31, 2009, were examined by other independent auditors and, our opinion on the balances of the investments aforementioned and of the respective income arising from these investments, is based on the reports issued by those independent auditors. Additionally, the net assets used in the calculation of the Retirement and Pension Plan (Note 27), were examined by other independent auditors and our evaluation, with respect to these net assets, is based on the report issued by those independent auditors.

Statement of value added

We have also audited the statement of value added (DVA) for the year and semester ended December 31, 2010, submission of which publicly-held companies are required to make. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Amounts corresponding to the actuarial assets originated from PREVI – Retirement and Pension Plan

The Bank has recorded in its assets, as of December 31, 2010, the amount of R\$9,895 million (R\$12,655 million as of December 31, 2009) corresponding to the surplus of PREVI – Employee Benefits (Note 27), which was determined based on criteria established by the Bank’s Management, and we considered adequate in the circumstance. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. Therefore, the inaccuracies inherent to the process of using estimates and assumptions may result in differences between the amount recorded and the amount effectively realized.

Brasília, February 16, 2011.

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Francesco Luigi Celso
Accountant CRC SP-175348/O-5 S-DF

José Claudio Costa
Accountant CRC SP-167720/O-1 S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

Balance Sheets

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Current Assets	423,727,363	380,900,268	477,063,790	414,966,881
Available Funds	(Note 6) 9,397,247	7,596,546	9,744,688	7,842,770
Short-term interbank investments	(Note 7a) 109,929,317	166,919,021	106,615,633	166,070,192
Money market	78,628,740	134,937,621	85,060,184	144,173,860
Interbank deposits	31,300,577	31,981,400	21,555,449	21,896,332
Securities and derivative financial instruments	(Note 8) 40,722,362	39,370,590	76,342,346	59,297,166
Internal portfolio	17,355,563	29,778,301	46,402,185	47,295,209
Repurchase agreements	22,532,857	5,239,743	26,465,657	5,956,127
Deposits with the Brazilian Central Bank	15	3,713,112	15	3,817,049
Pledged in guarantee	130,860	19,300	2,217,127	1,147,243
Derivative financial instruments	703,067	620,134	1,257,362	1,081,538
Interbank Accounts	86,287,448	26,421,167	89,442,660	26,574,438
Payments and receipts pending settlement	129,007	153,232	129,007	153,258
Restricted deposits	(Note 9a) 85,796,265	25,950,674	88,902,532	26,063,340
Brazilian Central Bank deposits	83,928,847	24,167,099	87,035,114	24,279,765
National Treasury - rural credits receivable	74,520	148,158	74,520	148,158
National Housing Financing System (SFH)	1,792,898	1,635,417	1,792,898	1,635,417
Interbank onlendings	2,718	1,254	38,828	7,746
Correspondent banks	359,458	316,007	372,293	350,094
Interdepartmental accounts	258,144	293,950	258,144	295,152
Internal transfers of funds	258,144	293,950	258,144	295,152
Loan operations	(Note 10) 120,368,657	102,016,228	129,099,180	110,606,691
Public sector	3,229,361	2,432,592	880,256	2,794,701
Private sector	124,363,469	107,102,607	135,727,663	115,763,862
(Allowance for loan losses)	(7,224,173)	(7,518,971)	(7,508,739)	(7,951,872)
Lease operations	(Note 10) 18,227	23,195	1,800,632	1,858,258
Public sector	18,227	23,195	18,787	23,883
Private sector	--	--	1,816,614	1,951,468
(Allowance for lease losses)	--	--	(34,769)	(117,093)
Other receivables	55,245,556	36,984,668	61,658,370	40,891,756
Receivables on guarantees honored	75,303	36,938	75,303	39,588
Foreign exchange portfolio	(Note 12a) 9,936,710	8,480,791	10,291,956	8,671,052
Income receivable	1,431,206	1,464,119	913,332	533,393
Negotiation and intermediation of securities	78,741	16,017	382,996	436,005
Insurance, pension plan and capitalization	(Note 21a) --	--	1,086,548	885,945
Sundry	(Note 11b) 44,611,607	27,747,589	49,880,444	31,167,539
(Provision for other losses)	(888,011)	(760,786)	(972,209)	(841,766)
Other assets	(Note 13) 1,500,405	1,274,903	2,102,137	1,530,458
Other assets	291,787	290,210	388,071	363,989
(Provision for devaluations)	(169,506)	(166,105)	(177,233)	(175,968)
Prepaid expenses	1,378,124	1,150,798	1,891,299	1,342,437

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
NON CURRENT ASSETS	313,769,814	279,708,708	334,108,418	293,581,962
LONG-TERM RECEIVABLES	284,935,139	257,489,129	314,338,917	276,572,359
Interbank Investments (Note 7a)	4,785,325	7,248,277	963,157	2,327,768
Interbank deposits	4,785,325	7,248,277	963,157	2,327,768
Securities and derivative financial instruments (Note 8)	56,542,795	57,501,256	67,524,388	65,039,715
Internal portfolio	30,617,318	21,131,525	39,315,949	27,638,367
Subject to repurchase agreements	23,145,800	20,584,267	24,860,036	20,929,518
Deposits with the Brazilian Central Bank	42	14,527,621	42	14,590,558
Pledged in guarantee	2,648,397	1,110,340	2,982,132	1,499,726
Derivative financial instruments	131,238	147,503	366,229	381,546
Interbank transactions	83,378	17,071	83,378	17,071
Restricted deposits (Note 9a)	46,644	--	46,644	--
National Treasury - rural credits receivable	46,644	--	46,644	--
Interbank transfers	36,734	17,071	36,734	17,071
Loan operations (Note 10)	170,927,298	140,826,236	188,627,319	151,176,406
Public sector	3,921,148	3,801,538	6,380,810	3,593,364
Private sector	175,609,950	146,444,106	191,171,151	157,315,829
(Allowance for loan losses)	(8,603,800)	(9,419,408)	(8,924,642)	(9,732,787)
Lease operations (Note 10)	26,246	37,580	2,055,899	2,842,305
Public sector	26,246	37,580	27,034	38,967
Private sector	--	--	2,185,322	2,917,455
(Allowance for lease losses)	--	--	(156,457)	(114,117)
Other receivables	50,524,101	51,223,436	53,303,233	54,341,422
Receivables on guarantees honored	--	51,384	--	51,384
Exchange portfolio (Note 12a)	1,585,804	--	1,585,804	--
Income receivable	30,228	31,069	30,305	30,051
Specific credits (Note 11a)	1,029,638	931,845	1,029,638	931,845
Insurance, pension plan and capitalization (Note 21a)	--	--	22,022	22,265
Sundry (Note 11b)	48,469,480	51,031,510	51,235,371	54,145,893
(Provision for other losses)	(591,049)	(822,372)	(599,907)	(840,016)
Other assets (Note 13)	2,045,996	635,273	1,781,543	827,672
Prepaid expenses	2,045,996	635,273	1,781,543	827,672
PERMANENT ASSETS	28,834,675	22,219,579	19,769,501	17,009,603
Investments	17,641,326	12,182,867	8,127,754	6,645,339
Investments in subsidiary and associated companies (Note 14a)	17,606,546	12,143,602	7,115,534	5,775,953
Domestic	16,598,375	11,177,506	7,115,534	5,775,953
Foreign	1,008,171	966,096	--	--
Other investments (Note 14b)	86,135	109,093	1,096,635	947,225
(Provision for losses)	(51,355)	(69,828)	(84,415)	(77,839)
Land and buildings in use (Note 15)	4,610,729	4,006,745	4,903,927	4,214,484
Land and buildings in use	3,687,187	3,167,766	3,707,685	3,335,698
Other property and equipment in use	6,823,602	6,232,263	7,394,339	6,631,918
(Accumulated depreciation)	(5,900,060)	(5,393,284)	(6,198,097)	(5,753,132)
Lease assets (Note 15)	--	--	--	1,223
Leased assets	--	--	--	3,640
(Accumulated depreciation)	--	--	--	(2,417)
Intangible (Note 16)	6,327,609	5,625,845	6,451,532	5,676,879
Intangible Assets	10,099,437	7,607,239	10,259,044	7,659,321
(Accumulated amortization)	(3,771,828)	(1,981,394)	(3,807,512)	(1,982,442)
Deferred charges	255,011	404,122	286,288	471,678
Organization and expansion costs	2,061,656	2,083,036	2,154,516	2,246,822
(Accumulated amortization)	(1,806,645)	(1,678,914)	(1,868,228)	(1,775,144)
TOTAL	<u>737,497,177</u>	<u>660,608,976</u>	<u>811,172,208</u>	<u>708,548,843</u>

LIABILITIES/STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
CURRENT LIABILITIES	505,211,636	478,981,403	532,710,235	503,741,878
Deposits (Note 17a)	284,318,438	252,490,505	290,696,257	258,676,108
Demand deposits	63,295,580	56,211,678	63,502,759	56,458,787
Savings deposits	89,287,840	75,741,590	89,287,840	75,741,590
Interbank deposits	19,664,373	13,543,548	17,434,462	10,437,440
Time deposits	111,660,899	106,765,221	120,061,375	115,808,988
Sundry	409,746	228,468	409,821	229,303
Deposits received under security repurchase agreeme (Note 17c)	120,389,184	142,412,717	134,252,629	153,699,462
Internal portfolio	43,663,028	24,462,905	52,879,938	30,819,656
Third-party portfolio	76,726,156	117,949,812	80,107,269	122,719,587
Subject to repurchase agreements within free movement	--	--	1,265,422	160,219
Funds from acceptance and issue of securities (Note 19)	1,772,857	758,810	2,621,208	1,406,912
Mortgage Notes	483,439	--	838,765	407,929
Foreign securities	1,289,418	758,810	1,782,443	998,983
Interbank accounts	18,109	21,332	18,109	21,350
Receipts and payments pending settlement (Note 9a)	486	602	486	615
Correspondent banks	17,623	20,730	17,623	20,735
Interdepartmental accounts	3,671,766	3,209,295	3,687,786	3,229,088
Third-party funds in transit	3,667,418	3,197,791	3,683,438	3,214,643
Internal transfers of funds	4,348	11,504	4,348	14,445
Borrowings (Note 18a)	13,103,563	6,274,611	6,957,419	4,810,915
Domestic borrowings - Official institutions	--	--	--	70,976
Domestic borrowings - Other institutions	--	--	48,585	86,221
Foreign borrowings	13,103,563	6,274,611	6,908,834	4,653,718
Local onlendings - official institutions (Note 18b)	20,487,941	11,676,087	21,821,275	12,609,667
National Treasury	--	2,100,693	25,419	2,100,693
National Bank for Economic and Social Development (BNDES)	9,129,773	6,078,474	9,896,077	6,731,990
Federal Bank (CEF)	147,079	21,935	147,079	21,935
National Industrial Financing Authority (FINAME)	3,168,319	2,138,406	3,709,930	2,418,470
Other institutions	8,042,770	1,336,579	8,042,770	1,336,579
Foreign onlendings	112,178	868	11,238	576
Foreign onlendings	112,178	868	11,238	576
Derivative financial instruments (Note 8d)	2,426,655	1,996,875	3,979,755	2,617,011
Derivative financial instruments	2,426,655	1,996,875	3,979,755	2,617,011
Other liabilities	58,910,945	60,140,303	68,664,559	66,670,789
Collection and payment of taxes and social contributions	232,021	335,641	296,980	376,523
Foreign exchange portfolio (Note 12a)	11,458,085	12,106,915	11,905,011	12,173,988
Social and statutory	1,826,050	2,470,489	1,991,682	2,625,183
Taxes and social security contributions (Note 20b)	19,041,535	16,568,631	21,085,197	18,315,213
Negotiation and intermediation of securities	185,325	95,006	1,675,612	528,226
Technical provisions - insurance, pension plan and capitali (Note 21b)	--	--	5,152,564	4,123,164
Financial and development funds (Note 20a)	1,469,280	2,050,776	1,469,280	2,050,776
Subordinated debt (Note 20c)	14,941	--	740,479	--
Hybrid capital and debt instruments (Note 20d)	55,746	13,260	55,746	13,260
Sundry (Note 20e)	24,627,962	26,499,585	24,292,008	26,464,456

LIABILITIES / STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
NON CURRENT LIABILITIES	181,789,800	145,508,308	228,021,290	168,687,559
LONG-TERM LIABILITIES	181,507,564	145,259,396	227,721,771	168,421,960
Deposits (Note 17a)	84,368,330	77,614,251	86,154,411	78,887,719
Interbank deposits	2,358,347	2,012,595	1,563,640	1,181,133
Time deposits	82,009,983	75,601,656	84,590,771	77,706,586
Deposits received under security repurchase agreeme (Note 17c)	5,869,643	7,108,094	7,922,326	7,121,725
Internal portfolio	1,896,616	1,082,487	3,915,215	1,082,045
Third-party portfolio	3,973,027	6,025,607	3,973,027	6,025,607
Subject to repurchase agreements within free movement	--	--	34,084	14,073
Funds from acceptance and issue of securities (Note 19)	5,258,702	1,812,687	10,864,899	5,955,407
Features letters Real estate, mortgage, credit and similar	--	--	1,852,461	860,822
Debentures	--	--	1,623,056	1,496,353
Foreign Securities	5,258,702	1,812,687	7,389,382	3,598,232
Borrowings (Note 18a)	2,285,851	4,776,034	1,640,255	1,559,348
Domestic borrowings - Official institutions	--	--	44,865	93,859
Foreign borrowings	2,285,851	4,776,034	1,595,390	1,465,489
Local onlendings - official institutions (Note 18b)	26,765,071	17,422,445	28,942,750	18,984,508
National Treasury	1,512,821	--	1,524,071	--
National Bank for Economic and Social Development (BNDES)	15,807,991	11,799,391	17,082,350	12,897,512
Federal Bank (CEF)	--	124,297	--	124,297
National Industrial Financing Authority (FINAME)	9,444,259	5,498,757	10,336,329	5,962,699
Foreign onlendings	413,962	1,457,949	85,897	98,555
Foreign onlendings	413,962	1,457,949	85,897	98,555
Derivative financial instruments (Note 8d)	466,762	187,908	1,316,885	2,107,025
Derivative financial instruments	466,762	187,908	1,316,885	2,107,025
Other liabilities	56,079,243	34,880,028	90,794,348	53,707,673
Exchange portfolio	17,600,976	--	17,600,976	--
Taxes and social security (Note 20b)	4,049,364	4,123,099	6,527,922	5,981,486
Negotiation and intermediation of securities	1,191,321	1,320,070	--	--
Technical provisions - insurance, pension plan and capitali (Note 21b)	--	--	27,216,851	13,216,012
Financial and development funds (Note 20a)	2,099,107	2,083,838	2,099,107	2,083,838
Subordinated debt (Note 20c)	19,945,681	16,387,569	22,671,637	18,553,240
Hybrid capital and debt instruments (Note 20d)	3,315,537	3,503,525	3,305,647	3,502,544
Sundry (Note 20e)	7,877,257	7,461,927	11,372,208	10,370,553
DEFERRED INCOME	282,236	248,912	299,519	265,599
STOCKHOLDERS' EQUITY (Note 24)	50,495,741	36,119,265	50,440,683	36,119,406
Capital	33,077,996	18,566,919	33,077,996	18,566,919
Domestic	27,427,230	17,236,823	27,427,230	17,236,823
Foreign	5,650,766	1,330,096	5,650,766	1,330,096
Capital reserves	--	5,188	--	5,188
Revaluation Reserves	6,241	6,746	6,241	6,746
Reserve for Retained Earnings	16,944,324	17,301,439	16,889,416	17,301,439
Assets Valuation Adjustments (Note 8f)	467,435	270,164	467,435	270,164
(Treasury Shares)	(255)	(31,191)	(452)	(31,191)
MINORITY INTEREST IN SUBSIDIARIES	--	--	47	141
Total	737,497,177	660,608,976	811,172,208	708,548,843

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A
Financial Statements
In thousands of Reals

Statements of Income

	Banco do Brasil			BB-Consolidated			
	2S2010	2010	2009	2S2010	2010	2009	
INCOME FROM FINANCIAL INTERMEDIATION		38,401,954	72,173,904	55,998,281	43,893,466	82,458,831	65,729,138
Loans	(Note 10b)	25,095,693	47,391,099	36,425,296	27,416,170	51,733,150	40,515,241
Leases	(Note 10i)	18,495	40,372	50,880	1,441,243	3,032,523	2,310,112
Securities	(Note 8b)	11,389,511	21,574,907	19,392,839	12,399,373	23,238,429	21,349,624
Derivative financial instruments	(Note 8e)	(1,356,985)	(1,231,410)	(1,179,684)	(1,977,824)	(2,239,364)	(1,222,621)
Net foreign exchange	(Note 12b)	979,245	977,066	658,721	1,029,589	1,082,831	685,917
Compulsory deposits	(Note 9b)	2,275,995	3,421,870	650,229	2,394,680	3,586,245	816,273
Insurance, pension plans and capitalization	(Note 21e)	--	--	--	1,190,235	2,025,017	1,274,592
EXPENSES FROM FINANCIAL INTERMEDIATION		(25,474,217)	(48,409,415)	(41,183,190)	(29,455,343)	(56,124,231)	(47,496,279)
Deposits and funds obtained in the money market	(Note 17d)	(19,408,111)	(35,437,679)	(27,383,700)	(21,208,179)	(38,756,358)	(30,145,928)
Borrowings and onlendings	(Note 18c)	(1,479,928)	(3,391,835)	(2,340,688)	(1,572,573)	(3,472,666)	(2,509,969)
Leases	(Note 10i)	(15,550)	(34,487)	(44,342)	(1,071,952)	(2,218,481)	(1,663,342)
Insurance, pension plans and capitalization	(Note 21e)	--	--	--	(842,805)	(1,432,686)	(780,779)
Allowance for loan losses	(Notes 10f and 10g)	(4,570,628)	(9,545,414)	(11,414,460)	(4,759,834)	(10,244,040)	(12,396,261)
GROSS FINANCIAL INTERMEDIATION INCOME		12,927,737	23,764,489	14,815,091	14,438,123	26,334,600	18,232,859
OTHER OPERATING INCOME/EXPENSES		(3,563,229)	(6,715,881)	(1,262,177)	(4,240,093)	(7,924,405)	(4,641,058)
Banking service fees	(Note 22a)	4,244,631	8,241,046	7,365,842	6,041,334	11,641,330	10,171,717
Banking Fees	(Note 22b)	2,008,176	3,824,185	2,829,816	2,238,420	4,226,578	3,339,464
Personnel expenses	(Note 22c)	(6,427,736)	(12,155,360)	(10,024,943)	(6,894,118)	(13,019,591)	(11,838,434)
Other administrative expenses	(Note 22d)	(5,927,388)	(11,572,155)	(9,245,535)	(6,724,894)	(13,039,969)	(11,211,953)
Tax Expenses	(Note 22e)	(1,557,228)	(2,960,769)	(2,560,633)	(1,942,213)	(3,749,945)	(3,332,678)
Equity in the (earnings)/loss of subsidiary and associated companies	(Note 14)	1,451,871	2,873,966	1,849,552	(125,032)	(46,323)	(989,350)
Insurance, pension plan and capitalization	(Note 21e)	--	--	--	978,858	1,887,722	1,574,123
Other operating income	(Note 22f)	6,716,533	12,004,722	15,870,347	7,962,479	14,092,757	16,972,954
Other operating expenses	(Note 22g)	(4,072,088)	(6,971,516)	(7,346,623)	(5,774,927)	(9,916,964)	(9,326,901)
OPERATING INCOME		9,364,508	17,048,608	13,552,914	10,198,030	18,410,195	13,591,801
NON-OPERATING INCOME	(Note 23)	17,895	190,504	176,312	24,325	370,349	1,843,628
Income		71,117	286,060	246,452	118,649	544,949	1,971,297
Expenses		(53,222)	(95,556)	(70,140)	(94,324)	(174,600)	(127,669)
PROFIT BEFORE TAXATION AND PROFIT SHARING		9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME	(Note 25)	(1,910,845)	(3,980,792)	(2,286,422)	(2,606,410)	(5,321,189)	(3,902,787)
PROFIT SHARING		(844,649)	(1,500,227)	(1,295,282)	(989,036)	(1,756,190)	(1,384,531)
NET INCOME	(Note 24f)	6,626,909	11,758,093	10,147,522	6,626,909	11,703,165	10,148,111
PROFIT ATTRIBUTABLE TO PARENT		6,626,909	11,758,093	10,147,522	6,626,909	11,703,165	10,147,522
MINORITY INTEREST		--	--	--	--	(20)	589
EARNINGS PER SHARE	(Note 24e)						
Número médio ponderado de ações - básico		2,711,976,359	2,711,976,359	2,567,313,946	2,711,976,359	2,711,976,359	2,567,313,946
Basic earnings per share (R\$)		2.44	4.34	3.95	2.44	4.32	3.95
Número médio ponderado de ações - diluído		2,727,868,423	2,727,868,423	2,585,730,437	2,727,868,423	2,727,868,423	2,585,730,437
Lucro diluído por ação (R\$)		2.43	4.31	3.92	2.43	4.29	3.92

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A
Financial Statements
In thousands of Reals

Statements of Changes in Stockholders' Equity

Banco do Brasil	Capital	Capital Reserves		Revaluation Reserves in Subsidiary and Associated Companies	Reserve for Retained Earnings			Assets Valuation Adjustments	
		Tax Incentives	Legal Reserves		Statutory Reserves	Expansion Reserves	Bank	Subsidiary associated com	
									Events
Balances at 12.31.2008	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706		(31,422)	
Capital increase - the capitalization of reserves	4,768,706	--	--	--	--	(4,768,706)		--	
Capital increase - incorporation of subsidiaries and affiliates	18,308	--	--	--	--	--		--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--		(5,463)	
Net Income	--	--	--	--	--	--		--	
Appropriations: - Reserves	--	--	--	507,375	6,119,393	--		--	
- Dividends (Note 24f)	--	--	--	--	(533,956)	--		--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--		--	
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--		--	
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(540)	--	--	--		--	
Balance at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--		(36,885)	
Changes in the period	4,787,014	--	(540)	507,375	5,585,437	(4,768,706)		(5,463)	
Balance at 06.30.2010	26,028,096	--	6,372	2,552,851	10,419,407	--		(17,975)	
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--		--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--		45,136	
Disposal of treasury stock	--	--	--	--	--	--		--	
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--		--	
Net Income	--	--	--	--	--	--		--	
Appropriations: - Reserves	--	--	--	331,345	4,019,272	--		--	
- Dividends (Note 24f)	--	--	--	--	(375,970)	--		--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--		--	
Prescribed interest on own capital and dividends	--	--	--	--	--	--		--	
Realization of revaluation reserves in subsidiary and associated companies	--	--	(131)	--	--	--		--	
Balance at 12.31.2010	33,077,996	--	6,241	2,884,196	14,060,128	--		27,161	
Changes in the period	7,049,900	--	(131)	331,345	3,640,721	--		45,136	
Balances at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--		(36,885)	
Capital increase - the capitalization of reserves (Note 24b)	7,418,087	(5,188)	--	--	(7,412,899)	--		--	
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--		--	
Capital increase - subscription bonus of "C" (Note 24b)	42,816	--	--	--	--	--		--	
Capital increase - incorporation of subsidiaries and affiliates (Note 24b)	274	--	--	--	--	--		--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--		64,046	
Disposal of treasury stock	--	--	--	--	--	--		--	
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--		--	
Net Income	--	--	--	--	--	--		--	
Appropriations: - Reserves	--	--	--	587,905	7,290,591	--		--	
- Dividends (Note 24f)	--	--	--	--	(820,131)	--		--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--		--	
Prescribed interest on own capital and dividends	--	--	--	--	--	--		--	
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(505)	--	--	--		--	
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--		--	
Balance at 12.31.2010	33,077,996	--	6,241	2,884,196	14,060,128	--		27,161	
Changes in the period	14,511,077	(5,188)	(505)	587,905	(945,020)	--		64,046	

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A
Financial Statements
In thousands of Reals

Statements of Changes in Stockholders' Equity

EVENTS	BB-Consolidated						Assets Valuation Adjustments	
	Capital	Capital Reserves	Revaluation Reserves	Reserve for Retained Earnings			Bank	Subsidiary associated com
				Legal Reserves	Statutory Reserves	Expansion Reserves		
Balances at 12.31.2008	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706	(31,422)	
Capital increase - the capitalization of reserves	4,768,706	--	--	--	--	(4,768,706)	--	
Capital increase - incorporation of subsidiaries and affiliates	18,308	--	--	--	--	--	--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	(5,463)	
Net Income	--	--	--	--	--	--	--	
Appropriations: - Reserves	--	--	--	507,375	6,119,393	--	--	
- Dividends (Note 24f)	--	--	--	--	(533,956)	--	--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(540)	--	--	--	--	
Acquisition of subsidiary	--	--	--	--	--	--	--	
Balance at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	
Changes in the period	4,787,014	--	(540)	507,375	5,585,437	(4,768,706)	(5,463)	
Balance at 06.30.2010	26,028,096	--	6,372	2,552,851	10,364,499	--	(17,975)	
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	45,136	
Disposal of treasury stock	--	--	--	--	--	--	--	
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	
Net Income	--	--	--	--	--	--	--	
Appropriations: - Reserves	--	--	--	331,345	4,019,272	--	--	
- Dividends (Note 24f)	--	--	--	--	(375,970)	--	--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(131)	--	--	--	--	
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	
Outros ajustes	--	--	--	--	--	--	--	
Balance at 12.31.2010	33,077,996	--	6,241	2,884,196	14,005,220	--	27,161	
Changes in the period	7,049,900	--	(131)	331,345	3,640,721	--	45,136	
Balances at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	
Capital increase - the capitalization of reserves (Note 24b)	7,418,087	(5,188)	--	--	(7,412,899)	--	--	
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	
Capital increase - subscription bonus of "C" (Note 24b)	42,816	--	--	--	--	--	--	
Capital increase - incorporation of subsidiaries and affiliates	274	--	--	--	--	--	--	
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	64,046	
Disposal of treasury stock	--	--	--	--	--	--	--	
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	
Net Income	--	--	--	--	--	--	--	
Unrealized results	--	--	--	--	(54,908)	--	--	
Appropriations: - Reserves	--	--	--	587,905	7,290,591	--	--	
- Dividends (Note 24f)	--	--	--	--	(820,131)	--	--	
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(505)	--	--	--	--	
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	
Change in minority interest in subsidiaries	--	--	--	--	--	--	--	
Balances at 12.31.2010	33,077,996	--	6,241	2,884,196	14,005,220	--	27,161	
Changes in the period	14,511,077	(5,188)	(505)	587,905	(999,928)	--	64,046	

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of Reals

Statements of Cash Flow

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income before taxes	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
Adjustments to Net Income:	4,356,562	7,720,764	11,481,608	11,531,824	20,446,667	18,944,590
Provision for credit, leasing operations and other receivables (Notes 10f and 10g)	4,570,628	9,545,414	11,414,460	4,759,834	10,244,040	12,396,261
Depreciation and amortization (Note 22d)	1,577,817	3,136,697	1,993,106	1,610,786	3,196,517	2,405,841
Result of the assessment of the recoverable value of assets (Notes 15 and 16)	14,594	14,932	4,063	14,226	15,621	4,736
Result of participation in affiliates and subsidiaries (Note 14a)	(1,451,871)	(2,873,966)	(1,849,552)	125,032	46,323	989,350
(Profit)/ loss on the sale of assets (Note 23)	(11,742)	(43,912)	(32,129)	19,778	16,695	(17,205)
Profit on the sale of investments/equity interest (Note 23)	(816)	(117,166)	(76,696)	(7,853)	(221,568)	(1,765,663)
(Gain)/Loss on Capital (Note 23)	18,245	21,813	(17,187)	3,051	(91,508)	(14,799)
Results of changes in foreign exchange (Note 14a)	(108,935)	(111,534)	(762,200)	(162,170)	(166,972)	(1,041,839)
Provision/(reversal) for devaluation of other assets (Note 23)	7,244	8,913	2,679	7,251	8,969	2,074
Amortization of goodwill on investments (Note 14c)	96,306	186,719	65,055	134,165	304,967	135,510
Provision with civil, labor and tax provisions (Note 28b)	705,292	802,680	460,539	776,640	1,012,731	1,097,880
Changes in provision for insurance, Pension Plans and Capitalization (Note 21e)	--	--	--	5,315,216	8,927,554	4,386,295
Actuarial Assets/Liabilities (Note 27)	(2,303,052)	(3,816,028)	(4,005,120)	(2,303,052)	(3,816,028)	(4,005,120)
Effect of exchange rate changes on cash and cash equivalents	1,244,722	963,164	4,280,831	1,240,633	966,275	4,368,099
Minority interest	--	--	--	--	20	(589)
Other adjustments	(1,870)	3,038	3,759	(1,713)	3,031	3,759
Changes						
Short-term interbank investments	18,016,602	40,525,803	(53,678,169)	13,404,976	46,189,983	(76,202,677)
Securities and derivative financial instruments	1,960,926	2,459,541	1,456,570	(3,990,464)	(11,786,094)	(3,137,994)
Interbank and interdepartmental accounts	(24,920,060)	(59,408,439)	(7,999,748)	(25,928,939)	(62,442,063)	1,247,715
Loan operations	(27,384,084)	(57,209,480)	(45,135,557)	(33,000,083)	(65,253,458)	(52,270,401)
Lease operations	6,886	16,302	8,502	485,131	690,323	(413,263)
Other claims net of deferred tax	(10,233,898)	(13,576,075)	5,264,381	(10,664,910)	(14,551,933)	7,248,825
Other assets	(1,304,873)	(1,601,226)	(556,829)	(1,411,026)	(1,552,232)	(626,390)
Income tax and social contribution	(3,483,275)	(4,992,276)	(3,850,980)	(4,032,251)	(6,468,349)	(5,441,203)
Deposits	32,781,396	38,582,012	13,841,022	32,889,842	39,286,841	16,897,899
Money Market	(26,100,089)	(23,261,984)	55,966,488	(24,427,614)	(18,646,232)	48,437,052
Repurchase agreements	23,674	4,460,062	1,370,970	1,253,944	6,123,788	818,837
Borrowing and onlendings	11,021,988	21,560,572	953,149	11,031,081	21,395,265	3,305,604
Other liabilities	13,978,001	14,128,599	288,613	14,880,777	22,240,729	(3,818,050)
Change Deferred Income	72,296	33,324	8,542	72,727	111,534	142,850
CASH PROVIDED/(USED IN) OPERATIONS	(1,825,545)	(13,323,389)	(6,852,212)	(7,682,630)	(5,434,687)	(29,431,177)
CASH FLOWS INVESTING ACTIVITIES						
Securities and Derivatives available for sale	(10,449,487)	(9,962,648)	(9,368,347)	(7,932,802)	(12,784,266)	(15,118,446)
Securities and Derivatives held to maturity	2,725,144	7,957,737	8,447,014	2,393,268	5,782,871	10,771,841
Dividends receivable from subsidiary/associated companies	879,618	2,040,902	2,504,030	--	--	--
(Acquisition) / disposal of fixed assets in use	(1,004,173)	(1,465,488)	(1,195,496)	(1,091,549)	(1,578,376)	(1,300,154)
(Acquisition) / Disposal of investment	(3,512,370)	(3,815,248)	(479,131)	(1,383,515)	(1,385,349)	1,595,639
Acquisition of intangible/deferred	(450,490)	(2,839,415)	(1,497,276)	(486,289)	(2,911,625)	(1,668,061)
Cash and Cash Equivalents Assets and Liabilities						
Arising from the merger of Banco Nossa Caixa	--	--	(4,810,665)	--	--	856,037
Cash and Cash Equivalents from the participation of Banco Votorantim	--	--	(3,750,000)	--	--	3,113,393
Cash received on the sale of Brasilsaude (Note 2c)	--	--	--	29,057	29,057	--
CASH PROVIDED/(USED IN) INVESTING ACTIVITIES	(11,811,758)	(8,084,160)	(10,149,871)	(8,471,830)	(12,847,688)	(1,749,751)
CASH FLOWS FROM FINANCING ACTIVITIES						
Change in minority interest	--	--	--	4	(94)	141
Subordinated debt	1,548,744	3,573,053	4,615,392	2,072,487	4,858,876	6,781,063
Hybrid capital instruments and debt	(272,109)	(145,501)	2,330,628	(281,656)	(154,410)	2,330,628
Capital increase	7,049,900	7,092,715	18,308	7,049,900	7,092,715	18,308
Disposal of treasury stock	30,936	30,936	--	30,936	30,936	--
Dividends and Interest on own capital paid	(2,825,850)	(5,306,642)	(3,718,268)	(2,825,850)	(5,306,642)	(3,718,268)
CASH PROVIDED/(USED IN) FINANCING ACTIVITIES	5,531,621	5,244,561	3,246,060	6,045,821	6,521,381	5,411,872
Net Cash and Cash Equivalents Variation	(8,105,682)	(16,162,988)	(13,756,023)	(10,108,639)	(11,760,994)	(25,769,056)
At the beginning of the period	41,926,763	49,702,511	67,739,365	36,496,985	37,874,982	68,012,137
Effect of exchange rate changes on cash and cash equivalents	(1,244,722)	(963,164)	(4,280,831)	(1,240,633)	(966,275)	(4,368,099)
At the end of the period	32,576,359	32,576,359	49,702,511	25,147,713	25,147,713	37,874,982
Increase (decrease) in cash and cash equivalents	(8,105,682)	(16,162,988)	(13,756,023)	(10,108,639)	(11,760,994)	(25,769,056)

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statement
In Thousand of Reals

Statements of Added Value

	Banco do Brasil							
	2S2010		2010		2009		2S2010	
	Balance	%	Balance	%	Balance	%	Balance	%
Income	<u>42,119,791</u>		<u>78,786,617</u>		<u>62,202,168</u>		<u>49,849,673</u>	
Financial Intermediation Income	38,401,954		72,173,904		55,998,281		43,893,466	
Banking and service fees	6,252,807		12,065,231		10,195,658		8,279,754	
Allowance for loans losses	(4,570,628)		(9,545,414)		(11,414,460)		(4,759,834)	
Other income/expenses	2,035,658		4,092,896		7,422,689		2,436,287	
Financial Intermediation Expense	<u>(20,903,589)</u>		<u>(38,864,001)</u>		<u>(29,768,730)</u>		<u>(24,695,509)</u>	
Third party materials and services	<u>(3,462,327)</u>		<u>(6,783,892)</u>		<u>(5,573,635)</u>		<u>(4,039,914)</u>	
Materials, energy and other	(218,653)		(443,480)		(395,819)		(227,292)	
Services provided	(562,067)		(1,077,466)		(793,347)		(617,589)	
Others	(2,681,607)		(5,262,946)		(4,384,469)		(3,195,033)	
Communications	(Note 22d)		(582,850)		(1,181,377)		(626,899)	
Data processing	(Note 22d)		(472,137)		(1,006,867)		(512,196)	
Transportation	(Note 22d)		(381,157)		(702,215)		(400,259)	
Security and surveillance services	(Note 22d)		(342,738)		(668,699)		(345,091)	
Services of the financial system	(Note 22d)		(246,268)		(513,155)		(324,372)	
Advertising and publicity	(Note 22d)		(146,338)		(229,320)		(187,684)	
Other	(510,119)		(912,119)		(734,087)		(798,532)	
Added Value	<u>17,753,875</u>		<u>33,138,724</u>		<u>26,859,803</u>		<u>21,114,250</u>	
Amortization / depreciation	(Note 22d)		(1,577,817)		(1,993,106)		(1,610,786)	
Net Value Added Produced by Entity	<u>16,176,058</u>		<u>30,002,027</u>		<u>24,866,697</u>		<u>19,503,464</u>	
Added Value Received in the Transfer	<u>1,451,871</u>		<u>2,873,966</u>		<u>1,849,552</u>		<u>(125,032)</u>	
Equity in the (Gain)/Loss of subsidiary and associated companies	1,451,871		2,873,966		1,849,552		(125,032)	
Added Value to distribute	<u>17,627,929</u>	100.00	<u>32,875,993</u>	100.00	<u>26,716,249</u>	100.00	<u>19,378,432</u>	100.00
Distributed of Added Value	<u>17,627,929</u>	100.00	<u>32,875,993</u>	100.00	<u>26,716,249</u>	100.00	<u>19,378,432</u>	100.00
Personnel	<u>6,415,515</u>	36.39	<u>12,057,658</u>	36.68	<u>10,118,498</u>	37.87	<u>6,956,856</u>	35.90
Salaries and fees	4,099,568		7,694,473		6,437,910		4,390,939	
Profit sharing	844,649		1,500,227		1,295,282		989,036	
Benefits and training	(Note 22c)		885,056		1,315,641		955,206	
FGTS	278,003		502,139		386,336		305,042	
Others	308,239		644,539		683,329		316,633	
Income Taxes and Social Contribution	<u>4,324,943</u>	24.53	<u>8,539,506</u>	25.97	<u>6,048,783</u>	22.64	<u>5,474,923</u>	28.25
Federal	4,039,821		7,984,837		5,571,089		5,104,397	
State	297		853		699		305	
Municipal	284,825		553,816		476,995		370,221	
Remuneration of Third Party Capital	<u>260,562</u>	1.48	<u>520,736</u>	1.58	<u>401,446</u>	1.50	<u>319,744</u>	1.65
Rentals	(Note 22d)		260,562		401,446		319,744	
Remuneration of Equity	<u>6,626,909</u>	37.60	<u>11,758,093</u>	35.77	<u>10,147,522</u>	37.99	<u>6,626,909</u>	34.20
Interest on capital of the Union	806,316		1,487,739		1,215,612		806,316	
Interest on equity to other stockholders	553,407		915,511		642,254		553,407	
Dividends - main shareholder	766,974		1,425,815		1,439,002		766,974	
Dividends - other shareholder	526,406		876,511		762,141		526,406	
Retained earnings	3,973,806		7,052,517		6,088,513		3,973,806	
Minority interests in retained earnings	--		--		--		--	

The accompanying notes are an integral part of these financial statements

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1 – The Bank and its Operations

Banco do Brasil S.A. is a publicly listed company established under private law with both public and private stockholders. It is subject to the requirements of Brazilian corporate legislation. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to intermediate and originate financial transactions in various forms, including foreign exchange transactions and supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of credit/debit cards, consortiums, investment funds and management portfolios, and to practice any activities permitted for the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of Article 19 of Law 4595/1964.

2 – Company Restructuring

a) Mergers

Besc S.A. Arrendamento Mercantil e Besc Financeira S.A. – Crédito, Financiamento e Investimento

On April 13, 2010, as approved by the Extraordinary General Meeting held on the same date, Banco do Brasil S.A. merged the subsidiaries Besc S.A. Arrendamento Mercantil (Bescleasing) and Besc Financeira S.A. - Crédito, Financiamento e Investimento (Bescredi). The justifications for the mergers are principally based on cost reduction by capturing operating synergies and consolidating the competitive advantages to be achieved due to the magnitude of Bank's network of branches.

The required valuations were performed of the Bank by the quotation of its shares in the securities market and of Bescleasing and Bescredi by their book values. Based on those valuations, the Bank's capital, was increased by R\$ 274 thousand, due to the issue of 9,039 registered common shares without par value, arising from the transfer of 1% of the assets of Bescleasing and 0.41639% of the assets of Bescredi approved by the Bank at 05.28.2010.

Of the shares issued, 6,452 shares were assigned to Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval, an entity controlled by Banco do Brasil and minority shareholder of Bescleasing, resulting in a reciprocal shareholding expected to be eliminated within 1 year.

Banco do Brasil took on the capacity of successor of Bescleasing and Bescredi, as regards all their assets, rights and obligations. As a natural outcome, both merged companies had their separate legal identities terminated.

Banco Popular do Brasil S.A.

On May 31, 2010, as approved by the Extraordinary General Meeting held on the same date, Banco do Brasil merged its wholly-owned subsidiary Banco Popular do Brasil S.A. under the terms of the Agreement and Plan of Merger, by transferring the net equity of the subsidiary into the parent company. The merger is justified as the most adequate and efficient to integrate the activities and simplify the operating structure, with the resulting reduction in operating costs, in addition to allowing the expansion of the offer of products and services to the customers and the public connected to Banco Popular do Brasil.

The net equity of Banco Popular do Brasil was valued based on the book value as of December 31, 2009, with the addition of the equity variations between the date of the determination of book value and the merger date, as authorized by the Brazilian Securities Commission (CVM). As a natural outcome, Banco Popular do Brasil was extinguished pleno jure as a legal entity, and Banco do Brasil became the universal successor of Banco do Brasil's rights and obligations.

Notes to Financial Statements

Assets and income in the period:

	R\$ Thousand		
	Banco Popular	Bescleasing	Bescredi
Balances merged:			
- Assets	194,820	20,500	21,107
- Liabilities	171,265	780	1,860
- Equity	23,555	19,720	19,247
Net income to date of merger	1,768	142	373

Banco Nossa Caixa

On April 1, 2010, the Central Bank of Brazil (BACEN) approved the merger of Banco Nossa Caixa, which occurred on 30.11.2009 and cancelled the operating permit.

In connection with the Justification and Incorporation Protocol published on 10.29.2009, the shares of Banco Nossa Caixa have been converted in shares of Banco do Brasil on 04.09.2010.

b) Acquisitions

Banco Patagonia S.A.

On 04.21.2010, the Banco do Brasil and the controllers of Banco Patagonia SA entered into the Purchase and Sale Agreement for acquisition by Banco do Brasil, the controlling interest of Banco Patagonia, and authorized by the Central Bank of Brazil in 10.21.2010 and by the Central Bank of Argentina in 02.07.2011. The price tag for the acquisition of 366,825,016 shares (51% of the share capital and voting capital) is R\$ 479,660 thousand, resulting in the value of US\$ 1.3076 per share.

On 10.28.2010, the Central Bank of Brazil also has authorized the Banco do Brasil to increase its equity position from 51% to 75% of the total voting capital of Banco Patagonia, due to the Public Offering (OPA) under the Purchase and Sale Agreement. The Central bank of Argentina also has authorized the operation.

The operations are under review and other regulatory bodies of Argentina.

Cielo e Visavale - Increase of the participation

On 07.13.2010, the negotiation was completed where BB Banco de Investimento S.A. (BB BI) acquired from Grupo Santander Espanha a portion of the shares held by Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale) and in Cielo S.A. ("Cielo"). Participation of BB BI in Cielo increased from 23.61% to 28.75% and in Visa Vale 40.35% to 45%.

Summary of values involved in the transaction:

	R\$ Thousand
Cielo	
Share acquisition price on 07/13/2010	1,058,988
Book Value corresponding to the percentage acquired (5.04%)	56,864
Value of goodwill for the acquisition	1,002,124
VisaVale	
Share acquisition price on 07/13/2010	61,916
Book Value corresponding to the percentage acquired (4.655%)	8,005
Value of goodwill for the acquisition	53,911

In 01.24.2011 was signed by BB BI the purchase and sale of shares with Visa International Service Association (Visa International) the amount of R\$ 85.5 million, for a portion of the shares held by Visa International's Visa Vale, corresponding to 4.99% of capital stock of the company.

Notes to Financial Statements

Upon completion of the transaction, the participation of BI BB increase from 45.00% to 49.99%.

c) Corporate Reorganizations in the area of Insurance, Pension, Capitalization and Reinsurance

IRB - Instituto de Resseguros do Brasil - Negotiations for Acquisition of Equity Interest

On 10.15.2009, the Bank communicated the start of negotiations without binding effect, aiming at the acquisition of equity interest in IRB-Brasil Re S.A.. The deal is under review by management.

Brasilcap Capitalizações S.A.

On January 6, 2010, the Bank announced that its wholly-owned subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

On 01.24.2011, BB Seguros signed Purchase and Sale Agreement to acquire all of the shareholding (16.67% ON) owned by Sul América Capitalização S.A. (Sulacap) in Brasilcap Capitalização S.A. (Brasilcap) by the amount of R\$ 137 million. The deal is subject to approval by the respective regulatory bodies. Upon completion of the transaction, the participation of BB Seguros will increase from 49.99% to 66.66%.

Brasilprev Seguros e Previdência S.A.

On 04.30.2010, the Bank announced that BB Seguros Participações S.A. ("BB Seguros") and PFG do Brasil Ltda., member of the Principal Financial Group ("Principal"), renewed their strategic partnership in developing and marketing open-ended private pension plans in Brazil.

Principal acquired a 4% shareholding in Brasilprev Seguros e Previdência S.A. ("Brasilprev") held by Serviço Brasileiro de Apoio às Micro e Pequenas Empresas - SEBRAE.

The BB Seguros holds 74.995% of Brasilprev's total equity capital, in accordance with the following breakdown of equity interests:

	Common Shares		Preferred Shares		Total	
	%	N.º of Shares	%	N.º of Shares	%	N.º of Shares
Principal	50.01	572,634	--	--	25.005	572,634
BB Seguros	49.99	572,406	100.00	1,145,040	74.995	1,717,446
Total	100.00	1,145,040	100.00	1,145,040	100.00	2,290,080

The Mapfre Partnership

On 05.05.2010, Banco do Brasil announced that BB Seguros and the insurance Group Mapfre entered into a partnership agreement ("Agreement") to form a strategic alliance in the field of personal insurance, casualties, and vehicles effective for 20 years.

Pursuant to this Agreement, two privately owned holding companies will be organized, under the Mapfre group's control of the voting shares and jointly managed. In order to equalize the intended shareholding in both holding companies that will be organized, BB Seguros will pay in a sum of R\$ 295 million.

Brasilveículos Companhia de Seguros

On 10.29.2010, after approval by the Superintendence of Private Insurance (Susep), BB Aliança REV Participações S.A. (BB Aliança REV), wholly owned subsidiary of BB Seguros, acquired by the amount of R\$ 359,361 thousand, the total shareholding by Sul America Companhia Nacional de Seguros (Sul America) in Brasilveículos Companhia de Seguros (Brasilveículos), under purchase and sale agreement signed on 05.05.2010 and its addendum.

Notes to Financial Statements

	R\$ Thousand
Price for the transaction on 10.29.2010	359.361
Book Value corresponding to the percentage acquired (30%)	111.803
Value of goodwill for the acquisition	247.558

On 11.17.2010, BB Seguros increased the share capital of BB Aliança REV totaling R\$ 260,186 thousand. The form of payment occurred through the conference to BB Aliança REV of 26,018,646 shares and registered shares representing 70% of the share capital of Brasilveículos as Appraisal Report Annex to the Minutes of the Extraordinary General Meeting that approved the capital increase.

Thus, BB Aliança REV now holds a 100% share of the total capital of Brasilveículos, as shown below:

	Before Negotiation		Current	
	Shares ON	Shares PN	Shares ON	Shares PN
BB Seguros	40%	100%	--	--
BB Aliança REV	--	--	100%	100%
Sul América	60%	--	--	--

Brasilsaúde Companhia de Seguros

On 05.20.2010, the BB Seguros e a Sul América Seguro Saúde S.A. (SAS Saúde) signed a Sale and Purchase Agreement for the acquisition by SAS Saúde of all shares held by BB Seguros (49.92% of total capital) in Brasilsaúde Companhia de Seguros.

On 07.08.2010, after approval by the National Health Agency (ANS), the operation was completed by the amount of R\$ 29,158 thousand.

Balance sheet and income:

	R\$ Thousand
Assets	137,807
Liabilities	93,270
Stockholders' Equity	44,537
Income to Date of Disposal	(2,247)
Stockholders' Equity adjusted of Brasilsaúde	44,537
Value of Investment in Banco do Brasil (49.92%)	22,121
Amount Received from Sale	29,158
Gross Profit on Disposal	7,037

d) Partners

Partnership of Banco do Brasil, Bradesco and Caixa Economic Federal in the card segment

On 04.27.2010, the Banco do Brasil SA and Banco Bradesco SA signed a memorandum of understanding, without binding effect, for the preparation of a business model to integrate a portion of their card operations and, concurrently, launch a Brazilian flag Elo of credit, debit and prepaid cards for account holders and non-account holders. If the operation is concluded, the above mentioned companies intend to create a new holding which will integrate and manage the businesses.

On 08.09.2010, the Banco do Brasil, Banco Bradesco SA and Caixa Economica Federal signed a memorandum of understanding, without binding effect for development of business model in order (i) to integrate the CEF for the release all of the Brazilian flag Elo credit cards, debit and prepaid to customers account holders and non-account holders of their banks and (ii) to evaluate the possibility to develop jointly,

Notes to Financial Statements

new business for prepaid cards through creation of enterprise payment methods or incorporation of existing businesses and aligned to this type of business.

Banks have also informed the intention of studying the possibility of expanding the participation of the Caixa Economica Federal in Cielo SA and proceed with negotiations on the possible participation of this financial institution in sharing project external self-service terminals.

The consummation of the transaction is subject to technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements.

Strategic Partnership with Bradesco and Banco Espirito Santo

On 08.09.2010, the Banco do Brasil has signed with Banco Bradesco SA and Banco Espirito Santo SA (BES), a memorandum of understanding, without binding effect, in order to initiate dealings to establish strategic partnership ("financial holding") in Africa.

If successful, the partnership would consolidate current operations in Africa BES. The financial holding also coordinates future investments involving the acquisition of shareholdings in other banks as well as establishing its own operations on the African continent. The three financial institutions consider the potential partnership an important means to support the movement towards the internationalization of Brazilian and Portuguese companies and to assist the growing trade with that continent.

The consummation of the transaction is subject to completion of technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements in each country.

3 – Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the Conselho Monetário Nacional (CMN), Brazilian Central Bank (BACEN), the National Council of Private Insurance (CNSP), the Superintendence of Private Insurance (SUSEP), the National Health Agency (ANS) and the Brazilian Securities Commission (CVM), when applied.

According to Brazilian practices some estimates require that Management use its judgment in determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, the allowance for loan losses and deferred income tax recorded in assets, contingencies, the appreciation of derivative financial instruments, and the assets and liabilities relating to benefits for employees. The final amounts for transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil S.A. in Brazil and abroad (Banco do Brasil), and financial and non-financial subsidiaries in Brazil and abroad, special purpose entities, including the Investment Funds in which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Central Bank requirements (BB-Consolidated).

In the preparation of these financial statements, amounts resulting from transactions between consolidated companies, including the ownership interest held by one in another, balances of balance sheet accounts, revenues, expenses, reciprocal shareholding, and unrealized profits, net of tax effects, were eliminated. Minority interest in net equity and income was separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest where control is shared with other shareholders were consolidated proportionally to the ownership held in the investee's capital. Leasing operations were considered from the funding method's standpoint, and the amounts were reclassified from the heading of leased assets to the heading of leasing operations, after deduction of residual amounts received in advance.

Notes to Financial Statements

The Statement of Income of BB-Consolidated, for the year 2009, includes revenues and expenditures of Banco Nossa Caixa and Banco Votorantim, referring only to the period from 04.01 to 11.30.2009 and 10.01 to 12.31.2009, respectively.

Since 2008, the Committee for Accounting Pronouncements (CPC) has issued accounting standards and interpretations aligned with the international accounting standards approved by the Brazilian Securities and Exchange Commission (CVM). Bacen accepted the following pronouncements, applied in full by the Bank: CPC 01 – Reduction in Recoverable Value of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 – Disclosure on Related Parties and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

The Bank has also applied, the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 - Statement of Value Added, CPC 11 - Insurance Operations, CPC 12 – Adjustment at Present Value, CPC 19 - Investment in Joint Venture, CPC 22 – Information by Segment, CPC 24 - Subsequent Events, CPC 33 - Employee Benefits and CPC 41 - Income per Share

Pronouncements CPC 07 - Government Subsidies and Assistance, CPC 10 –Share-based Payment, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Central Bank rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

The application of other provisions which depend on Bacen's regulations reflects, basically, in immaterial adjustments or in changes in the way of disclosure, except the following pronouncements that may result in significant impacts on the financial statements:

CPC 04 - Intangible Assets and CPC 15 - Business Combination – a) reclassification of intangible assets identified on the acquisitions of Banco Nossa Caixa and Banco Votorantim, which occurred in March/2009 and September/2009, respectively, in the Investment Account to the account of intangible assets in the group of Noncurrent Assets – Permanent; b) derecognition of goodwill amortization expenses due to expectations of future profitability arising from the acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for doubtful loans, due to the adoption of the incurred loss criterion.

The Bank, as determined by the National Monetary Council (CMN) Resolution 3786/2009 and the Bacen Circular 3472/2009 and 3516/2010, will disclose, up to 04.29.2011, the consolidated financial statements in accordance with international accounting standards (IFRS) for the financial year ended 12.31.2010.

For purposes of comparability of the financial statements, a reclassification of the Noncurrent Liabilities - Minority Interest in Subsidiaries was made to Shareholders' equity - Minority interests in Subsidiaries, as of 12.31.2009, in the amount of R\$ 141 thousand.

The issuance of these financial statements was authorized by the Executive Board of Directors, on 02.15.2011.

Notes to Financial Statements

Shareholding interest included in the consolidated financial statements, segregated by business segments, according to exhibit in Note 5 - Information by Segment:

			Activity	% of Total Share	
				12.31.2010	12.31.2009
Banking Segment					
BB Leasing S.A. – Arrendamento Mercantil	(1)	(5)	Leasing	100%	100%
Banco do Brasil – AG. Viena	(1)	(5)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(5)	Leasing	100%	100%
BB Securities LLC.	(1)	(5)	Broker	100%	100%
BB Securities Ltd.	(1)	(5)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB	(1)	(5)	Banking	100%	100%
BB USA Holding Company, Inc	(1)	(5)	Holding	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	99,62%	99,62%
Banco Votorantim S.A.	(3)	(5)	Banking	50%	50%
BB Banco Popular do Brasil S.A.	(2)		Banking	--	100%
Besc Financeira S.A. – Crédito, Financiamento e Investimentos	(2)		Loans and Financing	--	99,58%
Besc Leasing S.A. – Arrendamento Mercantil	(2)		Leasing	--	99%
Investment Segment					
BB Banco de Investimento S.A.	(1)	(5)	Investment Bank	100%	100%
Kepler Weber S.A.	(3)	(6)	Industry	17,56%	17,65%
Companhia Brasileira de Securitização – Cibrasec	(4)	(6)	Credit Acquisition	12,12%	12,12%
Neoenergia S.A.	(3)	(5)	Energy	11,99%	11,99%
Segment of Fund management					
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	100%	100%
Segment of Insurance, Private Pension Fund, and Capitalization					
BB Seguros Participações S.A.	(1)	(5)	Holding	100%	100%
BB Aliança Participações S.A.	(1)	(5)	Holding	100%	100%
BB Aliança Rev Participações S.A.	(1)	(5)	Insurance company	100%	--
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(5)	Broker	100%	100%
Cia. de Seguros Aliança do Brasil	(4)	(5)	Insurance company	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(5)	Capitalization	100%	100%
Brasilveículos Companhia de Seguros	(4)	(5)	Insurance company	100%	70%
Brasilprev Seguros e Previdência S.A.	(4)	(5)	Insurance Company/Pension	74,99%	49,99%
Brasilcap Capitalizações S.A.	(4)	(5)	Capitalization	49,99%	49,99%
Seguradora Brasileira de Crédito à Exportação – SBCE	(4)	(5)	Insurance company	12,09%	12,09%
Brasilsaúde Companhia de Seguros			Insurance Company/Health	--	49,92%
Aliança do Brasil Seguros S.A.	(1)	(5)	Insurance company	100%	--
Segment of payment methods					
BB Administradora de Cartões de Crédito S.A.	(1)	(5)	Service Rendering	100%	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	(1)	(5)	Service Rendering	100%	100%
Cia. Brasileira de Soluções e Serviços CBSS – Visa Vale	(4)	(6)	Service Rendering	45%	40,35%
Cielo S.A.	(3)	(5)	Service Rendering	28,74%	23,61%
Tecnologia Bancária S.A. – Tecban	(4)	(6)	Service Rendering	13,53%	13,53%
Other segments					
Ativos S.A.	(1)	(5)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(5)	Consortiums	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(6)	Tourism	100%	100%
BB Money Transfers, Inc	(1)	(5)	Service Rendering	100%	100%
Cobra Tecnologia S.A.	(1)	(6)	IT	99,99%	99,94%
BV Participações S.A.	(3)	(5)	Holding	50%	50%

(1) Subsidiary companies.

(2) Subsidiary incorporated in 2010

(3) Financial company, with joint control included proportionately in the consolidation.

(4) Affiliates, including proportional consolidation as determined by the Bank.

(5) Financial statements for consolidation on December/2010.

(6) Financial statements for consolidation on November/2010.

Notes to Financial Statements

The following investment funds were also consolidated: BV Financeira FIDC I, BV Financeira FIDC II, BV Financeira FIDC III, Fundo de Investimento Sedna Referenciado DI and Votorantim G&K Fundo de Investimento em Participações, as well as specific-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, entities that are directly or indirectly controlled by the Bank.

4 – Summary of Main Accounting Practices

a) Statements of income

Income and expenses are recognized on the accrual basis. Transactions with fixed rates are recorded at their redemption value and deferred income and expenses are recorded as a discount to the corresponding assets or liabilities. Variable or foreign-currency-indexed transactions are adjusted to the balance sheet date based on agreed contractual indices.

b) Cash and cash equivalents

Cash and cash equivalents are represented by available funds in local currency, foreign currency, investments in gold, short-term investments with high liquidity and insignificant risk of change in value and limits, with maturity equal to or less than 90 days and do not include short-term interbank investments – financed position (Note 6).

c) Short-term interbank investments

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustment to allowance for losses when applied.

d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified in three separate categories according to management's intentions, According to Bacen 3.068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in their value are recorded, respectively, in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in their value are recorded, net of tax effects, in a separate stockholders' equity account.

Securities held to maturity: these are securities that the Bank intends and has the financial ability to hold to maturity. These securities are not adjusted to market value but are held at cost plus accumulated interest. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through the use of future interest rate curves, foreign exchange rates, and price and currency index charged in the settlement.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a daily pro-rata basis on the accrual basis of accounting until the date of maturity or final sale, according to the exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Notes to Financial Statements

Losses with securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of acquisition plus accrued income is recorded as a gain or loss on securities on the date of the transaction.

e) Derivative Financial Instruments

Derivative financial instruments are recorded at market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The mark-to-market methodology used for derivative financial instruments was established following consistent, verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value, according to the characteristics of the derivatives.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in market values of financial assets or liabilities or future cash flows are considered hedge instruments and are classified according to their nature:

Market Risk Hedge - the increases or decreases in the value of the derivative financial instruments, as well as of the hedged item, are recorded in income accounts in the statement of income for the period;

Cash Flow Hedge - the effective portion of the increases or decreases in the value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Stockholders' Equity account. The effective portion is that where the variation in the hedged item, directly related to the corresponding risk, is offset by the variation in the derivative financial instrument used as the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income for the period.

f) Loans, lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans already written off against the allowance are rated as H and any gains from renegotiation are recognized as income when effectively received.

The allowance for loan losses is considered sufficient by management which satisfies the minimum requirements established by CMN Resolution 2682/1999 (Note 10.f).

Notes to Financial Statements

g) Taxes

The taxes are calculated based on the rates shown in the table below:

Tax	Rate
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income	15%
Social Integration Program	0.65%
Contribution to Social Security Financing	4%
Tax Services of any kind - ISSQN	Up to 5%

As of May 1, 2008, Social Contribution is being calculated at the rate of 15% for financial and insurance companies and 9% for other companies.

For non-financial firms have opted for the non-cumulative regime of verification, the PIS rate PASEP is 1.65% and Cofins is 7.6%.

Deferred tax assets (tax credits) are recorded by applying the current tax rates to the difference between their respective fiscal and accounting bases. The Bank follows the criteria for recording, maintaining, and writing off the tax credits as established by CMN Resolution 3059/2002, and amended by CMN Resolution 3355/2006, and they are supported by a study of their capacity for realization.

The deferred tax liabilities are made by applying the current rates of taxes on their respective bases.

h) Prepaid Expenses

Refer to the application of funds in payments made in advance, and the benefits will be felt or the services will be rendered in subsequent periods.

i) Permanent assets

Investments (BB-Multiple Bank)– The investments in subsidiaries and associated companies with significant influence or with participation of 20% or more voting shares in other companies and which are part of a group or are under common control are evaluated by the equity method based on the value of the equity related or controlled.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with BACEN Circulars 2397/93 and 2571/95, and their impacts are recorded in the statement of income for the period.

Other permanent investments are stated at cost, less allowance for losses and the impairment, if applicable.

Property and equipment – Property and equipment are stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; data processing system – 20% and others - 10% (Note 15).

Deferred – Deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of expenditures with restructuring and leasehold improvements as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% per annum (p.a.).

Intangible – Intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including goodwill acquired.

Notes to Financial Statements

An asset meets the criteria for identification as an intangible asset, in accordance with CMN Resolution 3642/2008, when it is inseparable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets have a defined useful life and refer to disbursements for acquisition of the right to provide bank services (payroll acquisitions), and are amortized over contracted periods, and acquisition/development of software, amortized on the straight-line basis at the rate of 20% per year starting from the date of availability for use, and adjusted by reducing them to their recoverable amounts (impairment), when applicable (Note 16). The amortization of intangible assets is recorded in "Other Administrative Expenses".

j) Decrease in the recoverable value of non-financial assets – impairment

A loss through impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows, which are largely independent of the cash flows from other assets or groups of assets. Losses through impairment are recognized in income for the period.

From 2008, the values of non-financial assets, excluding tax credits and other assets are reviewed at least annually to determine whether there is any indication of loss through impairment.

Taking into account the materiality and relevance of the involved amounts, the main assets that have their recoverable amounts tested are: Buildings, Data processing systems (property, plant and equipment) and Rights due to payroll acquisition (intangible assets) and Goodwill for expected future earnings generated in the purchasing entities

The calculation of the recoverable amounts of the tested items employs the following assumptions: (1) for the calculation of the recoverable amounts of buildings, appraisal reports (for properties of significant value) and estimates (for the other properties). (2) For information technology equipment (mainframes and automatic teller machines), both the market value and the amount recoverable over time by use in the entity's transactions were considered. The methods applied consider the cash flow projections of the economic benefits arising from the use of each asset over its useful life, discounted to present value. (3) The model for evaluating losses arising from the devaluation of the Negotiation Relationship Allowance (for rights resulting from payroll acquisition) is based on monitoring contract performance. That model was prepared starting from the contribution margins of relationships with individuals linked to each contract. (4) The goodwill, originated in the acquisitions of corporate interest, is supported by the economic and financial analyses that substantiated the purchase price of the business and by the interest acquired, the amortization of which is performed based on the annual income projections constant in the respective economic and financial studies. The imparity test methodology consists of the verification, at every year, of the reach of expectation of projected income in those studies. In the case of goodwill in the acquisition of Banco Nossa Caixa, merged in November 2009, the methodology consists of comparing the present value of the projected income of Banco do Brasil by the corporate and retail agencies of the State of São Paulo (cash generating unit), isolating the profitability compared with and without Banco Nossa Caixa. As from the difference identified, the amounts are projected based on the profitability growth premises to Banco do Brasil, discounted by the capital opportunity cost. If this present value is lower than the assets identified in the acquisition of Banco Nossa Caixa, recorded at the base date of the test, an imparity loss is recognized by the difference observed.

k) Benefits for employees

Short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, were accounted at December 31, 2010 in accordance with criteria established by CVM Resolution n.º 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year.

Notes to Financial Statements

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the sponsor's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk the actuarial risk and the investment risk fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to record a liability when the amount of the actuarial value of assets exceeds the benefit plan, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or refundable in future.

The portion of gains or losses recognized in income corresponds to the excess of the Bank that did not fit in the corridor divided by the average working time of the remaining employees who participate in the plan. The corridor that matches the greater of:

- (1) 10% of the actuarial present value of total defined benefit, and
- (2) 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.º 600/2009, adopted the procedure of recognizing the fastest gains / losses in the very year in which we performed the actuarial calculation.

The actuarial asset recognized in the balance sheet (Note 27) refers to the Actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law No 109/2001 and Resolution CGPC No 26/2008.

I) Operations related to insurance, pension and capitalization activities

Statement of income

Insurance premiums and selling expenses are recorded upon the issuing of policies or upon billing and are recognized in the statement of income, according to the elapsed period of coverage. Revenues from premiums and the corresponding selling expenses, related to present risks without the issuing of respective policies are recognized in the statement of income at the beginning of the coverage, based on estimates.

Income from insurance premiums covering future risks is deferred over the period of validity of the insurance policies, through the recording of provision for unearned premiums, based on the net withholding of earned premiums issued.

Accepted coinsurance, retrocession and DPVAT (Personal injuries caused by motor vehicles) convention operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider - DPVAT, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized by the duration of the risk, regardless of your receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to results on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

Other income and expenses are determined according to the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolution 75/2004 and 160/2007 of the National Health Agency (ANS), and calculated in accordance with

Notes to Financial Statements

the specific actuarial technical notes approved by the Superintendence of Private Insurance (SUSEP) and the National Health Agency (ANS).

Insurance

Provision for Unearned Premiums represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a daily pro rata basis.

Provision for Unearned Premiums for Present Risks but Not Yet Issued represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross and net of reinsurance recoveries of coinsurance ceded, determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

Provision for Claims Incurred but not Reported [IBNR - Incurred but Not Reported and Provision for Events Occurred but not Reported - PEONA (of the health insurance segment)] represents the amount expected of claims incurred but not reported until the base date of the financial statements.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PPNG and PPNG-RVNE) higher or equal to the daily average of the month of calculation.

Pension plan

Mathematical Provision for Future Benefit Payments - Represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose perception of the benefits has not yet started.

Provision for benefits granted - Refers to those already receiving the benefits.

Provisions for a Deficiency in Contributions and in Premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the plans sold.

Provision for Financial Fluctuation is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Capitalization

Mathematical Reserve for Redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

Provisions for Redemption of Overdue and Prepaid Notes are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for Unrealized Draws for Prizes are calculated on the face value of the notes, based on actuarial technical notes approved by Susep, and the write-off of the provision for unrealized draws for prizes is

Notes to Financial Statements

recorded at the amount equivalent to the lapsed risk, i.e., the balance of the provision for unrealized draws for prizes represents the deferred amounts of draws for prizes not yet made.

Provision for Draws for Prizes Payable is formed at the amounts of the notes payable from draws for prizes, restated for the period between the date of the draw and the effective payment.

m) Contingent Assets and Liabilities and Legal Obligations

The recognition and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined in CVM Resolution 3823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of obligation and when the amounts involved are measurable with sufficient assurance, and judicial figures when reporting monthly and revised as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims and civil claims related to economic plans, provisions are based on the average payments for cases closed in the last 24 and 12 months respectively, for calculating the value of the obligations; and

Individual – cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

Legal obligations (tax and social security) originate from tax obligations established in the legislation, and, regardless of the probability of success of lawsuits in progress, the amounts are recognized in full in the financial statements.

5 – Information by Segment

The information by segment was compiled with a basis on the reports used by Management in the appraisal of the segment's performance, decision making regarding the allocation of funds for investment and other purposes, considering the regulatory environment and the similarities between goods and services.

The operations of Banco do Brasil are divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. In addition, the Banco do Brasil participates in other economic activities, such as leasing and Operating Support, that were aggregated in "Other".

Intersegment transactions are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

a) Banking Segment

Notes to Financial Statements

Responsible for the most significant portion of the Bank, preponderantly obtained in Brazil, involves a large diversity of products and services, such as deposits, loans and services that are made available to clients by means of a wide variety of distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by Banco do Brasil by means of a network and customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

b) Investment Segment

Deals are performed in this segment in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, besides equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Fund Management Segment

Responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, institution, organization and management of investment funds and clubs being their revenues mainly derived from commissions and management fees charged to investors for services rendered.

d) Insurance, Private Pension Fund, and Capitalization Segment

In this segment, products and services offered are related to life, property and automobile insurance, complementary private pension plans and capitalization plans.

Income comes mainly from revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

e) Payment Methods Segment

Such segment is mainly responsible for funding, transmission, processing services and financial settlement of operations in electronic means (credit and debit cards).

Revenues are originated mainly from commissions and management fees charged to commercial and banking establishments for the services rendered described in previous paragraph, including income from rent, installation and maintenance of electronic terminals.

f) Other Segments

Other segments comprise the operational support and consortium segments, which have not been aggregated by not being individually representative.

Their revenues are originated mainly from provision of services not covered in previous segments, such as: credit recovery, consortium administration, development, manufacture, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies, intermediation of air tickets, lodging and organization of events.

Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2S2010							
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	Total
Income	<u>56,373,498</u>	<u>505,384</u>	<u>490,823</u>	<u>2,229,864</u>	<u>939,969</u>	<u>1,015,465</u>	<u>(446,829)</u>	<u>61,108,174</u>
Income from loans and leases	28,857,413	--	--	--	--	--	--	28,857,413
Income from operations with securities and derivative financial instruments	10,201,349	80,822	32,123	6,466	92,032	20,622	(11,865)	10,421,549
Income from foreign exchange operations and Compulsory	3,424,269	--	--	--	--	--	--	3,424,269
Financial results from insurance operations, pension and capitalization	--	--	--	1,190,235	--	--	--	1,190,235
Income from service fees	4,386,030	216,205	458,307	(59,660)	641,024	780,967	(381,539)	6,041,334
Income from Banking Fees	2,238,420	--	--	--	--	--	--	2,238,420
Equity in subsidiaries	(136,803)	13,980	(2,209)	--	--	--	--	(125,032)
Income from insurance operations, pension and capitalization	--	--	--	978,858	--	--	--	978,858
Others Income	7,402,820	194,377	2,602	113,965	206,913	213,876	(53,425)	8,081,128
Expenses	<u>(48,194,561)</u>	<u>(334,995)</u>	<u>(98,881)</u>	<u>(1,453,712)</u>	<u>(492,937)</u>	<u>(757,562)</u>	<u>446,829</u>	<u>(50,885,819)</u>
Market funding	(21,012,827)	(175,146)	--	--	--	(20,206)	--	(21,208,179)
Loans, assignments, transfers and leases	(2,644,427)	--	--	--	(33)	(65)	--	(2,644,525)
Allowance for loan losses	(4,761,116)	13	88	--	--	1,181	--	(4,759,834)
Restatement and interest on technical provisions	--	--	--	(842,805)	--	--	--	(842,805)
Personnel expenses	(6,655,090)	(15,025)	(25,109)	(85,301)	(35,136)	(78,457)	--	(6,894,118)
Other administrative expenses	(4,738,534)	(24,284)	(10,806)	(140,410)	(95,302)	(395,543)	290,771	(5,114,108)
Depreciation	(437,995)	(373)	--	(2,465)	(3,245)	(3,830)	--	(447,908)
Amortization of deferred	(84,140)	--	--	(10,482)	(864)	(1,975)	--	(97,461)
Amortization of intangible assets	(1,065,293)	--	--	(44)	--	(80)	--	(1,065,417)
Expenses adjustment recoverable value	(14,226)	--	--	--	--	--	--	(14,226)
Other expenses	(6,780,913)	(120,180)	(63,054)	(372,205)	(358,357)	(258,587)	156,058	(7,797,238)
Profit before tax and participations	<u>8,178,937</u>	<u>170,389</u>	<u>391,942</u>	<u>776,152</u>	<u>447,032</u>	<u>257,903</u>	<u>--</u>	<u>10,222,355</u>
Income and social contribution on net income	(1,952,751)	(8,846)	(158,725)	(259,604)	(144,534)	(81,950)	--	(2,606,410)
Profit sharing	(951,681)	(116)	(154)	(10,177)	--	(26,908)	--	(989,036)
Net Income	<u>5,274,505</u>	<u>161,427</u>	<u>233,063</u>	<u>506,371</u>	<u>302,498</u>	<u>149,045</u>	<u>--</u>	<u>6,626,909</u>
Balance Sheets								
Assets	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
Liabilities	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2010							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	
Income	<u>106,343,040</u>	<u>984,398</u>	<u>942,808</u>	<u>4,316,013</u>	<u>1,649,278</u>	<u>1,570,790</u>	<u>(1,000,483)</u>	<u>114,805,844</u>
Income from loans and leases	54,765,673	--	--	--	--	--	--	54,765,673
Income from operations with securities and derivative financial instruments	20,778,735	122,094	54,089	19,769	143,289	27,176	(146,087)	20,999,065
Income from foreign exchange operations and Compulsory	4,669,076	--	--	--	--	--	--	4,669,076
Financial results from insurance operations, pension and capitalization	--	--	--	2,025,017	--	--	--	2,025,017
Income from service fees	8,521,050	423,669	888,083	160,512	1,137,450	1,149,444	(638,878)	11,641,330
Income from Banking Fees	4,226,578	--	--	--	--	--	--	4,226,578
Equity in subsidiaries	(67,746)	25,708	(4,285)	--	--	--	--	(46,323)
Income from insurance operations, pension and capitalization	--	--	--	1,887,722	--	--	--	1,887,722
Others Income	13,449,674	412,927	4,921	222,993	368,539	394,170	(215,518)	14,637,706
Expenses	<u>(91,409,842)</u>	<u>(557,909)</u>	<u>(182,696)</u>	<u>(2,841,732)</u>	<u>(841,731)</u>	<u>(1,191,873)</u>	<u>1,000,483</u>	<u>(96,025,300)</u>
Market funding	(38,569,239)	(265,860)	--	--	--	(42,828)	121,569	(38,756,358)
Loans, assignments, transfers and leases	(5,690,970)	--	--	--	(61)	(116)	--	(5,691,147)
Allowance for loan losses	(10,246,011)	1	12	--	--	1,958	--	(10,244,040)
Restatement and interest on technical provisions	--	--	--	(1,432,686)	--	--	--	(1,432,686)
Personnel expenses	(12,566,371)	(30,285)	(48,843)	(173,790)	(63,748)	(139,027)	2,473	(13,019,591)
Other administrative expenses	(9,188,318)	(52,107)	(21,098)	(522,553)	(166,167)	(499,484)	606,275	(9,843,452)
Depreciation	(869,546)	(517)	--	(4,848)	(6,931)	(7,393)	--	(889,235)
Amortization of deferred	(173,018)	--	--	(17,032)	(1,864)	(3,432)	--	(195,346)
Amortization of intangible assets	(2,111,712)	--	--	(93)	--	(131)	--	(2,111,936)
Value adjustment expenses recoverable	(15,621)	--	--	--	--	--	--	(15,621)
Other expenses	(11,979,036)	(209,141)	(112,767)	(690,730)	(602,960)	(501,420)	270,166	(13,825,888)
Profit before tax and participations	<u>14,933,198</u>	<u>426,489</u>	<u>760,112</u>	<u>1,474,281</u>	<u>807,547</u>	<u>378,917</u>	<u>--</u>	<u>18,780,544</u>
Income and social contribution on net income	(4,044,445)	(90,905)	(308,699)	(482,910)	(269,242)	(124,988)	--	(5,321,189)
Profit sharing	(1,699,220)	(213)	(395)	(16,500)	--	(39,862)	--	(1,756,190)
Net Income	<u>9,189,533</u>	<u>335,371</u>	<u>451,018</u>	<u>974,871</u>	<u>538,305</u>	<u>214,067</u>	<u>--</u>	<u>11,703,165</u>
Minority participation	--	--	--	--	--	(20)	--	(20)
Balance Sheets								
Assets	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
Liabilities	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2009							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	
Income	91,230,468	2,487,961	867,712	3,194,868	1,201,736	733,661	(947,063)	98,769,343
Income from loans and leases	42,825,974	--	--	--	--	--	(621)	42,825,353
Income from operations with securities and derivative financial instruments	20,084,614	87,783	48,472	18,151	93,269	12,417	(217,703)	20,127,003
Income from foreign exchange operations and Compulsory	1,502,037	--	--	--	122	--	31	1,502,190
Financial results from insurance operations, pension and capitalization	--	--	--	1,253,847	--	--	20,745	1,274,592
Income from service fees	7,835,885	409,209	763,593	234,132	869,000	543,402	(483,504)	10,171,717
Income from Banking Fees	3,339,464	--	--	--	--	--	--	3,339,464
Equity in subsidiaries	(1,018,500)	23,676	5,474	--	--	--	--	(989,350)
Income from insurance operations, pension and capitalization	--	--	--	1,574,123	--	--	--	1,574,123
Others Income	16,660,994	1,967,293	50,173	114,615	239,345	177,842	(266,011)	18,944,251
Expenses	(80,038,910)	(562,181)	(181,628)	(2,121,223)	(695,325)	(681,710)	947,063	(83,333,914)
Market funding	(30,164,474)	(126,072)	--	--	--	--	144,618	(30,145,928)
Loans, assignments, transfers and leases	(4,173,221)	(17)	(40)	--	(55)	(10)	32	(4,173,311)
Allowance for loan losses	(12,398,035)	3	49	--	--	1,722	--	(12,396,261)
Restatement and interest on technical provisions	--	--	--	(780,779)	--	--	--	(780,779)
Personnel expenses	(11,484,211)	(27,322)	(45,953)	(151,954)	(51,539)	(81,547)	4,092	(11,838,434)
Other administrative expenses	(8,161,984)	(142,749)	(18,864)	(698,084)	(128,744)	(174,157)	518,471	(8,806,111)
Depreciation	(690,725)	(245)	--	(5,640)	(4,546)	(4,967)	--	(706,123)
Amortization of deferred	(236,714)	--	--	(9,167)	(1,055)	(2,326)	--	(249,262)
Amortization of intangible assets	(1,450,435)	--	--	--	--	(22)	--	(1,450,457)
Value adjustment expenses recoverable	(4,736)	--	--	--	--	--	--	(4,736)
Other expenses	(11,274,375)	(265,779)	(116,820)	(475,599)	(509,386)	(420,403)	279,850	(12,782,512)
Profit before tax and participations	11,191,558	1,925,780	686,084	1,073,645	506,411	51,951	--	15,435,429
Income and social contribution on net income	(2,290,196)	(718,254)	(264,708)	(344,558)	(230,337)	(54,734)	--	(3,902,787)
Profit sharing	(1,349,292)	--	(4,335)	(18,379)	--	(12,525)	--	(1,384,531)
Net Income	7,552,070	1,207,526	417,041	710,708	276,074	(15,308)	--	10,148,111
Minority participation	638	--	--	--	--	(49)	--	589
Balance Sheets								
Assets	684,485,891	4,711,687	994,854	22,001,136	1,571,066	2,761,787	(7,977,578)	708,548,843
Investment in subsidiaries	3,745,078	5,503,190	130,143	1,665,586	31,689	101,820	(5,401,553)	5,775,953
Liabilities	649,757,506	2,553,385	630,211	19,142,112	1,247,236	1,150,635	(2,051,648)	672,429,437

Notes to Financial Statements

6 – Cash and Cash Equivalents

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Total Cash	<u>9,397,247</u>	<u>7,596,546</u>	<u>9,744,688</u>	<u>7,842,770</u>
Local currency	8,559,836	6,676,414	8,848,327	6,799,390
Foreign currency	837,411	920,132	883,681	1,033,480
Investments in Gold	--	--	12,680	9,900
Interbank investments ⁽¹⁾	<u>23,179,112</u>	<u>42,105,965</u>	<u>15,403,025</u>	<u>30,032,212</u>
Subject to repurchase agreements	149,794	14,362,844	513,055	18,186,491
Interbank deposits	22,567,704	24,039,500	14,384,692	8,053,192
Investments in foreign currency	461,614	3,703,621	505,278	3,792,529
Total cash and cash equivalents	<u>32,576,359</u>	<u>49,702,511</u>	<u>25,147,713</u>	<u>37,874,982</u>

(1) Refer to investments whose maturity is less than or equal to 90 days.

7 – Interbank Investments

a) Breakdown

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Money market	<u>78,628,740</u>	<u>134,937,621</u>	<u>85,060,184</u>	<u>144,173,860</u>
Sales pending settlement - held position	<u>149,794</u>	<u>14,362,844</u>	<u>1,419,922</u>	<u>18,220,295</u>
Financial Treasury Bills	--	1,772,231	3,193	1,878,624
National Treasury Bills	88,409	804,732	201,371	2,189,355
National Treasury Notes	--	11,785,881	1,135,054	14,118,511
Others securities	61,385	--	80,304	33,805
Sales pending settlement - financed position	<u>78,478,946</u>	<u>120,574,777</u>	<u>82,375,105</u>	<u>125,793,918</u>
Financial Treasury Bills	52,794,239	111,804,532	52,794,239	112,554,529
National Treasury Bills	19,735,808	8,303,407	22,644,595	9,851,852
National Treasury Notes	5,889,416	466,608	6,876,788	3,387,307
Others securities	59,483	230	59,483	230
Sales pending settlement - sold position	--	--	<u>1,265,157</u>	<u>159,647</u>
Federal securities – Treasury	--	--	1,265,157	159,647
Interbank deposits	<u>36,085,902</u>	<u>39,229,677</u>	<u>22,518,606</u>	<u>24,224,100</u>
Total	<u>114,714,642</u>	<u>174,167,298</u>	<u>107,578,790</u>	<u>168,397,960</u>
Current Assets	109,929,317	166,919,021	106,615,633	166,070,192
Non Current Assets	4,785,325	7,248,277	963,157	2,327,768

b) Income from short-term interbank deposits

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income from Money Market	<u>5,983,134</u>	<u>11,320,215</u>	<u>10,850,522</u>	<u>6,413,447</u>	<u>12,014,625</u>	<u>11,390,684</u>
Held position	102,940	702,118	3,221,993	203,287	849,587	3,479,991
Financed position	5,880,194	10,618,097	7,628,529	6,184,827	11,127,780	7,896,618
Sold position	--	--	--	25,333	37,258	14,075
Income from interbank deposits	<u>682,571</u>	<u>1,275,926</u>	<u>1,343,540</u>	<u>252,637</u>	<u>502,522</u>	<u>718,416</u>
Total	<u>6,665,705</u>	<u>12,596,141</u>	<u>12,194,062</u>	<u>6,666,084</u>	<u>12,517,147</u>	<u>12,109,100</u>

Notes to Financial Statements

8 – Securities and Derivative Financial Instruments

a) Securities

Banco do Brasil								
12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
1 – Trading securities	<u>278</u>	<u>2,033,185</u>	<u>2,262,711</u>	<u>3,254,566</u>	<u>10,287,306</u>	<u>17,866,247</u>	<u>17,838,046</u>	<u>(28,201)</u>
Government bonds	--	<u>2,033,185</u>	<u>2,242,100</u>	<u>3,203,386</u>	<u>10,192,914</u>	<u>17,699,142</u>	<u>17,671,585</u>	<u>(27,557)</u>
Financial Treasury Bills	--	--	275,768	9,157	4,588,481	4,873,609	4,873,406	(203)
National Treasury Bills	--	1,854,959	1,966,332	3,194,229	3,308,303	10,347,881	10,323,823	(24,058)
National Treasury Notes	--	178,226	--	--	2,296,130	2,477,652	2,474,356	(3,296)
Corporate bonds	<u>278</u>	--	<u>20,611</u>	<u>51,180</u>	<u>94,392</u>	<u>167,105</u>	<u>166,461</u>	<u>(644)</u>
Debentures	--	--	20,611	51,180	94,392	166,820	166,183	(637)
Shares	278	--	--	--	--	285	278	(7)
2 - Securities available for sale	<u>163,774</u>	<u>3,825,332</u>	<u>11,048,770</u>	<u>3,842,397</u>	<u>49,311,036</u>	<u>67,816,316</u>	<u>68,191,309</u>	<u>374,993</u>
Government bonds	--	<u>3,697,888</u>	<u>8,893,013</u>	<u>3,327,929</u>	<u>36,489,879</u>	<u>52,110,127</u>	<u>52,408,709</u>	<u>298,582</u>
Financial Treasury Bills	--	744	8,501,580	2,175,110	25,485,970	36,166,255	36,163,404	(2,851)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,400,215	5,848,901	5,840,177	(8,724)
National Treasury Notes	--	730,114	361	35,249	3,064,896	3,843,060	3,830,620	(12,440)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,719,408	2,430,777	2,751,243	320,466
Foreign government bonds	--	883	1,041	--	3,730,756	3,732,128	3,732,680	552
Others	--	--	--	--	81,106	78,123	81,106	2,983
Corporate bonds	<u>163,774</u>	<u>127,444</u>	<u>2,155,757</u>	<u>514,468</u>	<u>12,821,157</u>	<u>15,706,189</u>	<u>15,782,600</u>	<u>76,411</u>
Debentures	--	--	625,228	2,967	11,731,120	12,300,926	12,359,315	58,389
Promissory notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotas in investment funds	109,818	--	--	5,866	215,155	327,121	330,839	3,718
Shares	53,956	--	--	--	--	9,182	53,956	44,774
Rural Product Bills -Commodities	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of Deposits	--	66,703	233,911	--	--	299,933	300,614	681
Others	--	14,390	--	--	849,627	891,287	864,017	(27,270)

Notes to Financial Statements

Banco do Brasil								
12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
3 - Securities held to maturity	=	=	<u>553</u>	<u>3,301,023</u>	<u>6,932,058</u>	<u>10,401,497</u>	<u>10,233,634</u>	<u>(167,863)</u>
Government bonds	=	=	<u>553</u>	<u>3,301,023</u>	<u>6,828,967</u>	<u>10,121,705</u>	<u>10,130,543</u>	<u>8,838</u>
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	--	--	--	21,341	23,515	21,341	(2,174)
National Treasury Bills	--	--	--	--	--	--	--	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
Corporate bonds	=	=	=	=	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
Others	--	--	--	--	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
Total	<u>164,052</u>	<u>5,858,517</u>	<u>13,312,034</u>	<u>10,397,986</u>	<u>66,530,400</u>	<u>96,084,060</u>	<u>96,262,989</u>	<u>178,929</u>

12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
Total by portfolio	<u>164,052</u>	<u>5,858,517</u>	<u>13,312,034</u>	<u>10,397,986</u>	<u>66,530,400</u>	<u>96,084,060</u>	<u>96,262,989</u>	<u>178,929</u>
Own portfolio	164,052	5,858,517	2,536,552	2,433,189	36,810,390	47,646,615	47,802,700	156,085
Subject to repurchase agreements	--	--	10,680,190	7,964,648	27,036,137	45,657,058	45,680,975	23,917
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	--	--	95,292	134	2,683,831	2,780,285	2,779,257	(1,028)

12.31.2010							
Maturity in years	Market Value					Total	
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost Value	Market to Market
Total by portfolio	<u>164,052</u>	<u>29,568,537</u>	<u>57,721,652</u>	<u>6,113,209</u>	<u>2,695,539</u>	<u>96,084,060</u>	<u>96,262,989</u>
1 - Trading securities	278	7,550,462	9,523,555	734,827	28,924	17,866,247	17,838,046
2 - Securities available for sale	163,774	18,716,499	41,351,690	5,378,382	2,580,964	67,816,316	68,191,309
3 - Securities held to maturity	--	3,301,576	6,846,407	--	85,651	10,401,497	10,233,634

Notes to Financial Statements

	R\$ Thousand					
	12.31.2010			12.31.2009		
	Book Value			Book Value		
	Current	Non Current	Total	Current	Non Current	Total
Total by portfolio	<u>40,019,295</u>	<u>56,411,557</u>	<u>96,430,852</u>	<u>38,750,456</u>	<u>57,353,753</u>	<u>96,104,209</u>
Own portfolio	17,355,563	30,617,318	47,972,881	29,778,301	21,131,525	50,909,826
Subject to repurchase agreements	22,532,857	23,145,800	45,678,657	5,239,743	20,584,267	25,824,010
Deposits with the Brazilian Central Bank	15	42	57	3,713,112	14,527,621	18,240,733
Pledged in guarantee	130,860	2,648,397	2,779,257	19,300	1,110,340	1,129,640

	12.31.2010		12.31.2009	
	R\$ Thousand	%	R\$ Thousand	%
Total by category				
Trading Securities	17,838,046	18%	19,655,622	21%
Securities Available for Sale	68,191,309	71%	58,089,353	60%
Securities Held to Maturity (HTM)	<u>10,401,497</u>	<u>11%</u>	<u>18,359,234</u>	<u>19%</u>
Carrying value of portfolio	96,430,852	100%	96,104,209	100%
Mark-to-market - HTM	(167,863)		(175,038)	
Market value of portfolio	96,262,989		95,929,171	

Notes to Financial Statements

Maturity in days	BB-Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
1 - Trading securities	<u>2,921,941</u>	<u>4,357,207</u>	<u>3,131,089</u>	<u>5,482,882</u>	<u>34,551,753</u>	<u>50,134,629</u>	<u>50,444,872</u>	<u>310,243</u>
Government bonds	<u>83,726</u>	<u>4,185,102</u>	<u>2,852,512</u>	<u>4,682,728</u>	<u>27,659,172</u>	<u>39,282,334</u>	<u>39,463,240</u>	<u>180,906</u>
Financial Treasury Bills	23,279	78,978	348,997	89,560	9,655,367	10,198,197	10,196,181	(2,016)
National Treasury Bills	--	2,644,829	2,027,770	3,757,457	4,926,044	13,386,869	13,356,100	(30,769)
National Treasury Notes	--	261,024	358,838	6,039	12,931,379	13,345,239	13,557,280	212,041
Agricultural debt securities	--	8,363	1,597	2,387	15,461	27,232	27,808	576
Brazilian foreign debt securities	--	135,606	--	6,689	4,583	148,250	146,878	(1,372)
Foreign government bonds	41,981	35,617	115,075	773,228	--	965,407	965,901	494
Others	18,466	1,020,685	235	47,368	126,338	1,211,140	1,213,092	1,952
Corporate bonds	<u>2,838,215</u>	<u>172,105</u>	<u>278,577</u>	<u>800,154</u>	<u>6,892,581</u>	<u>10,852,295</u>	<u>10,981,632</u>	<u>129,337</u>
Debentures	3,975	24,006	51,006	281,346	2,395,053	2,735,435	2,755,386	19,951
Promissory Notes	--	--	15,560	--	--	15,569	15,560	(9)
Shares	1,735,521	178	--	--	--	1,596,607	1,735,699	139,092
Quotas in investment funds	1,087,631	672	--	2,843	222,543	1,316,704	1,313,689	(3,015)
Rural Product Bills - <i>Commodities</i>	--	100,617	32,460	37,433	62,681	228,948	233,191	4,243
Certificate of deposit	9,333	46,632	139,618	119,502	3,560,620	3,875,813	3,875,705	(108)
Eurobonds	--	--	1,183	7,678	42,360	52,479	51,221	(1,258)
Others	1,755	--	38,750	351,352	609,324	1,030,740	1,001,181	(29,559)

Notes to Financial Statements

Maturity in days	BB-Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
2 - Securities available for sale	<u>1,818,177</u>	<u>3,875,654</u>	<u>11,158,190</u>	<u>4,138,934</u>	<u>54,151,382</u>	<u>74,697,382</u>	<u>75,142,337</u>	<u>444,955</u>
Government bonds	<u>40,633</u>	<u>3,743,600</u>	<u>8,893,013</u>	<u>3,362,298</u>	<u>39,503,586</u>	<u>55,218,970</u>	<u>55,543,130</u>	<u>324,160</u>
Financial Treasury Bills	--	40,142	8,501,580	2,175,110	25,791,283	36,511,087	36,508,115	(2,972)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,452,731	5,901,449	5,892,693	(8,756)
National Treasury Notes	--	736,428	361	69,618	5,630,607	6,476,073	6,437,014	(39,059)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,808,908	2,487,934	2,840,743	352,809
Foreign government bonds	--	883	1,041	--	3,731,423	3,732,823	3,733,347	524
Others	40,633	--	--	--	81,106	98,721	121,739	23,018
Corporate bonds	<u>1,777,544</u>	<u>132,054</u>	<u>2,265,177</u>	<u>776,636</u>	<u>14,647,796</u>	<u>19,478,412</u>	<u>19,599,207</u>	<u>120,795</u>
Debentures	--	4,310	649,302	235,754	12,721,423	13,538,724	13,610,789	72,065
Promissory Notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotes of investment funds	672,285	--	--	5,866	742,133	1,385,856	1,420,284	34,428
Shares	1,102,641	--	--	--	--	1,033,506	1,102,641	69,135
Rural Product Bills - <i>Commodities</i>	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of deposit	--	66,703	234,392	15,332	79,284	395,030	395,711	681
Eurobonds	--	--	--	--	--	--	--	--
Others	2,618	14,690	84,865	14,049	1,079,701	1,247,556	1,195,923	(51,633)
3 - Held to Maturity	<u>--</u>	<u>65,215</u>	<u>248,437</u>	<u>3,419,855</u>	<u>12,762,693</u>	<u>16,655,934</u>	<u>16,496,200</u>	<u>(159,734)</u>
Government bonds	<u>--</u>	<u>65,215</u>	<u>248,437</u>	<u>3,419,855</u>	<u>12,659,602</u>	<u>16,376,142</u>	<u>16,393,109</u>	<u>16,967</u>
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	15,235	247,884	43,076	5,811,926	6,111,845	6,118,121	6,276
National Treasury Bills	--	49,980	--	75,745	40,035	166,081	165,760	(321)
Agricultural debt securities	--	--	--	11	15	26	26	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
Corporate bonds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
Others	--	--	--	--	103,091	279,792	103,091	(176,701)
Total	<u>4,740,118</u>	<u>8,298,076</u>	<u>14,537,716</u>	<u>13,041,671</u>	<u>101,465,828</u>	<u>141,487,945</u>	<u>142,083,409</u>	<u>595,464</u>

Notes to Financial Statements

Maturity in days	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
Total by portfolio	<u>4,740,118</u>	<u>8,298,076</u>	<u>14,537,716</u>	<u>13,041,671</u>	<u>101,465,828</u>	<u>141,487,945</u>	<u>142,083,409</u>	<u>595,464</u>
Own portfolio	4,720,638	6,683,828	3,468,490	3,919,473	66,763,654	84,982,319	85,556,083	573,764
Subject to repurchase agreements	18,680	1,597,587	10,811,172	7,975,727	30,924,846	51,275,370	51,328,012	52,642
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	800	16,661	258,054	1,146,456	3,777,286	5,230,154	5,199,257	(30,897)

Maturity in years	12.31.2010						
	Market Value					Total	
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost Value	Market Value
Total by category	<u>4,740,118</u>	<u>35,877,463</u>	<u>79,681,405</u>	<u>11,005,932</u>	<u>10,778,491</u>	<u>141,487,945</u>	<u>142,083,409</u>
1 - Trading securities	2,921,941	12,971,178	28,583,175	3,427,084	2,541,494	50,134,629	50,444,872
2 - Securities available for sale	1,818,177	19,172,778	43,319,258	7,236,103	3,596,021	74,697,382	75,142,337
3 - Securities held to maturity	--	3,733,507	7,778,972	342,745	4,640,976	16,655,934	16,496,200

Notes to Financial Statements

	R\$ Thousand					
	12.31. 2010			12.31.2009		
	Book value			Book value		
	Current	Non Current	Total	Current	Non Current	Total
By Portfolio	75,084,984	67,158,159	142,243,143	58,215,628	64,658,169	122,873,797
Own portfolio	46,402,185	39,315,949	85,718,134	47,295,209	27,638,367	74,933,576
Subject to repurchase agreements	26,465,657	24,860,036	51,325,693	5,956,127	20,929,518	26,885,645
Deposits with the Brazilian Central Bank	15	42	57	3,817,049	14,590,558	18,407,607
Pledged in guarantee	2,217,127	2,982,132	5,199,259	1,147,243	1,499,726	2,646,969

	12.31.2010		12.31.2009	
	50,444,872	35%	38,274,200	31%
Total by category				
Trading Securities	50,444,872	35%	38,274,200	31%
Securities Available for Sale	75,142,337	53%	62,160,792	51%
Securities Held to Maturity – HTM	16,655,934	12%	22,438,805	18%
Carrying value of portfolio	142,243,143	100%	122,873,797	100%
Mark-to-market - Category HTM	(159,734)		(159,124)	
Market value of portfolio	142,083,409		122,714,673	

b) Results from securities

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Applications of Interbank Liquidity (note 7b)	6,665,705	12,596,141	12,194,062	6,666,084	12,517,147	12,109,100
Fixed income securities	4,723,556	8,699,681	7,197,733	5,688,676	10,381,312	9,220,192
Equity income securities	250	279,085	1,044	44,613	339,970	20,332
Total	11,389,511	21,574,907	19,392,839	12,399,373	23,238,429	21,349,624

c) Reclassification of Securities

In the period of 2010, there has been no reclassification to marketable securities.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as both hedge (market risk and risk of cash flow) and trading, with both limits and approved by committees at the Bank. The hedging strategy of equity positions is in line with the macroeconomic analysis and is approved by the Board.

In the options market, asset or long positions have the Bank as holder, while liability or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and decisions are made in accordance with the best risk/return ratio, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, whether standardized or not, is subject to a formal risk analysis prior to any transaction.

Notes to Financial Statements

Risk analysis of the subsidiaries is undertaken on an individual basis and its management at the consolidated level.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using value at risk, sensitivity and *stress* analysis models.

Risks

The main risks inherent to derivative financial instruments resulting from the business dealings of the bank and its subsidiaries are credit, market and operating risks.

Credit risk is reflected by the exposure to losses in the event of default by a counterparty to fulfill its part in the operation. Exposure to credit risk in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil that have the same stock market as guarantor.

Total credit exposure in swaps is R\$ 1,004,041 thousand at December 31, 2010 (R\$ 1,664,115 thousand at December 31, 2009). The swap operations in negotiations associated with the operation to capture and/or application of R\$ 418,170 thousand (R\$ 2,679,609 thousand on 12.31.2009) are recorded at values updated as changes incurred from their indices ("curve"), and are not at market value, as permitted by Bacen Circular No. 3.150/2002.

Market risk is the possibility of losses caused by changes in the behavior of interest rates and exchange rates, stock prices and commodities.

Market liquidity risk is the possibility of loss resulting from the inability to perform a transaction within a reasonable time and without significant loss of value due to the size of the transaction in the volume usually negotiated.

The operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and / or systems, or factors such as catastrophes or criminal activities.

Notes to Financial Statements

Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Counter - party	Banco do Brasil								
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
Futures contracts										
Purchase commitments		<u>16,135,641</u>	=	=	<u>9,456,074</u>	=	=	<u>38,023,623</u>	=	=
Interbank deposit	B	2,350,234	--	--	266,247	--	--	18,277,199	--	--
Currencies	B	7,438,974	--	--	3,050,767	--	--	8,508,156	--	--
Treasury Note	B	--	--	--	--	--	--	27,059	--	--
Index	B	--	--	--	314	--	--	144,478	--	--
Foreign coupon	exchange B	96,899	--	--	167,933	--	--	4,371,617	--	--
Libor	IF	6,249,420	--	--	5,858,885	--	--	6,249,420	--	--
Commodities	B	114	--	--	238	--	--	114	--	--
SCC	B	--	--	--	111,690	--	--	445,580	--	--
Sales commitments		<u>13,633,413</u>	=	=	<u>10,655,267</u>	=	=	<u>61,710,441</u>	=	=
Interbank deposit	B	7,862,213	--	--	2,271,052	--	--	50,604,157	--	--
Currencies	B	74,736	--	--	231,663	--	--	584,523	--	--
T-Note	B	--	--	--	--	--	--	294,059	--	--
Index	B	--	--	--	142	--	--	--	--	--
Foreign coupon	exchange B	224,469	--	--	709,139	--	--	3,896,696	--	--
Libor	IF	5,455,137	--	--	6,571,602	--	--	5,455,137	--	--
Commodities	B	16,858	--	--	3,993	--	--	432,339	--	--
SCC	B	--	--	--	867,676	--	--	443,530	--	--
Forward operations										
Asset position		<u>1,604,041</u>	<u>117,790</u>	<u>80,095</u>	<u>3,288,699</u>	<u>185,408</u>	<u>130,195</u>	<u>1,621,408</u>	<u>118,059</u>	<u>80,095</u>
Term bonds	B	--	--	--	37,760	37,760	37,760	--	--	--
Currencies	C	1,604,041	117,790	80,095	3,250,939	147,648	92,435	1,604,041	117,790	80,095
Currencies	IF	--	--	--	--	--	--	17,367	269	--
Liability position		<u>4,515,069</u>	<u>(453,906)</u>	<u>(261,984)</u>	<u>3,530,138</u>	<u>(365,811)</u>	<u>(237,453)</u>	<u>4,532,436</u>	<u>(453,991)</u>	<u>(261,984)</u>
Term bonds	B	--	--	--	37,762	(37,762)	(37,762)	--	--	--
Currencies	C	4,515,069	(453,906)	(261,984)	3,492,376	(328,049)	(199,691)	4,515,069	(453,906)	(261,984)
Currencies	IF	--	--	--	--	--	--	17,367	(85)	--

Notes to Financial Statements

By Index	Banco do Brasil									Banco do Brasil	
	Counter - party	12.31.2010			12.31.2009			12.31.2010			
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value		Market Value
Options market		<u>55.135.530</u>	<u>(1.631.686)</u>	<u>(1.657.222)</u>	<u>1.347.192</u>	<u>(1.287.320)</u>	<u>(1.357.378)</u>	<u>562.698.675</u>	<u>(2.537.305)</u>	<u>(2.729.000)</u>	
Long position		<u>26.015.428</u>	<u>771.159</u>	<u>328.272</u>	<u>348</u>	<u>4</u>	<u>5</u>	<u>287.109.956</u>	<u>965.731</u>	<u>591.000</u>	
Foreign currency	B	26,014,195	771,137	328,255	--	--	--	29,097,215	829,980	405,000	
Interbank Market	--	--	--	--	348	4	5	75	676	172,000	
Interbank deposit	B	--	--	--	--	--	--	255,422,659	94,017	--	
Flexible Currency Options	B	--	--	--	--	--	--	2,387,799	14,388	5,000	
Shares	B	1,233	22	17	--	--	--	22,639	26,242	7,000	
Commodities	B	--	--	--	--	--	--	179,569	428	--	
Sales options		<u>26.125.270</u>	<u>(833.951)</u>	<u>(382.245)</u>	<u>79.738</u>	<u>(56.577)</u>	<u>(19.603)</u>	<u>26.125.270</u>	<u>(833.951)</u>	<u>(381.000)</u>	
Foreign currency	B	26,062,984	(772,919)	(329,123)	21,755	(425)	(350)	26,062,984	(772,919)	(328,000)	
Interbank Market	--	--	--	--	--	--	--	--	--	--	
Prefixed	B	61,020	(61,020)	(53,113)	56,102	(56,102)	(19,209)	61,020	(61,020)	(53,000)	
Shares	B	1,266	(12)	(9)	1,881	(50)	(44)	1,266	(12)	--	
Commodities	B	--	--	--	--	--	--	--	--	--	
Over-the-counter trading		<u>2.994.832</u>	<u>(1.568.894)</u>	<u>(1.603.249)</u>	<u>1.267.106</u>	<u>(1.230.747)</u>	<u>(1.337.780)</u>	<u>249.463.449</u>	<u>(2.669.085)</u>	<u>(2.939.000)</u>	
Foreign currency	B	722,743	(9,774)	--	--	--	--	6,733,259	(53,081)	(34,000)	
Prefixed	B	1,549,346	(1,549,346)	(1,603,198)	1,229,741	(1,229,740)	(1,337,128)	1,549,346	(2,616,309)	(2,761,000)	
Interbank deposit	B	--	--	--	--	--	--	236,843,565	(82,892)	(81,000)	
Flexible Currency Options	B	--	--	--	--	--	--	3,336,174	26,137	(58,000)	
Shares	B	--	--	--	--	--	--	195,700	66,808	(3,000)	
Commodities	B	722,743	(9,774)	(51)	37,365	(1,007)	(652)	805,405	(9,748)	(1,000)	

Notes to Financial Statements

By Index		Banco do Brasil									BRL
		12.31.2010			12.31.2009			12.31.2010			
		Counter - party	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	
Swap contracts											
Asset position		<u>5,591,833</u>	<u>298,564</u>	<u>352,544</u>	<u>5,789,647</u>	<u>495,928</u>	<u>493,185</u>	<u>10,538,133</u>	<u>4,221,717</u>	<u>64</u>	
DI	C	3,104,179	69,388	113,558	1,966,082	105,134	104,885	3,291,367	256,593	17	
DI	IF	1,154,663	210,049	209,235	2,276,302	360,965	351,317	1,874,475	931,292	28	
Foreign currency	C	3,331	(58)	33	131,561	3,007	4,072	13,164	9,937	9	
Foreign currency	IF	369,386	7,714	8,830	759,687	22,960	27,356	438,571	74,324	9	
Prefixed	C	37,886	1,108	1,172	639,565	2,804	3,350	561,235	589,199	9	
Prefixed	IF	902,000	8,242	14,809	--	--	--	2,049,255	1,183,247	6	
IPCA	C	20,388	2,121	4,907	16,450	1,058	2,205	--	--	6	
IPCA	IF	--	--	--	--	--	--	759,170	456,478	13	
IGPM	C	--	--	--	--	--	--	25,596	26,037	2	
IGPM	IF	--	--	--	--	--	--	404,691	461,028	4	
<i>Commodities</i>	C	--	--	--	--	--	--	883,164	1,288	8	
Others	IF	--	--	--	--	--	--	237,445	232,294	9	

Notes to Financial Statements

By Index	Counter - party	Banco do Brasil								
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
Liability position		<u>12,058,868</u>	<u>(403,165)</u>	<u>(565,504)</u>	<u>8,422,593</u>	<u>(527,648)</u>	<u>(542,026)</u>	<u>21,209,610</u>	<u>7,775,421</u>	<u>(1,482,000)</u>
Interbank deposit	C	542,790	(39,024)	(44,371)	1,729,248	(70,099)	(69,776)	1,911,957	1,975,010	(423,000)
Interbank deposit	IF	5,204,577	(343,371)	(367,801)	2,738,406	(297,057)	(292,126)	5,668,843	164,534	(408,000)
Foreign currency	C	1,136	6	(1)	543,643	(74,321)	(74,499)	78,630	77,211	(1,000)
Foreign currency	IF	1,343,911	109,388	(34,060)	1,184,106	9,070	(21,787)	1,403,584	168,181	(34,000)
Prefixed	C	4,608,961	(126,826)	(110,588)	1,411,272	(78,305)	(65,734)	4,665,840	(66,321)	(120,000)
Prefixed	IF	--	--	--	--	--	--	1,835,431	1,972,008	(250,000)
TMS	C	278,804	(93)	(5,438)	390,462	(5,253)	(6,421)	278,804	(93)	(5,000)
Referential rate	C	78,689	(3,245)	(3,245)	425,456	(11,683)	(11,683)	78,689	(3,245)	(3,000)
IGPM	IF	--	--	--	--	--	--	445,000	595,558	(57,000)
IPCA	IF	--	--	--	--	--	--	2,404,363	2,844,016	(160,000)
Commodities	C	--	--	--	--	--	--	2,395,441	625	(16,000)
Others	C	--	--	--	--	--	--	43,028	47,937	(1,000)
Others Securities										
Asset position		<u>4,337,549</u>	<u>71,129</u>	<u>73,394</u>	<u>8,089,892</u>	<u>150,715</u>	<u>144,252</u>	<u>4,998,557</u>	<u>71,129</u>	<u>29,000</u>
Foreign currency	IF	4,337,549	71,129	73,394	8,089,892	150,715	144,252	4,200,724	71,129	6,000
Foreign currency	C	--	--	--	--	--	--	797,833	--	23,000
Liability position		<u>4,831,590</u>	<u>(71,448)</u>	<u>(80,435)</u>	<u>7,297,615</u>	<u>(47,316)</u>	<u>(47,921)</u>	<u>5,883,741</u>	<u>(74,259)</u>	<u>(214,000)</u>
Foreign currency	IF	4,831,590	(71,448)	(80,435)	7,210,342	(47,016)	(47,621)	4,687,987	(74,259)	(60,000)
Foreign currency	C	--	--	--	--	--	--	1,195,754	--	(153,000)
Others	IF	--	--	--	87,273	(300)	(300)	--	--	--

Counterparty: (B) Stock Exchange, (IF) Financial Institution, (C) Client.

Notes to Financial Statements

Breakdown of the portfolio of derivative by maturity

By Maturity	Banco do Brasil								
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value
Futures contracts									
Purchase commitments	<u>16.135.641</u>	==	==	<u>9.455.522</u>	==	==	<u>38.023.623</u>	==	==
Up to 30 days	103,283	--	--	99,062	--	--	853,083	--	--
31 to 60 days	6,354,435	--	--	2,825,276	--	--	7,867,188	--	--
61 to 90 days	4,009,229	--	--	2,333,681	--	--	4,343,462	--	--
91 to 180 days	2,246,339	--	--	2,370,039	--	--	14,359,143	--	--
181 to 360 days	640,545	--	--	889,013	--	--	2,718,420	--	--
1 to 5 years	2,781,810	--	--	938,451	--	--	6,035,000	--	--
More than 5 years	--	--	--	--	--	--	1,847,327	--	--
Sales commitments	<u>13.633.413</u>	==	==	<u>10.655.267</u>	==	==	<u>61.710.441</u>	==	==
Up to 30 days	3,395,634	--	--	1,192,776	--	--	26,272,416	--	--
31 to 60 days	--	--	--	--	--	--	913,330	--	--
61 to 90 days	1,676,464	--	--	778,310	--	--	3,588,350	--	--
91 to 180 days	2,399,076	--	--	1,650,530	--	--	3,871,209	--	--
181 to 360 days	1,831,092	--	--	1,693,423	--	--	6,129,679	--	--
1 to 5 years	4,110,550	--	--	5,248,320	--	--	18,712,868	--	--
More than 5 years	220,597	--	--	91,908	--	--	2,222,589	--	--
Operations Term									
Term bonds									
Asset position	==	==	==	<u>37.760</u>	<u>37.760</u>	<u>37.760</u>	==	==	==
Up to 30 days	--	--	--	37,760	37,760	37,760	--	--	--
Liability position	==	==	==	<u>37.762</u>	<u>(37.762)</u>	<u>(37.762)</u>	==	==	==
Up to 30 days	--	--	--	37,762	(37,762)	(37,762)	--	--	--
31 to 60 days	--	--	--	--	--	--	--	--	--

Notes to Financial Statements

By Maturity	Banco do Brasil								
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
Currency futures									
Asset position	<u>1.604.041</u>	<u>117.790</u>	<u>80.095</u>	<u>3.250.939</u>	<u>147.647</u>	<u>92.435</u>	<u>1.621.408</u>	<u>118.059</u>	<u>80.095</u>
Up to 30 days	659,021	25,305	23,951	563,903	49,088	46,656	659,021	25,305	23,951
31 to 60 days	259,157	17,535	15,155	416,544	25,073	18,425	259,157	17,535	15,155
61 to 90 days	111,781	8,212	6,877	390,667	11,020	4,469	114,399	8,253	6,877
91 to 180 days	184,657	16,602	11,943	697,857	29,848	13,879	192,595	16,728	11,943
181 to 360 days	304,333	32,764	15,492	592,319	25,943	8,493	305,685	32,841	15,492
1 to 5 years	85,092	17,372	6,677	589,649	6,675	513	90,551	17,397	6,677
Liability position	<u>4.515.069</u>	<u>(453.906)</u>	<u>(261.984)</u>	<u>3.492.376</u>	<u>(328.049)</u>	<u>(199.691)</u>	<u>4.532.436</u>	<u>(453.991)</u>	<u>(261.984)</u>
Up to 30 days	722,026	(31,575)	(30,621)	1,035,288	(39,904)	(38,867)	722,026	(31,575)	(30,621)
31 to 60 days	651,087	(34,708)	(29,581)	792,696	(37,568)	(34,437)	651,173	(34,737)	(29,581)
61 to 90 days	439,188	(25,996)	(21,272)	449,921	(25,577)	(19,608)	453,409	(26,048)	(21,272)
91 to 180 days	1,070,112	(86,937)	(61,838)	789,453	(65,491)	(50,478)	1,073,172	(86,941)	(61,838)
181 to 360 days	977,536	(133,133)	(75,491)	356,863	(67,160)	(36,365)	977,536	(133,133)	(75,491)
1 to 5 years	655,120	(141,557)	(43,181)	68,155	(92,349)	(19,936)	655,120	(141,557)	(43,181)
Option market	<u>55.135.530</u>	<u>(1.631.686)</u>	<u>(1.657.222)</u>	<u>1.347.192</u>	<u>(1.287.320)</u>	<u>(1.357.378)</u>	<u>562.698.675</u>	<u>(2.537.305)</u>	<u>(2.729.114)</u>
Purchase - Long position	<u>26.015.428</u>	<u>771.159</u>	<u>328.272</u>	<u>348</u>	<u>4</u>	<u>5</u>	<u>287.109.956</u>	<u>965.731</u>	<u>59.114</u>
Up to 30 days	1,233	22	33	174	2	2	125,385,268	71,970	15,114
31 to 60 days	41,237	1,808	188	174	2	3	317,909	(1,849)	188
61 to 90 days	7,502,995	99,453	2,021	--	--	--	9,773,155	151,998	2,021
91 to 180 days	18,469,963	669,876	326,030	--	--	--	88,006,923	693,954	341,063
181 to 360 days	--	--	--	--	--	--	44,742,731	44,443	59,114
1 to 5 years	--	--	--	--	--	--	18,883,970	5,215	20,000

Notes to Financial Statements

By Maturity	Banco do Brasil								
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
Purchase sold Position	<u>26,125,270</u>	<u>(833,951)</u>	<u>(382,245)</u>	<u>79,738</u>	<u>(56,577)</u>	<u>(19,603)</u>	<u>26,125,270</u>	<u>(833,951)</u>	<u>(382,245)</u>
Up to 30 days	8,018	(5,338)	(1,036)	22,915	(5,627)	(1,255)	8,018	(5,338)	(1,036)
31 to 60 days	57,130	(15,219)	(5,698)	9,485	(7,994)	(1,315)	57,130	(15,219)	(5,698)
61 to 90 days	7,526,273	(102,722)	(3,827)	16,753	(15,847)	(3,502)	7,526,273	(102,722)	(3,827)
91 to 180 days	18,516,946	(696,090)	(345,116)	8,855	(8,063)	(938)	18,516,946	(696,090)	(345,116)
181 to 360 days	2,473	(153)	(112)	20,901	(18,594)	(11,734)	2,473	(153)	(112)
1 to 5 years	14,430	(14,429)	(26,456)	829	(452)	(859)	14,430	(14,429)	(26,456)
Sold position	<u>2,994,832</u>	<u>(1,568,894)</u>	<u>(1,603,249)</u>	<u>1,267,106</u>	<u>(1,230,747)</u>	<u>(1,337,780)</u>	<u>249,463,449</u>	<u>(2,669,085)</u>	<u>(2,939,126)</u>
Up to 30 days	182,019	(174,347)	(185,853)	164,699	(163,679)	(175,418)	101,004,102	(298,288)	(318,126)
31 to 60 days	418,661	(418,269)	(437,126)	192,704	(192,704)	(208,653)	1,066,068	(415,002)	(449,126)
61 to 90 days	1,171,188	(97,587)	(86,852)	378,794	(354,354)	(386,940)	3,417,210	(75,439)	(91,126)
91 to 180 days	942,726	(613,907)	(638,136)	176,392	(165,787)	(185,003)	68,671,756	(936,529)	(982,126)
181 to 360 days	15,865	(411)	(23)	347,926	(347,632)	(373,699)	55,062,267	(295,436)	(335,126)
1 to 5 years	264,373	(264,373)	(255,259)	6,591	(6,591)	(8,067)	20,242,046	(648,391)	(761,126)

Notes to Financial Statements

By Maturity	Banco do Brasil									BR
	12.31.2010			12.31.2009			12.31.2010			
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
Swap contracts										
Assets	<u>5.591.833</u>	<u>298.564</u>	<u>352.544</u>	<u>5.789.647</u>	<u>495.928</u>	<u>493.185</u>	<u>10.538.133</u>	<u>4.221.717</u>	<u>64</u>	<u>64</u>
Up to 30 days	701,188	65,383	65,625	816,923	214,905	214,444	1,273,892	470,888	10	10
31 to 60 days	303,175	14,948	15,955	215,593	7,779	7,516	410,087	119,780	2	2
61 to 90 days	302,231	10,147	11,312	558,971	27,267	27,584	349,288	58,525	1	1
91 to 180 days	637,774	57,277	61,688	663,783	78,798	78,396	2,399,956	818,240	10	10
181 to 360 days	368,424	73,380	73,403	1,245,192	27,944	26,921	1,052,395	694,350	15	15
1 to 5 years	3,279,041	77,429	124,561	2,071,635	137,884	132,812	4,827,194	1,812,067	21	21
5 to 10 years	--	--	--	217,550	1,351	5,512	225,321	247,867	3	3
Liabilities	<u>12.058.868</u>	<u>(403.165)</u>	<u>(565.504)</u>	<u>8.422.593</u>	<u>(527.648)</u>	<u>(542.026)</u>	<u>21.209.610</u>	<u>7.775.421</u>	<u>(1.482)</u>	<u>(1.482)</u>
Up to 30 days	1,052,896	(45,764)	(46,930)	1,440,843	(203,263)	(203,127)	1,202,671	128,331	(70)	(70)
31 to 60 days	608,148	(49,845)	(51,590)	573,491	(83,598)	(82,594)	747,796	138,247	(64)	(64)
61 to 90 days	320,112	(13,795)	(15,243)	343,006	(15,017)	(13,925)	348,552	20,217	(18)	(18)
91 to 180 days	1,701,908	(109,294)	(116,900)	1,282,452	(54,090)	(50,605)	2,332,844	622,569	(172)	(172)
181 to 360 days	3,035,589	(187,778)	(195,437)	2,649,000	(82,720)	(82,039)	7,268,137	2,292,061	(717)	(717)
1 to 5 years	4,990,216	(39,582)	(126,661)	2,003,271	(89,325)	(105,868)	8,289,026	3,803,687	(389)	(389)
5 to 10 years	349,999	42,893	(12,743)	130,530	365	(3,868)	1,020,584	770,309	(50)	(50)

Notes to Financial Statements

By Maturity	Banco do Brasil									BR
	12.31.2010			12.31.2009			12.31.2010			
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
Other Derivative Financial Instruments										
Assets	<u>4,337,549</u>	<u>71,129</u>	<u>73,394</u>	<u>8,089,892</u>	<u>150,715</u>	<u>144,252</u>	<u>4,998,557</u>	<u>71,129</u>	<u>29,129</u>	<u>29,129</u>
Up to 30 days	637,318	20,370	20,919	2,258,411	28,867	25,878	817,548	20,370	4,129	4,129
31 to 60 days	1,316,507	11,594	12,191	951,439	25,822	24,574	1,432,664	11,594	21,129	21,129
61 to 90 days	1,437,376	20,019	20,056	3,309,171	54,985	53,900	1,493,904	20,019	70,129	70,129
91 to 180 days	661,341	11,962	11,880	570,194	29,634	28,650	798,556	11,962	3,129	3,129
181 to 360 days	285,007	7,184	8,348	390,176	2,741	2,584	375,911	7,184	2,129	2,129
1 to 5 years	--	--	--	540,683	8,387	8,387	79,974	--	9,129	9,129
5 to 10 years	--	--	--	69,818	279	279	--	--	45,129	45,129
Liabilities	<u>4,831,590</u>	<u>(71,448)</u>	<u>(80,435)</u>	<u>7,297,615</u>	<u>(47,316)</u>	<u>(47,921)</u>	<u>5,883,741</u>	<u>(74,259)</u>	<u>(214,129)</u>	<u>(214,129)</u>
Up to 30 days	1,430,450	(2,183)	(10,226)	951,444	(4,142)	(4,258)	1,589,125	(4,994)	(12,129)	(12,129)
31 to 60 days	457,857	(15,078)	(15,368)	49,361	(1,878)	(1,802)	596,391	(15,078)	(22,129)	(22,129)
61 to 90 days	1,018,122	(34,151)	(34,330)	842,354	(5,341)	(5,235)	1,104,399	(34,151)	(63,129)	(63,129)
91 to 180 days	895,666	(9,954)	(10,021)	1,534,281	(8,189)	(8,202)	1,064,091	(9,954)	(23,129)	(23,129)
181 to 360 days	1,009,325	(7,793)	(8,028)	1,281,570	(19,334)	(19,891)	1,136,050	(7,793)	(46,129)	(46,129)
1 to 5 years	20,170	(2,289)	(2,462)	2,638,605	(8,432)	(8,533)	393,685	(2,289)	(45,129)	(45,129)

Notes to Financial Statements

Breakdown of the credit derivatives portfolio

	Banco do Brasil					
	12.31.2010		12.31.2009		12.31.2010	
	Notional value	Market value	Notional value	Market value	Notional value	Market value
Asset position - Transferred risk	=	=	=	=	<u>1,012,217</u>	
Credit swaps - Derivatives with Banks	--	--	--	--	1,012,217	
Liability position - Received risk	=	=	=	=	<u>1,759,596</u>	
Credit swaps - Derivatives with Banks	--	--	--	--	1,759,596	

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Customers whose risk is rated as investment grade and, as counterparty, contains the main international market leader protection is approved credit limit, for both the client and for the counterparty risk, according to the approval of the credit limit credit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amount of the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil potential future exposure to allocate out of the counterparty. The portfolio of credit derivatives did not generate important exposures weighted by risk factor for calculating the Basel index (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Banco do Brasil	
	12.31.2010	12.31.2009
Government bonds		
Treasury Bills	2,040,492	589,281
Treasury Notes	--	--
National Treasury Bills	--	--
Foreign Government bonds	--	--
<i>Eurobonds</i>	--	--
Others	--	--
Total	<u>2,040,492</u>	<u>589,281</u>

Notes to Financial Statements

Breakdown of the portfolio of derivatives designated as market risk hedge

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Hedge instrument				
Assets	<u>337,107</u>	<u>318,471</u>	<u>11,705,985</u>	<u>5,821,138</u>
Future	--	--	5,064,318	1,906,109
Swap	337,107	318,471	3,891,982	1,833,454
Options	--	--	2,749,685	2,081,575
Liabilities	<u>--</u>	<u>--</u>	<u>39,601,301</u>	<u>31,769,932</u>
Future	--	--	20,237,546	15,530,574
Swap	--	--	15,626,860	13,366,400
Options	--	--	3,736,895	2,872,958
Purpose of Hedge itens				
Assets	<u>--</u>	<u>--</u>	<u>29,497,068</u>	<u>24,153,139</u>
Loans	--	--	17,213,846	13,717,315
Securities	--	--	9,308,980	9,642,455
Leases	--	--	2,271,714	--
Foreign Investments	--	--	345,022	484,712
Other Assets	--	--	357,506	308,657
Liabilities	<u>337,188</u>	<u>316,244</u>	<u>2,945,841</u>	<u>329,732</u>
Other Liabilities	337,188	316,244	2,945,841	329,732

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, contracted derivative operations in the form off currency and interest rate swaps (Cross Currency Interest Rate Swaps), with the same volume, term and interest rates. The hedge was assessed as effective, in accordance with the provisions of Central Bank Circular 3082/2002, which require evidence of hedge effectiveness between 80% and 125%.

Notes to Financial Statements

Derivative financial instruments segregated by current and long-term

	Banco do Brasil					
	12.31.2010		12.31.2009		12.31.2010	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
ASSETS						
Forward operations	73,418	6,677	129,682	513	73,678	
Options market	328,272	--	5	--	571,351	
Swap contracts	227,983	124,561	354,861	138,324	398,242	
Credit swaps	--	--	--	--	13,173	
Others	73,394	--	135,586	8,666	200,918	
Total	<u>703,067</u>	<u>131,238</u>	<u>620,134</u>	<u>147,503</u>	<u>1,257,362</u>	
LIABILITIES						
Forward operations	(218,803)	(43,181)	(217,517)	(19,936)	(218,888)	
Options market	(1,703,779)	(281,715)	(1,348,457)	(8,926)	(2,532,492)	
Swap contracts	(426,100)	(139,404)	(391,513)	(109,736)	(1,043,116)	
Credit swaps	--	--	--	--	(16,774)	
Others	(77,973)	(2,462)	(39,388)	(49,310)	(168,485)	
Total	<u>(2,426,655)</u>	<u>(466,762)</u>	<u>(1,996,875)</u>	<u>(187,908)</u>	<u>(3,979,755)</u>	

Notes to Financial Statements

e) Results from Derivatives

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Swap	(438,485)	(360,138)	312,220	(784,229)	(752,100)	255,337
Forward	27	(947)	(307,275)	2,285	(5,072)	(303,176)
Options	(48,581)	(80,939)	(145,104)	(40,592)	(59,813)	(157,663)
Future	(553,311)	(417,507)	(777,459)	(682,160)	(801,224)	(713,936)
Derivatives	--	--	--	(6,347)	2,023	3,579
Others	(316,635)	(371,879)	(262,066)	(466,781)	(623,178)	(306,762)
Total	(1,356,985)	(1,231,410)	(1,179,684)	(1,977,824)	(2,239,364)	(1,222,621)

f) Equity Valuation Adjustment – Securities and Derivatives recognized in the Stockholders' equity

	R\$ Thousand								
	2S2010			2010			2009		
	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance
Securities available for sale									
Bank	(30,584)	78,857	48,273	(57,901)	106,174	48,273	(49,854)	(8,047)	(57,901)
Affiliates and subsidiaries	471,114	13,560	484,674	306,258	178,416	484,674	217,466	88,792	306,258
Tax effects	(29,154)	(36,358)	(65,512)	21,807	(87,319)	(65,512)	31,117	(9,310)	21,807
Total	411,376	56,059	467,435	270,164	197,271	467,435	198,729	71,435	270,164

Notes to Financial Statements

9 – Interbank

a) Credit Linked

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31. 2010	12.31.2009	12.31. 2010	12.31.2009
Compulsory Deposits at the Central Bank of Brazil	<u>83.928.847</u>	<u>24.167.099</u>	<u>87.035.114</u>	<u>24.279.765</u>
Additional reserve requirements on deposits ⁽¹⁾	29,283,429	--	30,639,918	--
Demand deposits	17,308,041	11,878,270	17,367,209	11,919,022
Savings deposits	15,177,844	--	16,866,606	--
Term deposits ⁽²⁾	14,760,321	11,941,111	14,760,321	11,941,111
Resources on rural credit ⁽³⁾	7,399,212	204,007	7,399,212	204,007
Resources on microfinance	--	143,711	1,848	215,625
Housing Finance System	<u>1.792.898</u>	<u>1.635.417</u>	<u>1.792.898</u>	<u>1.635.417</u>
Fund for compensation of wage changes	1,926,986	1,757,711	1,926,986	1,757,711
Other	6,951	17,083	6,951	17,083
Provision for losses on loans tied	(141,039)	(139,377)	(141,039)	(139,377)
National Treasury - Rural Credit	<u>121.164</u>	<u>148.158</u>	<u>121.164</u>	<u>148.158</u>
Total	<u>85.842.909</u>	<u>25.950.674</u>	<u>88.949.176</u>	<u>26.063.340</u>
Current assets	85,796,265	25,950,674	88,902,532	26,063,340
Non Current assets	46,644	--	46,644	--

(1) As Bacen Circular 3486/2010, was amended in order to comply with the requirement for additional in-kind due to additional federal government securities.

(2) According to Central Bank Circular No. 3.485/2010, has changed the form of performance requirements over the long term deposits.

(3) Refers to funds deposited with Bank because of weakness in implementing rural credit, according to Resolution CMN 3.745/2009. The funds were subject to special supply and maintained by the Bank at the Bank, since the rural credit applied to 08/01/2011, and recorded in borrowings and Transfers (Note 18.b).

b) Income on Compulsory Deposits

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income Credit Linked to Central Bank	<u>2.140.496</u>	<u>3.223.671</u>	<u>628.865</u>	<u>2.259.181</u>	<u>3.388.046</u>	<u>730.210</u>
Additional reserve requirements on deposits	1,090,114	1,581,880	--	1,139,145	1,651,278	--
Savings deposits	495,685	898,487	601,649	495,685	898,487	702,994
Requirements over the long term resources	526,463	715,069	--	596,116	810,046	--
Resources of rural credit	28,234	28,235	27,216	28,235	28,235	27,216
Income Credit Linked to SFH	<u>127.429</u>	<u>177.802</u>	<u>10.083</u>	<u>127.429</u>	<u>177.802</u>	<u>74.782</u>
Income Credit Linked to Rural Credit	<u>8.070</u>	<u>20.397</u>	<u>11.281</u>	<u>8.070</u>	<u>20.397</u>	<u>11.281</u>
Total	<u>2.275.995</u>	<u>3.421.870</u>	<u>650.229</u>	<u>2.394.680</u>	<u>3.586.245</u>	<u>816.273</u>

Notes to Financial Statements

10 – Loans

a) Portfolio by modality

	R\$ Thousand				
	Banco do Brasil			BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	
Loans	<u>307,123,928</u>	<u>259,780,843</u>	<u>334,159,880</u>	<u>279,467,756</u>	
Loans and bills discounted	141,461,847	124,255,540	149,036,753	129,828,585	
Financing	85,267,041	67,023,572	104,006,325	80,858,134	
Rural and agribusiness financing	76,972,710	66,887,223	77,639,334	67,166,529	
Real estate financing	3,421,356	1,610,578	3,476,494	1,610,578	
Financing of Infrastructure and development	974	3,930	974	3,930	
Other receivables with loan characteristics	<u>19,721,065</u>	<u>16,051,948</u>	<u>20,158,116</u>	<u>16,429,275</u>	
Credit card operations	10,623,969	7,747,968	10,623,969	7,747,968	
Advances on foreign exchange contracts	8,785,982	7,967,810	9,054,882	8,192,660	
Guarantees honored	75,303	88,322	75,303	90,972	
Sundry	235,811	247,848	403,962	397,675	
Lease operations	<u>44,473</u>	<u>60,775</u>	<u>4,047,757</u>	<u>4,931,773</u>	
Total Loan Portfolio	<u>326,889,466</u>	<u>275,893,566</u>	<u>358,365,753</u>	<u>300,828,804</u>	
Provision for Loan Losses	<u>(16,499,018)</u>	<u>(17,611,907)</u>	<u>(17,314,731)</u>	<u>(18,617,380)</u>	
(Allowance for loan losses)	(15,827,973)	(16,938,379)	(16,433,381)	(17,684,659)	
(Allowance for other receivables losses)	(671,045)	(673,528)	(690,124)	(701,511)	
(Allowance for lease losses)	--	--	(191,226)	(231,210)	
Total Loan Portfolio Net of Provisions	<u>310,390,448</u>	<u>258,281,659</u>	<u>341,051,022</u>	<u>282,211,424</u>	

b) Loan operations income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Loan operations income	<u>25,095,693</u>	<u>47,391,099</u>	<u>36,425,296</u>	<u>27,416,170</u>	<u>51,733,150</u>	<u>40,515,241</u>
Loans and bills discounted	15,616,791	29,728,429	21,838,644	16,566,618	31,243,601	25,024,527
Financing	4,419,318	8,257,473	6,393,804	5,496,813	10,711,346	7,027,890
Rural and agribusiness financing	2,802,711	5,166,896	4,614,922	2,828,177	5,204,631	4,662,144
Recovery of written-off loans (Note 10.k)	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Advances on foreign exchange contracts	145,309	284,086	350,157	172,103	429,852	374,347
Guarantees honored	2,588	7,507	8,700	2,588	7,522	8,796
Other	440,730	835,052	642,289	434,332	833,043	725,757
Lease Operations Income (Note 10.i)	<u>18,495</u>	<u>40,372</u>	<u>50,880</u>	<u>1,441,243</u>	<u>3,032,523</u>	<u>2,310,112</u>
Total	<u>25,114,188</u>	<u>47,431,471</u>	<u>36,476,176</u>	<u>28,857,413</u>	<u>54,765,673</u>	<u>42,825,353</u>

Notes to Financial Statements

c) Breakdown of the Loan Portfolio by Sector

	R\$ Thousand							
	Banco do Brasil				BB-Consolidated			
	12.31.2010	%	12.31.2009	%	12.31.2010	%	12.31.2009	%
PUBLIC SECTOR	<u>7.150.509</u>	<u>2.2</u>	<u>6.234.130</u>	<u>2.3</u>	<u>7.261.066</u>	<u>2.0</u>	<u>6.388.065</u>	<u>2.1</u>
Government	<u>2.772.577</u>	<u>0.9</u>	<u>2.716.210</u>	<u>1.0</u>	<u>2.772.577</u>	<u>0.8</u>	<u>2.716.210</u>	<u>0.9</u>
Direct administration	2,449,398	0.8	2,556,027	0.9	2,449,398	0.7	2,556,027	0.8
Indirect administration	323,179	0.1	160,183	0.1	323,179	0.1	160,183	0.1
Business entities	<u>4.377.932</u>	<u>1.3</u>	<u>3.517.920</u>	<u>1.3</u>	<u>4.488.489</u>	<u>1.2</u>	<u>3.671.855</u>	<u>1.2</u>
BB Group	12,729	--	4,405	--	--	--	--	--
Industry	2,480,426	0.8	2,046,213	0.7	2,553,541	0.7	2,126,049	0.6
Financial services	114,766	--	151,226	0.1	126,428	--	151,288	0.1
Other services	1,770,011	0.5	1,316,076	0.5	1,808,520	0.5	1,394,518	0.5
PRIVATE SECTOR	<u>319.738.957</u>	<u>97.8</u>	<u>269.659.436</u>	<u>97.7</u>	<u>351.104.687</u>	<u>98.0</u>	<u>294.440.739</u>	<u>97.9</u>
Rural	57,331,133	17.5	54,489,403	19.8	57,987,817	16.2	54,768,700	18.3
Industry	98,973,789	30.3	79,466,709	28.8	105,234,145	29.4	84,798,895	28.2
Commerce	38,160,481	11.7	30,881,818	11.2	40,125,804	11.2	32,175,132	10.7
Financial services	1,425,713	0.4	1,044,364	0.4	1,172,864	0.3	1,010,506	0.3
Private Individuals	79,022,416	24.2	66,367,114	24.0	98,274,542	27.4	81,295,241	27.0
Housing	2,931,782	0.9	1,456,778	0.5	2,931,782	0.8	1,456,778	0.5
Other services	41,893,643	12.8	35,953,250	13.0	45,377,733	12.7	38,935,487	12.9
Total	<u>326.889.466</u>	<u>100.0</u>	<u>275.893.566</u>	<u>100.0</u>	<u>358.365.753</u>	<u>100.0</u>	<u>300.828.804</u>	<u>100.0</u>

d) Loan portfolio by risk level and maturity

	R\$ Thousand											
	Banco do Brasil											
	Performing loans											
											12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
Installments falling due												
01 to 30	5,471,367	4,898,926	7,674,503	2,092,661	519,404	49,936	17,281	10,710	102,152	20,836,940	22,146,248	
31 to 60	4,792,084	3,891,511	5,283,664	1,526,083	244,692	149,819	12,318	9,047	70,761	15,979,979	16,170,441	
61 to 90	3,841,808	2,629,305	3,605,853	1,185,117	175,309	27,571	10,723	13,921	58,557	11,548,164	13,319,159	
91 to 180	10,215,381	6,963,575	12,243,036	4,129,629	661,825	123,032	50,145	27,301	228,852	34,642,776	32,052,930	
181 to 360	9,640,334	11,578,085	22,539,031	7,848,144	1,186,307	195,602	89,881	44,291	479,424	53,601,099	46,627,198	
Over 360	55,295,504	29,229,817	66,024,827	20,035,508	4,184,577	698,059	390,264	210,919	2,582,435	178,651,910	129,267,314	
Installments overdue												
Up to 14 days	74,862	48,032	78,857	71,007	37,660	18,564	10,897	5,861	18,844	364,584	577,848	
Others ⁽¹⁾	1,286,169	--	--	--	--	--	--	--	--	1,286,169	2,643,182	
Subtotal	<u>90.617.509</u>	<u>59.239.251</u>	<u>117.449.771</u>	<u>36.888.149</u>	<u>7.009.774</u>	<u>1.262.583</u>	<u>581.509</u>	<u>322.050</u>	<u>3.541.025</u>	<u>316.911.621</u>	<u>262.804.320</u>	

Notes to Financial Statements

R\$ Thousand											
Non-performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
Installments falling due											
01 to 30	--	--	85,649	195,365	120,359	115,493	98,239	93,175	745,391	1,453,671	1,770,496
31 to 60	--	--	25,665	41,928	21,792	26,653	23,716	27,508	137,880	305,142	351,919
61 to 90	--	--	16,030	25,875	17,273	21,361	20,462	18,418	106,122	225,541	290,999
91 to 180	--	--	40,483	65,405	49,550	62,248	53,620	51,712	322,505	645,523	871,115
181 to 360	--	--	70,940	118,709	93,420	116,074	90,110	93,777	660,726	1,243,756	1,662,274
Over 360	--	--	152,236	209,317	207,353	305,762	219,400	265,965	1,681,592	3,041,625	3,752,986
Installments overdue											
01 to 14	--	--	4,492	15,315	10,119	9,712	7,503	8,151	42,167	97,459	115,147
15 to 30	--	--	43,922	31,558	18,336	19,450	13,621	13,974	90,393	231,254	422,474
31 to 60	--	--	3,375	73,104	36,651	39,994	28,644	27,821	229,814	439,403	536,958
61 to 90	--	--	85	2,820	62,982	46,462	32,814	33,124	178,169	356,456	465,093
91 to 180	--	--	333	1,244	5,231	79,562	92,962	85,900	406,844	672,074	1,245,803
181 to 360	--	--	--	--	3,010	10,717	4,177	62,692	654,917	735,511	1,588,510
Over 360	--	--	--	--	--	--	6,531	11,577	512,318	530,430	15,472
Subtotal	--	--	443,210	780,640	646,076	853,488	691,799	793,794	5,768,838	9,977,845	13,089,246
Total	90,617,509	59,239,251	117,892,981	37,668,789	7,655,850	2,116,071	1,273,308	1,115,844	9,309,863	326,889,466	275,893,566

R\$ Thousand											
BB-Consolidated											
Performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
Installments falling due											
01 to 30	5,945,960	5,820,263	7,826,339	2,123,451	529,375	51,240	17,699	11,219	107,347	22,432,893	23,486,901
31 to 60	5,067,675	4,678,664	5,384,158	1,537,391	251,557	150,780	14,082	9,260	72,607	17,166,174	17,225,210
61 to 90	4,209,690	3,321,043	3,703,837	1,197,472	180,808	28,430	11,102	14,107	60,586	12,727,075	14,184,551
91 to 180	10,986,525	8,941,331	12,527,211	4,152,939	680,511	125,515	52,554	34,250	233,616	37,734,452	34,364,270
181 to 360	10,867,061	15,008,104	23,005,156	7,887,685	1,216,640	199,949	95,277	47,632	487,709	58,815,213	50,595,870
Over 360	59,395,531	41,066,539	66,957,144	20,127,964	4,262,559	707,041	434,397	224,519	2,725,718	195,901,412	142,504,044
Installments overdue											
Up to 14 days	74,972	58,753	85,723	71,354	38,171	18,675	10,949	5,877	19,041	383,515	587,182
Other (1)	1,286,169	--	--	--	--	--	--	--	--	1,286,169	2,643,182
Subtotal	97,833,583	78,894,697	119,489,568	37,098,256	7,159,621	1,281,630	636,060	346,864	3,706,624	346,446,903	285,591,210

(1) Operations with third party risk tied to Government Funds and Programs, primarily Pronaf, Proceca, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R\$ 49,748 thousand, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

Notes to Financial Statements

R\$ Thousand											
Non-performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
Installments falling due											
01 to 30	--	--	131,162	214,004	127,722	118,445	100,222	94,997	753,179	1,539,731	1,889,122
31 to 60	--	--	67,854	60,590	29,062	29,730	25,720	29,331	145,844	388,131	434,455
61 to 90	--	--	55,420	43,592	24,339	24,170	22,357	20,129	113,462	303,469	364,029
91 to 180	--	--	153,656	113,185	68,424	69,939	59,051	56,457	342,642	863,354	1,082,286
181 to 360	--	--	271,054	201,704	126,091	130,122	99,360	101,943	695,442	1,625,716	2,014,513
Over 360	--	--	357,494	435,095	303,830	354,194	254,491	289,746	1,772,279	3,767,129	4,632,154
Installments overdue											
01 to 14	--	--	12,640	24,501	13,726	10,888	8,234	8,940	45,240	124,169	140,088
15 to 30	--	--	87,193	42,859	21,766	21,084	14,861	15,032	95,131	297,926	489,028
31 to 60	--	--	14,236	96,603	45,950	43,075	31,180	29,745	237,968	498,757	609,217
61 to 90	--	--	85	11,195	74,610	50,547	35,961	36,095	186,188	394,681	513,310
91 to 180	--	--	333	3,472	11,150	88,304	100,540	94,416	440,954	739,169	1,336,198
181 to 360	--	--	--	--	3,010	13,273	7,461	66,269	706,224	796,238	1,703,448
Over 360	--	--	6,024	5,135	3,980	3,712	9,249	14,660	537,621	580,380	29,746
Subtotal	--	--	1,157,151	1,251,935	853,660	957,483	768,687	857,760	6,072,174	11,918,850	15,237,594
Total	97,833,583	78,894,697	120,646,719	38,350,191	8,013,281	2,239,113	1,404,747	1,204,624	9,778,798	358,365,753	300,828,804

e) Allowance for loan losses by risk level

R\$ Thousand							
Banco do Brasil							
		12.31.2010			12.31.2009		
Level of Risk	% Provision	Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans	Value of allowance
AA	0	90,617,509	--	--	--	71,237,973	--
A	0.5	59,239,251	296,196	41	296,237	80,417,215	402,086
B	1	117,892,981	1,178,930	3,740	1,182,670	76,040,439	760,404
C	3	37,668,789	1,130,064	298,111	1,428,175	24,434,854	733,046
D	10	7,655,850	765,585	262,434	1,028,019	8,578,979	857,898
E	30	2,116,071	634,821	626,205	1,261,026	2,735,148	820,544
F	50	1,273,308	636,654	368,390	1,005,044	1,597,386	798,693
G	70	1,115,844	781,091	206,893	987,984	1,295,454	906,818
H	100	9,309,863	9,309,863	--	9,309,863	9,556,118	9,556,118
Subtotal		326,889,466	14,733,204	1,765,814	16,499,018	275,893,566	14,835,607
Additional allowance⁽¹⁾		--	--	--	--	--	2,776,300
Total		326,889,466	14,733,204	1,765,814	16,499,018	275,893,566	17,611,907

Notes to Financial Statements

R\$ Thousand							
BB-Consolidated							
Level of Risk	% Provision	12.31.2010			12.31.2009		
		Value of loans	Value of allowance	Additional allowance ⁽¹⁾	Existent Allowance	Value of loans	Value of allowance
AA	0	97,833,583	--	--	--	75,507,847	--
A	0.5	78,894,697	394,473	41	394,514	95,114,890	475,574
B	1	120,646,719	1,206,467	3,740	1,210,207	79,428,413	794,284
C	3	38,350,191	1,150,506	298,111	1,448,617	25,448,587	763,458
D	10	8,013,281	801,328	262,434	1,063,762	9,072,785	907,279
E	30	2,239,113	671,734	626,205	1,297,939	2,943,151	882,945
F	50	1,404,747	702,374	368,390	1,070,764	1,714,522	857,261
G	70	1,204,624	843,237	206,893	1,050,130	1,480,320	1,036,225
H	100	9,778,798	9,778,798	--	9,778,798	10,118,289	10,118,289
Subtotal		<u>358,365,753</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>300,828,804</u>	<u>15,835,315</u>
Additional allowance⁽¹⁾		--	--	--	--	--	2,782,065
Total		<u>358,365,753</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>300,828,804</u>	<u>18,617,380</u>

(1) Refers to the additional provision to the minimum required by CMN Resolution No. 2682/1999, increased the experience of management, by simulating on the loan portfolio, considering the history of default of operations in accordance with the good banking practice.

f) Changes in allowance for doubtful accounts

Includes the loans, leases and other receivables with characteristics of credit.

R\$ Thousand							
Banco do Brasil							
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	<u>15,213,962</u>	<u>1,791,203</u>	<u>17,005,165</u>	<u>14,835,607</u>	<u>2,776,300</u>	<u>17,611,907</u>	<u>13,615,815</u>
Provision/(reversal)	4,612,587	(25,389)	4,587,198	10,653,360	(1,010,486)	9,642,874	11,327,749
Exchange variation on allowances - foreign	(5,132)	--	(5,132)	(2,807)	--	(2,807)	(28,397)
Compensation as losses	(5,088,213)	--	(5,088,213)	(10,752,956)	--	(10,752,956)	(8,562,687)
Added Value ⁽¹⁾	--	--	--	--	--	--	1,259,427
Closing balance	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>17,611,907</u>

R\$ Thousand							
BB-Consolidated							
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	<u>16,296,349</u>	<u>1,791,203</u>	<u>18,087,552</u>	<u>15,835,315</u>	<u>2,782,065</u>	<u>18,617,380</u>	<u>13,829,059</u>
Provision/(reversal)	4,803,075	(25,389)	4,777,686	11,359,204	(1,016,251)	10,343,560	12,308,707
Exchange variation on allowances - foreign	(12,557)	--	(12,557)	(9,258)	--	(9,258)	(61,045)
Compensation as losses	(5,537,950)	--	(5,537,950)	(11,636,344)	--	(11,636,951)	(9,273,388)
Added Values ⁽¹⁾	--	--	--	--	--	--	1,814,047
Closing balance	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>18,617,380</u>

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and merged in November, 2009 (R\$ 1,117,867 thousand) and due to participation in Banco Votorantim at September, 2009 (R\$ 696,180 thousand).

Notes to Financial Statements

g) Changes in allowance for other doubtful accounts

Includes provisions for other receivables without characteristics of credit.

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Opening balance	<u>830,888</u>	<u>909,630</u>	<u>769,198</u>	<u>889,645</u>	<u>980,272</u>	<u>797,869</u>
Provision/(reversal)	(16,570)	(97,460)	86,711	(17,852)	(99,520)	87,554
Exchange variation on allowances - foreign	47	(103)	(969)	47	(103)	(969)
Compensation as losses / Other settings	(6,350)	(4,052)	(1,671)	10,152	1,343	(1,732)
Added values ⁽¹⁾	--	--	56,361	--	--	97,549
Closing balance	<u>808,015</u>	<u>808,015</u>	<u>909,630</u>	<u>881,992</u>	<u>881,992</u>	<u>980,271</u>

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and incorporated in November, 2009 (R\$ 62,831 thousand) and due to participation in Banco Votorantim at September, 2009 (R\$ 34,718 thousand).

h) Leasing portfolio by maturity

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Up 1 year ⁽¹⁾	18,227	23,195	1,835,401	1,975,351
1 to 5 Years	26,246	37,580	2,203,085	2,939,741
Over 5 years	--	--	9,271	16,681
Total Present Value	<u>44,473</u>	<u>60,775</u>	<u>4,047,757</u>	<u>4,931,773</u>

(1) Includes amounts related to installments overdue.

i) Income from Leasing Operations

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Lease revenue	<u>18,495</u>	<u>40,372</u>	<u>50,880</u>	<u>1,441,243</u>	<u>3,032,523</u>	<u>2,310,112</u>
Leasing	18,495	40,372	50,880	1,441,227	3,032,363	2,308,530
Operating leases	--	--	--	16	160	1,582
Lease expenses	<u>(15,550)</u>	<u>(34,487)</u>	<u>(44,342)</u>	<u>(1,071,952)</u>	<u>(2,218,481)</u>	<u>(1,663,342)</u>
Leasing	(15,550)	(34,487)	(44,342)	(1,071,122)	(2,214,538)	(1,646,300)
Operating leases	--	--	--	(107)	(479)	(1,500)
Loss on disposal of leased assets	--	--	--	(723)	(3,464)	(15,542)
Total	<u>2,945</u>	<u>5,885</u>	<u>6,538</u>	<u>369,291</u>	<u>814,042</u>	<u>646,770</u>

j) Concentration of credit

	R\$ Thousand			
	Banco do Brasil			
	12.31.2010	% of credit portfolio	12.31.2009	% of credit portfolio
10 largest debtors	28,093,555	8.6	25,658,711	9.3
50 largest debtors	28,788,465	8.8	26,110,921	9.5
100 largest debtors	21,141,242	6.5	17,790,504	6.4

Notes to Financial Statements

k) Supplementary information

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Renegotiated loans	14,248,771	26,195,922	20,127,897	16,822,573	30,624,001	20,355,896
Recovery of loans written off as loss	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Amount of credits assigned to other financial institutions				=	<u>1,251,357</u>	=
Book value				--	1,131,506	--
Earnings on sales before taxes				--	119,851	--
	12.31.2010	12.31.2009		12.31.2010	12.31.2009	
Credits contracted to release	91,326,087	75,569,402		86,083,616	74,834,057	
Guarantees given ⁽¹⁾	8,071,232	7,309,416		12,500,620	12,553,149	
Confirmed export credits ⁽¹⁾	742,827	351,645		755,362	353,947	
Credit opened for import ⁽¹⁾	463,154	904,384		463,424	908,827	
Resources linked ⁽²⁾	701,395	609,787		1,162,495	1,036,906	
Credit operations linked ⁽²⁾	805,419	826,790		890,628	854,862	

(1) For these operations, the Bank maintains an allowance recorded in Other liabilities - Sundry, (note 20.e) totaling R\$ 82,230 thousand (R\$ 70,191 thousand on 12.31.2009) in Banco do Brasil R\$ 85,510 thousand (R\$ 70,204 thousand on 12.31.2009), calculated in accordance with Resolution CMN 2.682/1999

(2) On 12.31.2010, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

Notes to Financial Statements

11 – Other Receivables

a) Specific credits

These are credits from the Federal Treasury of R\$ 1,029,638 thousand (R\$ 931,845 thousand at 12.31.2009), for the extension of terms of rural financing as determined by Law 9138/1995.

b) Sundry

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Deferred tax assets - Tax credits (Note 25.e)	19,751,902	20,206,935	21,969,538	21,909,801
Credit and debit card operations	14,121,902	9,340,769	14,121,902	9,340,769
Sundry debtors from escrow deposits – lawsuit (Note 28.e.1)	12,485,258	11,752,804	12,485,258	11,752,804
Sundry debtors from escrow deposits – contingencies (Note 28.d)	9,401,829	8,266,094	10,843,777	9,392,161
Income tax and social contribution on net income to offset	9,495,380	6,802,424	10,268,266	7,407,346
Actuarial Assets - Previ (Note 27.d)	9,894,787	12,655,346	9,894,787	12,655,346
Fund allocation of surplus - Previ (note 27.e)	9,119,367	1,778,366	9,119,367	1,778,366
Treasury - equalization of taxes	3,493,439	1,816,115	3,493,439	1,816,115
Receivables - non-financial companies	--	--	2,888,627	2,202,135
Sundry debtors - Brazil	1,391,406	2,342,653	1,740,272	2,722,568
Notes and credits receivable Federal Treasury	1,305,327	793,727	1,305,327	793,727
Purchase of assets receivable	887,161	583,701	1,265,895	1,052,989
Advances to Credit Guarantee or Fund (FGC)	711,686	955,693	711,686	955,693
Advances on and prepayment of salaries	247,735	222,970	256,385	229,878
Notes and credits receivable - other	177,806	223,576	177,806	223,576
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	85,282	583,926	85,282	583,926
Sundry debtors from escrow deposits Others	56,899	58,084	58,494	64,375
Sundry debtors foreign	14,138	30,938	15,370	32,383
Other	439,783	364,978	414,337	399,474
Total	<u>93,081,087</u>	<u>78,779,099</u>	<u>101,115,815</u>	<u>85,313,432</u>
Current Assets	44,611,607	27,747,589	49,880,444	31,167,539
Non Current Assets	48,469,480	51,031,510	51,235,371	54,145,893

Notes to Financial Statements

12 – Foreign Exchange Portfolio

a) Breakdown

	R\$ Thousand				
	Banco do Brasil			BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	
Other Receivables					
Forward foreign exchange purchases pending settlement	10,241,560	7,911,582	10,852,280	8,077,670	
Bills of exchange and time drafts in foreign currency	72,340	79,758	72,340	79,758	
Receivables from sales of foreign exchange	28,661,146	12,353,989	28,691,802	12,379,924	
(Advances received in local/foreign currency)	(27,541,940)	(12,034,235)	(27,834,542)	(12,046,972)	
Foreign currency receivables	5,269	5,629	5,269	5,629	
Income receivable on advances granted and financed imports	84,139	164,068	90,611	175,043	
Total	<u>11,522,514</u>	<u>8,480,791</u>	<u>11,877,760</u>	<u>8,671,052</u>	
Current Assets	9,936,710	8,480,791	10,291,956	8,671,052	
Non Current Assets	1,585,804	--	1,585,804	--	
Other liabilities					
Forward foreign exchange sales pending settlement	27,631,836	11,372,666	27,661,366	11,398,606	
(Financed imports)	(17,510)	(11,026)	(17,510)	(23,585)	
Foreign exchange purchase liabilities	10,574,863	8,465,559	11,200,934	8,658,303	
(Advances on foreign exchange contracts)	(9,144,263)	(7,737,233)	(9,406,691)	(7,938,549)	
Foreign currency payables	10,408	11,025	64,161	73,289	
Unearned income on advances granted	3,727	5,924	3,727	5,924	
Total	<u>29,059,061</u>	<u>12,106,915</u>	<u>29,505,987</u>	<u>12,173,988</u>	
Current Liabilities	11,458,085	12,106,915	11,905,011	12,173,988	
Non Current Liabilities	17,600,976	--	17,600,976	--	
Foreign exchange portfolio, net	<u>(17,536,547)</u>	<u>(3,626,124)</u>	<u>(17,628,227)</u>	<u>(3,502,936)</u>	
Memorandum accounts					
Credit opened for imports	935,474	1,513,521	949,106	1,524,184	
Confirmed export credit	742,827	351,645	755,362	353,947	

b) Foreign exchange results

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Foreign exchange income	4,400,508	7,432,010	8,131,691	4,882,619	8,412,269	8,417,821
Foreign exchange expenses	(3,421,263)	(6,454,944)	(7,472,970)	(3,853,030)	(7,329,438)	(7,731,904)
Foreign exchange results	<u>979,245</u>	<u>977,066</u>	<u>658,721</u>	<u>1,029,589</u>	<u>1,082,831</u>	<u>685,917</u>

Notes to Financial Statements

13 – Other Assets

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Assets not for own use	<u>269,978</u>	<u>270,993</u>	<u>349,428</u>	<u>323,273</u>
Assets in special regime	162,028	160,705	162,114	160,998
Buildings	78,865	80,073	80,212	80,507
Vehicles	648	612	77,445	51,281
Property	19,185	18,787	19,185	18,787
Machinery and Equipment	6,725	7,400	7,656	8,174
Others	2,527	3,416	2,816	3,526
Material in stock	21,809	19,217	38,643	40,716
Subtotal Other Assets	291,787	290,210	388,071	363,989
(Provision for devaluations)	(169,506)	(166,105)	(177,233)	(175,968)
Prepaid Expenses	<u>3,424,120</u>	<u>1,786,071</u>	<u>3,672,842</u>	<u>2,170,109</u>
Contracts for providing banking services	702,278	707,743	702,278	750,879
Premiums for purchased credits payroll ⁽¹⁾	2,557,495	794,091	2,046,909	658,283
Insurance selling expenses	--	--	389,024	307,048
Commissions for credit intermediation - financing of vehicles	27,668	52,893	101,720	175,296
Personnel expenses - Workers' Meal Program	82,068	72,911	82,068	72,911
Others	54,611	158,433	350,843	205,692
Total Other Assets	<u>3,546,401</u>	<u>1,910,176</u>	<u>3,883,680</u>	<u>2,358,130</u>
Current Assets	1,500,405	1,274,903	2,102,137	1,530,458
Non Current Assets	2,045,996	635,273	1,781,543	827,672

(1) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

Notes to Financial Statements

14 – Investments

a) Changes in subsidiaries

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events ⁽¹⁾	Income of Equity				Dividends
Brazil	<u>11,177,506</u>	<u>(1,314,984)</u>	<u>3,788,766</u>	<u>2,947,087</u>	<u>16,598,375</u>	<u>2,810,695</u>	<u>5,775,953</u>	--
Banco Votorantim S.A.	3,560,205	(56,410)	146,556	305,287	3,955,638	46,999	--	--
BB Aliança Participações S.A.	1,031,928	(191,745)	(110)	518,914	1,358,987	89,792	--	--
BB Banco de Investimento S.A.	396,509	(257,519)	29,913	944,303	1,113,206	2,121,040	--	--
BB Seguros Participações S.A.	594,604	(161,029)	359,376	397,093	1,190,044	40,752	--	--
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	130,143	(450,130)	2,616	451,018	133,647	417,043	--	--
BB Corretora de Seguros e Administradora de Bens S.A.	33,578	(114,831)	(37)	114,830	33,540	94,660	--	--
Mapfre Nossa Caixa Vida e Previdência S.A.	43,879	--	--	58,472	102,351	4,798	43,879	--
Cobra Tecnologia S.A. ⁽¹⁾	44,744	--	70,009	(51,639)	63,114	(61,250)	--	--
BV Participações S.A.	40,156	(2,362)	--	29,346	67,140	1,818	--	--
BB Leasing S.A. - Arrendamento Mercantil ⁽⁵⁾	25,842	(16,791)	3,200,000	106,717	3,315,768	(17,447)	--	--
Cadam S.A.	46,331	--	--	(2,312)	44,019	(6,851)	46,331	--
BB Administradora de Consórcios S.A.	16,920	(53,508)	--	61,031	24,443	43,095	--	--
BB Administradora de Cartões de Crédito S.A.	21,325	(9,977)	(390)	10,247	21,205	7,538	--	--
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,364	(127)	--	534	10,771	51	--	--
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	9,810	(271)	2,220	89	11,848	76	--	--
Tecnologia Bancária S.A. – Tecban ⁽¹⁾	--	--	7,166	470	7,636	--	--	--
Nossa Caixa Capitalização S.A.	5,476	(284)	--	202	5,394	25	--	--
Companhia Brasileira de Securitização – Cibrasec ⁽¹⁾	--	--	2,178	38	2,216	--	--	--
Cia. Hidromineral Piratuba	2,087	--	--	124	2,211	109	2,087	--
Cia. Catarinense de Assessoria e Serviços – CCA ⁽²⁾	228	--	--	--	228	--	228	--
Banco Nossa Caixa S.A.	--	--	--	--	--	39,207	--	--
BB Banco Popular do Brasil S.A. ⁽³⁾	18,519	--	(20,287)	1,768	--	(12,436)	--	--
BESC Financeira S.A. - Bescredi ⁽³⁾	18,795	--	(19,209)	414	--	787	--	--
BESC S.A. Arrendamento Mercantil - BESC Leasing ⁽³⁾	19,382	--	(19,523)	141	--	252	--	--
Itapebi	--	--	--	--	--	--	54,621	--
Estruturadora Brasileira de Projetos – EBP	--	--	--	--	--	--	1,784	--
Pronor ⁽¹⁾	--	--	--	--	--	--	25,498	--
Other Participations ⁽⁴⁾	--	--	--	--	--	637	9,750	--
Goodwill / bargain purchase on acquisition of investments	5,106,681	--	28,288	--	5,134,969	--	5,591,775	--

Notes to Financial Statements

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events	Income of Equity				Dividends
Abroad	<u>966,096</u>	=	=	<u>93,692</u>	<u>1,008,171</u>	<u>80,618</u>	=	=
BAMB-Brasilian American Merchant Bank	656,043	--	--	75,940	707,151	55,855	--	--
Banco do Brasil AG, Viena	218,620	--	--	4,463	200,628	7,708	--	--
BB Leasing Company Ltd,	74,781	--	--	1,373	72,878	1,872	--	--
BB Securities LLC	16,652	--	--	11,916	27,514	15,183	--	--
Profit / (loss) in the agencies	=	=	=	<u>(111,534)</u>	=	<u>(762,200)</u>	=	=
Profit / (loss) of subsidiaries	=	=	=	<u>(55,438)</u>	=	<u>(279,639)</u>	=	=
Increase / decrease in equity resulting from handling	=	=	=	<u>160</u>	=	<u>78</u>	=	=
Total Investments in Subsidiaries and Affiliates	<u>12,143,602</u>	<u>(1,314,984)</u>	<u>3,788,766</u>	<u>2,873,966</u>	<u>17,606,546</u>	<u>1,849,552</u>	<u>5,775,953</u>	=

(1) The information relates to the period of December 2009 to November/2010.

(2) Company in process of liquidation, not valued by the equity method.

(3) Companies merged by the Banco do Brasil in 1st half/2010 (Note 2a).

(4) Refers to holdings of non-financial related companies.

(5) Refers a capital increase held in October/2010.

Notes to Financial Statements

Investments	Capital Held	Net Equity	Net Income (Loss) for the period	Numbers of Shares (in thousands)		Participation %	R\$ Thousand
				Common	Preferred		
Brazil							
BB Aliança Participações S.A.	964,493	1,446,569	518,914	102,513	--	100.00	
BB Banco de Investimento S.A.	367,029	1,227,979	944,303	3,249	--	100.00	
BB Seguros Participações S.A.	951,611	1,240,495	397,093	53,221	--	100.00	
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	365,483	451,018	100,000	--	100.00	
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	148,370	114,830	1,000	--	100.00	
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,332,558	106,717	3,000	--	100.00	
BB Administradora de Consórcios S.A.	14,100	51,116	61,030	14	--	100.00	
BB Administradora de Cartões de Crédito S.A.	9,300	31,182	9,977	398,158	--	100.00	
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,000	10,898	534	10,000	--	100.00	
Nossa Caixa Capitalização S.A.	5,400	5,585	202	5,400	--	100.00	
Cobra Tecnologia S.A.	83,153	40,614	(52,732)	22,654	22,680	99.9978	
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,312	11,993	105	10,168,625	--	99.6214	
Banco Votorantim S.A.	3,994,931	8,517,236	1,015,237	33,356,791	7,412,620	50.00	
BV Participações S.A.	60,423	134,280	58,692	15,105	15,106	50.00	
Mapfre Nossa Caixa Vida e Previdência S.A.	50,000	208,880	107,927	20,000	--	49.00	
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13	
Cadam S.A.	183,904	203,414	(22,614)	--	4,762	21.64	
Itapebi	105,000	333,193	144,568	19,950	--	19.00	
Cia. Hidromineral Piratuba	2,047	13,653	652	63,931	--	16.19	
Tecnologia Bancária S.A. - Tecban	158,179	179,728	11,500	169,395	--	13.53	
Companhia Brasileira de Securitização - Cibrasec	68,475	73,130	1,277	2	--	12.12	
Pronor	154,686	144,683	(35,671)	5,542	--	12.02	
Estruturadora Brasileira de Projetos - EBP	34,733	13,977	(15,840)	3,083	--	11.11	
Abroad							
BAMB-Brazilian American Merchant Bank	401,400	707,150	75,940	241,023	--	100.00	
Banco do Brasil AG. Viena	41,896	200,628	4,462	188	--	100.00	
BB Leasing Company Ltd.	--	72,878	1,374	1,000	--	100.00	
BB Securities LLC	8,327	24,552	11,916	5,000	--	100.00	

b) Others Investments

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Investment tax incentives	18,810	18,742	82,988	59,081
Equity securities	58	58	146	146
Stocks and shares	52,482	57,962	56,186	61,868
Other investments ⁽¹⁾	3,265	21,895	944,993	814,893
Other investments abroad	11,520	10,436	12,322	11,237
Total	86,135	109,093	1,096,635	947,225
Allowance for losses	(51,355)	(69,828)	(84,415)	(77,839)

(1) Includes the BB-Consolidated, the amount of R\$ 866,917 thousand (R\$ 732,687 thousand at 12.31.2009), on investment Neoenergia (jointly owned company).

Notes to Financial Statements

c) Goodwill and negative goodwill on acquisition of investments

Goodwill	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Balance	<u>5.231.273</u>	<u>5.114.807</u>	--	<u>5.718.040</u>	<u>5.601.574</u>	<u>557.221</u>
Acquisitions	--	206,879	5,179,862	1,303,457	1,590,725	5,179,863
Amortization ⁽¹⁾	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
Balance at the end of period	<u>5.134.967</u>	<u>5.134.967</u>	<u>5.114.807</u>	<u>6.887.332</u>	<u>6.887.332</u>	<u>5.601.574</u>

(1) Recorded in Other Operating Expenses..

The negative goodwill amounted, R\$ 4,074 thousand in BB-Consolidated (R\$ 9,799 thousand at 12.31.2009), are recognized into income to the extent that the Bank assesses that there is no economic rationale for maintaining their respective values.

d) Expected Goodwill Amortization

	R\$ Thousand								
	2011	2012	2013	2014	2015	2016	2017	2018	Total
Banco do Brasil									
Banco Nossa Caixa	232,491	473,923	617,846	709,394	807,756	900,156	1,007,459	--	4,749,025
Banco Votorantim	45,883	49,191	54,570	56,722	57,981	60,466	61,131	--	385,944
Total gross	<u>278.374</u>	<u>523.114</u>	<u>672.416</u>	<u>766.116</u>	<u>865.737</u>	<u>960.622</u>	<u>1.068.590</u>	--	<u>5.134.969</u>
Tax effects ⁽¹⁾	(111,350)	(209,246)	(268,966)	(306,446)	(346,295)	(384,249)	(427,436)	--	(2,053,988)
Total net	<u>167.024</u>	<u>313.868</u>	<u>403.450</u>	<u>459.670</u>	<u>519.442</u>	<u>576.373</u>	<u>641.154</u>	--	<u>3.080.981</u>
Other participations									
BB-BI	<u>88.703</u>	<u>101.893</u>	<u>117.310</u>	<u>134.446</u>	<u>154.009</u>	<u>176.424</u>	<u>202.109</u>	<u>43.280</u>	<u>1.018.174</u>
Cielo	83,600	96,911	111,552	127,883	146,681	168,243	192,975	38,571	966,416
Visa Vale	5,103	4,982	5,758	6,563	7,328	8,181	9,134	4,709	51,758
BB Aliança Participações S.A.	<u>184.247</u>	<u>160.452</u>	<u>142.068</u>	--	--	--	--	--	<u>486.767</u>
Aliança do Brasil	184,247	160,452	142,068	--	--	--	--	--	486,767
BB-Aliança Rev	<u>25.702</u>	<u>26.523</u>	<u>30.499</u>	<u>35.237</u>	<u>39.118</u>	<u>43.046</u>	<u>47.298</u>	--	<u>247.423</u>
Brasil Veículos	25,702	26,523	30,499	35,237	39,118	43,046	47,298	--	247,423
Total gross	<u>298.652</u>	<u>288.868</u>	<u>289.877</u>	<u>169.683</u>	<u>193.127</u>	<u>219.470</u>	<u>249.407</u>	<u>43.280</u>	<u>1.752.364</u>
Tax effects ⁽¹⁾	(106,864)	(104,328)	(105,597)	(65,759)	(74,904)	(85,205)	(96,925)	(17,312)	(656,894)
Total net	<u>191.788</u>	<u>184.540</u>	<u>184.280</u>	<u>103.924</u>	<u>118.223</u>	<u>134.265</u>	<u>152.482</u>	<u>25.968</u>	<u>1.095.470</u>
BB-Consolidated									
Total gross	<u>577.026</u>	<u>811.982</u>	<u>962.293</u>	<u>935.799</u>	<u>1.058.864</u>	<u>1.180.092</u>	<u>1.317.997</u>	<u>43.280</u>	<u>6.887.333</u>
Tax effects ⁽¹⁾	<u>(218.214)</u>	<u>(313.574)</u>	<u>(374.563)</u>	<u>(372.205)</u>	<u>(421.199)</u>	<u>(469.454)</u>	<u>(524.361)</u>	<u>(17.312)</u>	<u>(2.710.882)</u>
Total net	<u>358.812</u>	<u>498.408</u>	<u>587.730</u>	<u>563.594</u>	<u>637.665</u>	<u>710.638</u>	<u>793.636</u>	<u>25.968</u>	<u>4.176.451</u>

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution 9% for non-financial company.

Notes to Financial Statements

The expected amortization of goodwill generated by acquisitions of equity backs on projections of results that supported the business, prepared by specialized firms contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows .

15 – Premises and Equipment and Leased Assets

R\$ Thousand								
Banco do Brasil								
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment ⁽¹⁾	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Premises and equipment								
Buildings	1,433,714	531,821	(198,065)	(174)	3,477,860	(1,707,286)	(3,278)	1,767,296
Data processing systems	1,245,543	775,662	(469,089)	(11)	3,961,229	(2,407,719)	(1,405)	1,552,105
Furniture and equipment for use	444,028	185,136	(95,324)	--	1,223,728	(689,888)	--	533,840
Land	231,970	(19,366)	--	--	212,604	--	--	212,604
Facilities	189,907	25,485	(38,472)	--	919,246	(742,326)	--	176,920
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	109,626	55,928	(36,344)	--	305,359	(176,149)	--	129,210
Fixed assets under construction	102,706	25,803	--	--	128,509	--	--	128,509
Security systems	98,118	20,136	(23,947)	--	270,489	(176,182)	--	94,307
Transport systems	129	(2)	(78)	--	559	(510)	--	49
Total	<u>4,006,745</u>	<u>1,465,488</u>	<u>(861,319)</u>	<u>(185)</u>	<u>10,515,472</u>	<u>(5,900,060)</u>	<u>(4,683)</u>	<u>4,610,729</u>

R\$ Thousand								
BB-Consolidated								
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment ⁽¹⁾	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Premises and equipment								
Buildings	1,474,422	500,021	(198,492)	(174)	3,491,969	(1,712,914)	(3,278)	1,775,777
Data processing systems	1,303,799	826,521	(477,547)	(11)	4,135,923	(2,481,756)	(1,405)	1,652,762
Furniture and equipment for use	533,309	230,937	(112,411)	(478)	1,546,162	(893,653)	(1,152)	651,357
Land	235,120	(16,126)	--	--	218,994	--	--	218,994
Facilities	194,464	45,439	(39,408)	--	950,966	(750,471)	--	200,495
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	113,971	56,606	(36,959)	--	313,192	(179,574)	--	133,618
Fixed assets under construction	107,096	49,305	--	--	156,401	--	--	156,401
Security systems	98,678	20,610	(24,073)	--	272,032	(176,817)	--	95,215
Transport systems	2,621	1,143	(345)	--	6,331	(2,912)	--	3,419
Leased fixed assets	<u>1,223</u>	<u>(1,223)</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>
Total	<u>4,215,707</u>	<u>1,578,118</u>	<u>(889,235)</u>	<u>(663)</u>	<u>11,107,859</u>	<u>(6,198,097)</u>	<u>(5,835)</u>	<u>4,903,927</u>

(1) Recorded in Other Operating Expenses.

Notes to Financial Statements

16 – Intangible Assets

a) Changes and Breakdown of Intangible Assets

	R\$ Thousand								
	Banco do Brasil								
	12.31.2009	2010				12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment ⁽¹⁾	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of software	320,647	297,352	(47)	(93,804)	--	663,116	(138,968)	--	524,148
Total	5,625,845	3,143,362	(318,208)	(2,108,643)	(14,747)	10,156,033	(3,771,828)	(56,596)	6,327,609

	R\$ Thousand								
	BB-Consolidated								
	12.31.2009	2010				12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment ⁽¹⁾	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of software	371,681	398,974	(31,294)	(96,889)	(211)	816,916	(174,444)	(211)	642,261
Other Intangible assets ⁽²⁾	--	6,018	--	(208)	--	6,018	(208)	--	5,810
Total	5,676,879	3,251,002	(349,455)	(2,111,936)	(14,958)	10,315,851	(3,807,512)	(56,807)	6,451,532

(1) Recorded in Other Expenses.

(2) Related to the Commercial Cooperation Agreement of Banco Votorantim.

b) Estimate for Amortization of Intangible Assets

	R\$ Thousand						
	Banco do Brasil						
	For the year ending:	2011	2012	2013	2014	2015	Total
Amounts to be amortized		2,107,525	1,751,128	1,367,589	895,995	205,372	<u>6,327,609</u>

	R\$ Thousand						
	BB-Consolidated						
	For the year ending:	2011	2012	2013	2014	2015	Total
Amounts to be amortized		2,132,309	1,775,912	1,392,374	920,780	230,157	<u>6,451,532</u>

Notes to Financial Statements

17 – Deposits and Money Market Borrowing

a) Deposits

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Demand deposits	<u>63,295,580</u>	<u>56,211,678</u>	<u>63,502,759</u>	<u>56,458,787</u>
Individuals	27,256,630	22,455,365	27,304,103	22,499,124
Corporate entities	24,730,542	22,351,731	24,925,483	22,563,646
Restricted	5,232,546	5,213,954	5,219,078	5,214,026
Government	3,311,606	3,858,059	3,311,606	3,858,059
Special from Federal Treasury	805,562	567,598	805,562	567,598
In foreign currencies	521,739	442,299	521,644	442,299
Related companies	468,532	505,424	469,831	505,424
Institutions of the financial system	364,871	378,812	342,328	370,394
Domiciled abroad	20,552	19,811	20,124	19,592
Others	583,000	418,625	583,000	418,625
Savings deposits	<u>89,287,840</u>	<u>75,741,590</u>	<u>89,287,840</u>	<u>75,741,590</u>
Individuals	83,636,945	71,159,163	83,636,945	71,159,163
Corporate entities	5,391,191	4,318,971	5,391,191	4,318,971
Related companies	251,709	255,963	251,709	255,963
Institutions of the financial system	7,995	7,493	7,995	7,493
Interbank deposits	<u>22,022,720</u>	<u>15,556,143</u>	<u>18,998,102</u>	<u>11,618,573</u>
Time deposits	<u>193,670,882</u>	<u>182,366,877</u>	<u>204,652,146</u>	<u>193,515,574</u>
Local currency	117,718,247	111,039,706	128,699,267	122,188,161
Remunerated deposits in court	64,687,761	57,479,585	64,688,005	57,479,827
Funds and programs – FAT (Note 17e)	10,234,642	12,667,714	10,234,642	12,667,714
Foreign currency	463,452	594,890	463,452	594,890
Funprogrer (note 17f)	111,968	227,376	111,968	227,376
Others	454,812	357,606	454,812	357,606
Deposits for investments	<u>409,746</u>	<u>228,468</u>	<u>409,821</u>	<u>229,303</u>
Total	<u>368,686,768</u>	<u>330,104,756</u>	<u>376,850,668</u>	<u>337,563,827</u>
Current Liabilities	284,318,438	252,490,505	290,696,257	258,676,108
Non Current Liabilities	84,368,330	77,614,251	86,154,411	78,887,719

b) Segregation of Deposits by deadline Chargeability

	Banco do Brasil							R\$ Thousand	
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total	Total	
							12.31.2010	12.31.2009	
Time deposits ⁽¹⁾	77,102,552	12,048,334	22,510,013	37,028,835	44,980,262	886	193,670,882	182,366,877	
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590	
Demand deposits	63,295,580	--	--	--	--	--	63,295,580	56,211,678	
Interbank deposits	--	15,029,289	4,635,084	2,230,094	109,138	19,115	22,022,720	15,556,143	
Investment deposits	409,746	--	--	--	--	--	409,746	228,468	
Total	<u>230,095,718</u>	<u>27,077,623</u>	<u>27,145,097</u>	<u>39,258,929</u>	<u>45,089,400</u>	<u>20,001</u>	<u>368,686,768</u>	<u>330,104,756</u>	

Notes to Financial Statements

R\$ Thousand								
	BB-Consolidated						Total 12.31.2010	Total 12.31.2009
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
Time deposits ⁽¹⁾	77,102,552	14,274,129	28,684,694	39,591,891	44,993,344	5,536	204,652,146	193,515,574
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590
Demand deposits	63,502,759	--	--	--	--	--	63,502,759	56,458,787
Interbank deposits	--	12,622,017	4,812,445	1,420,731	123,233	19,676	18,998,102	11,618,573
Investment deposits	409,821	--	--	--	--	--	409,821	229,303
Total	230,302,972	26,896,146	33,497,139	41,012,622	45,116,577	25,212	376,850,668	337,563,827

(1) Time deposits (with clause of anticipated repurchase (liquidity commitment), considering the terms established in funding) included R\$ 72,371,360 thousand (R\$ 41,838,483 thousand on December 31, 2009) at Banco do Brasil and R\$ 82,387,902 thousand (R\$ 52,682,710 thousand on December 31, 2009) at BB Consolidated.

c) Money market repurchases commitments

R\$ Thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Own Portfolio	45,559,644	25,545,392	56,795,153	31,901,701
Financial Treasury Bills	35,272,948	23,503,150	34,966,238	22,467,046
National Treasury Bills	9,557,645	--	9,137,821	22,897
Private equity	--	858,162	8,834,614	7,946,156
National Treasury Notes	--	--	2,677,992	147,744
Securities abroad	729,051	1,184,080	736,193	1,304,041
Other	--	--	442,295	13,817
Third-party portfolio	80,699,183	123,975,419	84,080,296	128,745,194
Financial Treasury Bills	52,793,688	111,805,277	52,793,688	112,555,277
National Treasury Bills	19,688,654	8,305,309	22,569,425	9,469,372
National Treasury Notes	5,881,601	466,563	6,381,943	3,322,275
Securities abroad	2,335,240	3,398,270	2,335,240	3,398,270
Free movement Portfolio	--	--	1,299,506	174,292
Total	126,258,827	149,520,811	142,174,955	160,821,187
Current Liabilities	120,389,184	142,412,717	134,252,629	153,699,462
Non Current Liabilities	5,869,643	7,108,094	7,922,326	7,121,725

d) Expenses with money market repurchase commitments

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Expenses borrowings with deposits	(11,692,633)	(21,602,404)	(17,646,964)	(12,584,730)	(23,393,861)	(19,507,059)
Time deposits	(5,517,645)	(10,301,408)	(9,724,960)	(6,199,512)	(11,539,326)	(10,165,988)
Savings deposits	(3,078,580)	(5,788,358)	(4,302,756)	(3,078,580)	(5,788,358)	(4,793,347)
Demand deposits	(2,158,897)	(4,010,190)	(2,487,302)	(2,158,897)	(4,010,190)	(3,286,474)
Interbank deposits	(562,073)	(806,337)	(771,081)	(555,184)	(804,802)	(788,114)
Others	(375,438)	(696,111)	(360,865)	(592,557)	(1,251,185)	(473,136)
Expenses with money market repurchase commitments	(7,715,478)	(13,835,275)	(9,736,736)	(8,623,449)	(15,362,497)	(10,638,869)
Third-party portfolio	(5,931,151)	(10,714,533)	(7,736,749)	(6,232,918)	(11,219,381)	(7,954,791)
Own portfolio	(1,782,803)	(3,116,591)	(1,980,323)	(2,346,314)	(4,079,803)	(2,612,057)
Subject to repurchase agreements with free movement	(1,524)	(4,151)	(19,664)	(44,217)	(63,313)	(72,021)
Expenses with money market	(19,408,111)	(35,437,679)	(27,383,700)	(21,208,179)	(38,756,358)	(30,145,928)

Notes to Financial Statements

e) Fund for Workers' Assistance (FAT)

R\$ Thousand

Banco do Brasil and BB-Consolidated										
Program	Resolution / TADE	Return of FAT funds			12.31.2010			12.31.2009		
		Type ⁽¹⁾	Opening Date	Closing Date	Available TMS ⁽²⁾	Invested TJLP ⁽³⁾	Total	Available TMS ⁽²⁾	Invested TJLP ⁽³⁾	Total
Proger Rural e Pronaf					<u>269,114</u>	<u>4,223,643</u>	<u>4,492,757</u>	<u>254,282</u>	<u>5,603,916</u>	<u>5,858,198</u>
Pronaf Custeio	04/2005	RA	11/2005	--	36,963	73,351	110,314	148,895	186,654	335,549
Pronaf Investimento	05/2005	RA	11/2005	--	84,368	2,581,667	2,666,035	--	3,205,371	3,205,371
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	1,019,428	1,019,428	--	1,241,887	1,241,887
Giro Rural Fornecedores	14/2006	RA	08/2006	--	114,269	310,209	424,478	35,856	520,301	556,157
Rural Custeio	02/2006	RA	11/2005	--	1,982	10,742	12,724	21,387	43,317	64,704
Rural Investimento	13/2005	RA	11/2005	--	31,532	228,246	259,778	48,144	406,386	454,530
Proger Urbano					<u>214,352</u>	<u>5,193,775</u>	<u>5,408,127</u>	<u>82,925</u>	<u>6,120,472</u>	<u>6,203,397</u>
Urbano Investimento	18/2005	RA	11/2005	--	169,514	4,686,928	4,856,442	74,258	5,434,647	5,508,905
Urbano Capital de Giro	15/2005	RA	11/2005	--	38,804	485,761	524,565	--	630,527	630,527
Empreendedor Popular	01/2006	RA	11/2005	--	6,034	21,086	27,120	8,667	55,298	63,965
Outros					<u>62,916</u>	<u>270,842</u>	<u>333,758</u>	<u>282,976</u>	<u>323,143</u>	<u>606,119</u>
Exportação	27/2005	RA	11/2005	--	--	2,145	2,145	89	2,647	2,736
Integrar Área Rural	26/2005	RA	11/2005	--	--	18	18	40	38	78
Integrar Área Urbana	25/2005	RA	11/2005	--	8,129	408	8,537	20	10,299	10,319
Inclusão Digital	09/2005	RA	11/2005	--	--	10	10	15	23	38
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	17,183	31,748	48,931	14,755	6,959	21,714
FAT Giro Setorial Médias e Grandes Empresas	09/2006	RA	09/2007	--	--	--	--	30,654	5,627	36,281
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	1,666	4,367	6,033	--	11,217	11,217
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	19,033	50,005	69,038	80,358	97,160	177,518
FAT Giro Cooperativo Agropecuário	10/2006	RA	07/2006	--	--	--	--	11	73	84
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,394	12,391	13,785	1,114	16,632	17,746
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	3,377	90,747	94,124	--	113,165	113,165
FAT Taxista	02/2009	RA	09/2009	--	5,382	31,731	37,113	150,000	--	150,000
FAT Encargos a capitalizar	--	--	--	--	6,752	47,272	54,024	5,920	59,303	65,223
Total					<u>546,382</u>	<u>9,688,260</u>	<u>10,234,642</u>	<u>620,183</u>	<u>12,047,531</u>	<u>12,667,714</u>

(1) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.

(2) Funds remunerated by the Average Selic Rate (TMS).

(3) Funds remunerated by the long-term interest rate (TJLP).

Notes to Financial Statements

FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Workers' Assistance Fund (Codefat), CODEFAT is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, which acts as the manager of FAT.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (PROGER), whose resources are allocated through special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, PROGER in the urban program- Investment and Working Capital - and rural program, the National Program for Strengthening Family Farming - Pronaf, the program that allocates resources for the purchase of construction materials - FAT Housing, in addition to the special lines such as FAT Rural and Urban Integration, FAT Giro Setorial - Micro and Small-Sized Companies, FAT Giro Setorial - Medium and Large-Sized Companies, FAT Fomentar - Micro and Small-Sized Companies, FAT Fomentar - Medium and Large-Sized Companies, FAT Giro Agropecuário, FAT Digital Inclusion and FAT Taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily pro rata basis using the Average Selic Rate (TMS), As they are applied on loans, the interest rate is changed to the Long-term Interest Rate (TJLP) during the effective period of the loans, The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in CODEFAT Resolutions 439/2005 and 489/2006.

f) Guarantee Fund for Generation of Employment and Earnings (FUNPROGER)

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004, It is managed by Banco do Brasil under the supervision of Codefat/MTE, and the balance is R\$ 111,968 thousand (R\$ 227,376 thousand on December 31, 2009).

The purpose of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano and PNMPO financing, through payment of a fee, The net assets of FUNPROGER are accumulated through funds arising from the difference between the average SELIC Rate (TMS) and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in FAT. Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the Fund manager.

Notes to Financial Statements

18 – Borrowings

a) Borrowings

R\$ Thousand							
Banco do Brasil							
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
Abroad							
Borrowings from BB Group abroad	4,427,820	3,510,159	908,221	--	--	8,846,200	5,783,779
Borrowings by bankers abroad	2,496,437	2,319,729	444,303	31,012	--	5,291,481	3,660,559
Public sector repass borrowing ⁽¹⁾	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	63,038	54,345	114,416	76,586	10,476	318,861	402,961
Exports	8,474	9,997	--	--	--	18,471	27,346
Total	6,995,769	6,107,794	1,867,418	407,957	10,476	15,389,414	11,050,645
Current Liabilities						13,103,563	6,274,611
Non Current Liabilities						2,285,851	4,776,034

R\$ Thousand							
BB-Consolidated							
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
In Brazil							
Borrowing by non financial companies	37,906	--	44,865	--	--	82,771	157,761
Exports	--	--	--	--	--	--	70,976
Others	5,472	5,207	--	--	--	10,679	22,319
Abroad							
Borrowings by bankers abroad	3,152,692	3,260,309	735,748	31,012	--	7,179,761	4,507,182
Public sector repass borrowing ⁽¹⁾	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	54,310	49,867	64,611	57,466	5,716	231,970	248,659
Exports	62,610	115,482	--	--	--	178,092	187,366
Total	3,312,990	3,644,429	1,245,702	388,837	5,716	8,597,674	6,370,263
Current Liabilities						6,957,419	4,810,915
Non Current Liabilities						1,640,255	1,559,348

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

Notes to Financial Statements

b) Repass Borrowings from official institutions – In Brazil

		R\$ Thousand			
Programs	Financial Charges	Banco do Brasil		BB-Consolidated	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
National Treasury - Rural credit		<u>1,512,821</u>	<u>2,100,693</u>	<u>1,549,490</u>	<u>2,100,693</u>
Pronaf	TMS (if available) or 0.5%p.a. to 4.5%p.a. (if available)	1,274,161	1,840,672	1,274,161	1,840,672
Recoop	5.75%p.a. to 7.25%p.a.	117,353	150,041	117,353	150,041
Cocoa	TJLP + 0.6%p.a. or 6.35%p.a.	47,678	67,668	47,678	67,668
Farming/livestock breeding	TR or 3%p.a.	41,274	40,957	41,274	40,957
Others	--	32,355	1,355	69,024	1,355
BNDES		<u>24,937,764</u>	<u>17,877,865</u>	<u>26,978,427</u>	<u>19,629,502</u>
Banco do Brasil	0.6305% p.a. to 14.1% p.a. or TJLP / fx. variation + 0.5% p.a. to 8.18 % p.a.	24,937,764	17,877,865	24,937,764	17,877,865
Banco Votorantim	Pré / TJLP / var. camb. - 1.3% p.a. a 11 % p.a.	--	--	2,040,663	1,751,637
Caixa Econômica Federal	--	<u>147,079</u>	<u>146,232</u>	<u>147,079</u>	<u>146,232</u>
Finame		<u>12,612,578</u>	<u>7,637,163</u>	<u>14,046,259</u>	<u>8,381,169</u>
Banco do Brasil	1% p.a. to 11% p.a. or TJLP / fx. variation + 0.5% p.a. to 5.5% p.a.	12,612,578	7,637,163	12,625,745	7,656,392
Banco Votorantim	TJLP / Pré – 0.3% p.a. to 17.5% p.a.	--	--	1,420,514	724,777
Other	--	<u>8,042,770</u>	<u>1,336,579</u>	<u>8,042,770</u>	<u>1,336,579</u>
Special Supply - Rural Savings ⁽¹⁾	TR	7,399,212	204,007	7,399,212	204,007
Funcafé	TMS (if available) or 6.75% p.a.	643,419	1,132,409	643,419	1,132,409
Other	--	139	163	139	163
Total		<u>47,253,012</u>	<u>29,098,532</u>	<u>50,764,025</u>	<u>31,594,175</u>
Current Liabilities		20,487,941	11,676,087	21,821,275	12,609,667
Non Current Liabilities		26,765,071	17,422,445	28,942,750	18,984,508

(1) Refers to the supply available to the Bank's special bank for rural credit application 08.01.2011 up, according to Resolution CMN 3.745/2009. These resources come from loans tied to the Bank on account of disability in the application of rural credit (Note 9.a).

c) Expense of Borrowings and Transfers (official institutions)

		R\$ Thousand					
		Banco do Brasil			BB-Consolidated		
		2S2010	2010	2009	2S2010	2010	2009
Cost of Borrowings		(69,669)	(450,140)	(169,021)	(75,733)	(344,932)	(199,882)
Expenses Onlendings		<u>(1,237,671)</u>	<u>(2,361,495)</u>	<u>(1,712,578)</u>	<u>(1,323,737)</u>	<u>(2,534,100)</u>	<u>(1,771,166)</u>
BNDES		(775,346)	(1,428,209)	(919,387)	(839,333)	(1,556,685)	(945,006)
Finame		(296,033)	(573,591)	(553,236)	(330,399)	(632,793)	(582,326)
Treasury		(104,963)	(170,672)	(165,932)	(105,712)	(171,421)	(165,932)
Foreign		(13,036)	(112,392)	--	--	(96,570)	--
CEF		(2,793)	(5,271)	(473)	(2,793)	(5,271)	(4,336)
Others		(45,500)	(71,360)	(73,550)	(45,500)	(71,360)	(73,566)
Expenses for Financial and Development liabilities		(172,588)	(454,830)	(459,089)	(172,588)	(454,830)	(530,281)
Expenditure obligations with foreign banks		--	(125,370)	--	(515)	(138,804)	(8,640)
Total		<u>(1,479,928)</u>	<u>(3,391,835)</u>	<u>(2,340,688)</u>	<u>(1,572,573)</u>	<u>(3,472,666)</u>	<u>(2,509,969)</u>

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19 – Resources from Securities Issues

							R\$ Thousand	
Resources	Currency	Amount Issued	Remuneration (p.a.)	Funding date	Maturity	12.31.2010	12.31.2009	
Banco do Brasil								
<i>Global Medium - Term Note Program</i>						<u>2,964,545</u>	<u>487,404</u>	
	R\$	350,000	9,75%	07/2007	07/2017	332,768	316,244	
	US\$	100,000	Libor 6m+2,55%	07/2009	07/2014	159,776	171,160	
	US\$	950,000	4,50%	01/2010	01/2015	1,617,034	--	
	US\$	500,000	6,0%	01/2010	01/2020	854,967	--	
Certificates of deposits - Long Term						<u>2,286,150</u>	<u>1,324,360</u>	
	US\$	200,000	3,34%	08/2010	06/2012	332,990	347,886	
	US\$	100,000	2,67%	08/2010	07/2012	164,918	170,742	
	US\$	5,000	2,69%	08/2010	06/2012	8,251	8,542	
	US\$	100,000	2,50%	08/2010	08/2012	164,830	170,734	
	US\$	10,000	3,40%	08/2010	08/2016	16,548	17,265	
	US\$	100,000	2,34%	08/2010	08/2012	164,807	170,780	
	US\$	99,941	3,36%	10/2009	10/2012	--	173,938	
	US\$	150,000	2,54%	10/2009	10/2012	--	255,771	
	US\$	4,000	3,80%	11/2009	11/2012	6,662	6,962	
	US\$	1,000	3,67%	12/2009	12/2012	1,665	1,740	
	US\$	99,000	3,03%	01/2010	01/2013	164,875	--	
	US\$	100,000	2,88%	01/2010	01/2013	166,540	--	
	US\$	200,000	2,12%	08/2010	03/2013	328,041	--	
	US\$	2,000	3,19%	05/2010	05/2013	3,331	--	
	US\$	4,806	2,02%	09/2010	09/2012	8,003	--	
	US\$	30,000	2,48%	09/2010	09/2013	49,962	--	
	US\$	150,000	2,07%	10/2010	10/2012	246,800	--	
	US\$	100,000	2,92%	11/2010	10/2012	166,482	--	
	US\$	25,000	2,20%	11/2010	11/2012	41,635	--	
	US\$	150,000	2,63%	12/2010	12/2013	249,810	--	
Certificates of deposits - Short Term (1)						<u>1,289,609</u>	<u>759,733</u>	
	US\$	774,057	--	--	--	1,289,609	754,754	
	EUR	1,991	--	--	--	--	4,979	
Certificate of Credit	EUR	3,500	3,0 a 3,31%			<u>7,816</u>	<u>--</u>	
Resources Letters of Credit - Agribusiness ⁽²⁾	R\$	270,806	--	--	--	<u>275,445</u>	<u>--</u>	
Letters of Credit	R\$	--	--	--	--	<u>207,994</u>	<u>--</u>	
Total Banco do Brasil						<u>7,031,559</u>	<u>2,571,497</u>	
Special purpose entities - EPE Abroad ⁽³⁾								
<i>Securitization of future flow of payment orders from abroad</i>								
	US\$	120,000	7,26%	03/2003	03/2010	--	12,362	
	US\$	250,000	6,55%	12/2003	12/2013	202,361	273,289	
	US\$	250,000	Libor 3m+0,55%	03/2008	03/2014	416,517	435,265	
	US\$	200,000	Libor 3m+1,20%	09/2008	09/2015	315,303	348,319	
	US\$	150,000	5,25%	04/2008	06/2018	250,429	261,707	
Total Special purpose entities - EPE Abroad						<u>1,184,610</u>	<u>1,330,942</u>	

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Resources	Currency	Amount Issued	Remuneration (p.a.)	Data Capture	Maturity	12.31.2010	12.31.2009
Banco Votorantim							
Debentures						<u>1,506,784</u>	<u>1,475,559</u>
Based on Foreign Exchange Variation	R\$		PTAX+12,0436%	12/2006	12/2011	783,564	818,833
Based on Interbank Variation	R\$		CDI + 0,35%	07/2007	07/2012	723,221	656,726
Real Estate Receivables Certificates	R\$		90% do CDI	02/2009	01/2012	<u>2,316</u>	<u>53,156</u>
Letters of Credit - Agribusiness	R\$		90% do CDI	07/2007	03/2020	<u>894,759</u>	<u>909,132</u>
Letters of Credit						<u>1,303,480</u>	--
Based on Fixed Rate Variation			12,17% a 12,58%	07/2010	01/2014	6,822	--
Based on Interbank Variation			107,0% a 108,1% do CDI	07/2010	09/2013	1,296,658	--
Liabilities for securities abroad - Program Global Medium - Term Notes						<u>1,441,671</u>	<u>694,931</u>
Short Term ⁽⁵⁾	US\$					478,224	219,177
Long Term						<u>963,447</u>	<u>475,754</u>
	US\$	100.000	Libor 3m+2,0% p.a.	08/2005	08/2010	--	75,767
	US\$	23.070	4,18% p.a.	02/2008	01/2010	--	1,338
	US\$	9.990	4,0 % p.a.	07/2008	07/2010	--	379
	R\$	111.000	16,2% p.a.	11/2005	11/2010	--	37,548
	US\$	200.000	6,88% p.a.	10/2005	10/2015 ⁽⁵⁾	--	1,858
	EUR	1.000	5,26 % p.a.	05/2007	03/2012 ⁽⁵⁾	--	5
	US\$	120.000	5,10 % p.a.	06/2008	06/2015 ⁽⁵⁾	--	104,679
	US\$	19.500	3,91 % p.a.	07/2009	04/2012 ⁽⁵⁾	--	97
	US\$	1.500	4,05 % p.a.	07/2009	05/2012 ⁽⁵⁾	--	9
	US\$	5.000	8,90 % p.a.	07/2009	07/2014 ⁽⁵⁾	--	134
	EUR	19.000	4,05% p.a.	07/2009	05/2012 ⁽⁵⁾	--	104
	EUR	250	4,00% p.a.	08/2009	12/2011 ⁽⁵⁾	--	135
	US\$	500.000	4,25%a.a	02/2010	02/2013	423,680	--
	US\$	75.000	4,25 % p.a.	04/2010	02/2013	57,637	--
	CHF	250.000	2,75 % p.a.	12/2010	12/2013	216,696	--
	R\$	200.000	9,25% p.a.	12/2005	12/2012	81,296	79,806
	US\$	200.000	6,75 % p.a.	09/2006	09/2016	80,532	84,007
	R\$	200.000	10,63% p.a.	04/2007	04/2014	103,606	89,888
Total Banco Votorantim						<u>5,149,010</u>	<u>3,132,778</u>
Non-Financial Corporations							
Cibrasec – Cia Brasileira de Securitização							
Real Estate Receivables Certificates ⁽⁷⁾	R\$	--	--	--	--	7,233	306,463
Kepler Weber S.A.							
Debentures	R\$	--	TJLP+3,8%	09/2007	09/2020	17,977	20,794
Ativos S.A. Securitizadora de Crédltos Financeiros							
Debentures	R\$	--	CDI+1,50%	03/2010	03/2014	98,294	--
Total Non-Financial Corporations						<u>123,504</u>	<u>327,257</u>
Eliminated amount on consolidation ⁽⁸⁾						<u>(2,577)</u>	<u>(155)</u>
Total - BB Consolidated						<u>13,486,107</u>	<u>7,362,319</u>
Current Liabilities						2,621,208	1,406,912
Non Current Liabilities						10,864,899	5,955,407

(1) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.25% and 1.815% p.a.

(2) Maturity of less than 360 days, with a refresh rate between 82.15% to 90% of inter-bank deposit rates (DI) p.a. pro rata to maturity.

(3) The Special Purpose Entity - EPE "Dollar Diversified Payment Rights Finance Company" was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market, (b) use of resources obtained by issuing securities to pay for the

Notes to Financial Statements

purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for an agency for BB Brazil ("Rights on Consignment") and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. EPE did not claim to have no assets or liabilities other than the relevant rights and obligations from the contracts issue of securities. The BB has no control, is not a shareholder, it owns and participates in either the results of EPE. The obligations of the securities issued by EPE are paid with funds accumulated in your account.

(4) Securities with a maturity of less than 360 days and interest rates between 1.00% and 2.28% p.a.

(5) Transactions settled in advance during the 2010

(6) General Price Index-Market - IGP-M Index and Consumer Price Index - IPCA.

(7) Refers to securities issued by Banco do Brasil S.A., in possession of controlled company abroad.

20 – Other Liabilities

a) Financial and development funds

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
PIS/Pasep	2,027,901	1,916,461	2,027,901	1,916,461
Merchant Navy	901,393	750,151	901,393	750,151
Funds from the State Government of Sao Paulo	516,424	475,925	516,424	475,925
Special Lending Program for Agrarian Reform - Procerá	36,634	181,594	36,634	181,594
Consolidation of Family Farming (CAF)	36,181	4,049	36,181	4,049
Combating Rural Poverty/Our First Plot of Land (CPR/NPT)	2,957	1,674	2,957	1,674
Land and Agrarian Reform - BB Banco da Terra	2,237	2,218	2,237	2,218
Judicial Deposit Reserve Fund ⁽¹⁾	--	755,281	--	755,281
Other	44,660	47,261	44,660	47,261
Total	<u>3,568,387</u>	<u>4,134,614</u>	<u>3,568,387</u>	<u>4,134,614</u>
Current Liabilities	1,469,280	2,050,776	1,469,280	2,050,776
Non Current Liabilities	2,099,107	2,083,838	2,099,107	2,083,838

(1) Refers to funds specific for guarantee of judicial deposits transferred to the State Treasury of São Paulo and to the City Councils of such State.

b) Taxes and social security

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Legal liabilities (Note 28)	12,241,776	11,245,230	12,942,257	11,768,441
Deferred tax liabilities (Note 25.d)	4,733,093	4,576,390	5,907,382	5,429,405
Provision for taxes and contributions on profits	4,748,986	3,677,933	5,257,069	4,038,001
Provision for tax litigation (Note 28.b)	195,377	174,696	1,260,923	1,138,706
Taxes payable	771,502	661,898	1,181,390	977,618
Taxes and contributions on net income payable	83,766	64,335	750,904	653,257
Others	316,399	291,248	313,194	291,271
Total	<u>23,090,899</u>	<u>20,691,730</u>	<u>27,613,119</u>	<u>24,296,699</u>
Current Liabilities	19,041,535	16,568,631	21,085,197	18,315,213
Non Current Liabilities	4,049,364	4,123,099	6,527,922	5,981,486

Notes to Financial Statements

c) Subordinated debt

Resources	Amount Issued	Remuneration p.a.	Date Capture	Maturity	R\$ Thousand	
					12.31.2010	12.31..2009
Banco do Brasil						
FCO - Recursos do Fundo Constitucional do Centro-Oeste	--	--	--	--	<u>13,455,864</u>	<u>12,422,046</u>
Funds applied ⁽¹⁾	R\$ --	--	--	--	11,751,006	10,755,066
Resources available ⁽²⁾	R\$ --	--	--	--	1,492,488	1,446,763
Charges to capitalize	R\$ --	--	--	--	212,370	220,217
Subordinated CDB issued in the country					<u>3,807,875</u>	<u>3,432,246</u>
	R\$ 900,000	113.8% do CDI	03/2009	09/2014	1,082,844	974,137
	R\$ 1,335,000	115% do CDI	03/2009	03/2015	1,607,190	1,444,230
	R\$ 1,000,000	105% do CDI	11/2009	11/2015	1,117,841	1,013,879
Subordinated debt Abroad					<u>1,614,119</u>	<u>533,277</u>
	US\$ 300,000	8.5%	09/2004	09/2014	500,519	533,277
	US\$ 660,000	5.375%	10/2010	01/2021	1,113,600	--
Subordinate Financing Bills	R\$ 1,000,000	108.5% do CDI	03/2010	03/2016	1,082,764	--
Total Subordinated debt Banco do Brasil					<u>19,960,622</u>	<u>16,387,569</u>
Banco Votorantim						
Subordinated CDB issued in the country					<u>1,631,268</u>	<u>1,463,908</u>
	R\$ 312,500	CDI+ 0.491417%	11/2007	11/2012	434,228	393,716
	R\$ 8,500	CDI+0.491417%	12/2007	12/2012	11,791	10,690
	R\$ 200,000	CDI+0.540556%	12/2007	12/2012	277,838	251,792
	R\$ 260,000	CDI+1.670229%	08/2009	08/2014	301,977	270,586
	R\$ 250,000	CDI+1.635268%	12/2009	12/2014	280,768	251,670
	R\$ 135,000	CDI+1.674668%	12/2009	12/2014	151,599	135,834
	R\$ 32,500	IGPM+7.219701%	12/2007	12/2012	49,360	41,352
	R\$ 57,500	IPCA+7.934241%	03/2008	03/2013	82,321	72,052
	R\$ 7,500	IPCA+7.855736%	08/2009	08/2014	8,921	7,814
	R\$ 5,250	IPCA+7.924428%	08/2009	08/2014	6,250	5,471
	R\$ 19,500	IPCA+8.002932%	08/2009	08/2014	23,239	20,326
	R\$ 2,500	IPCA+7.953867%	08/2009	08/2014	2,976	2,605
Subordinated Note	US\$ 575,000	7.38%	01/2010	01/2020	942,842	--
Subordinated Letters of Credit					<u>152,483</u>	--
	R\$ 1,000	IPCA+6.88494%	11/2010	11/2016	1,020	--
	R\$ 5,000	IPCA+7.25%	11/2010	11/2020	5,085	--
	R\$ 5,000	IPCA+7.2%	11/2010	11/2016	5,076	--
	R\$ 15,000	IPCA+7.1%	11/2010	11/2016	15,294	--
	R\$ 30,000	CDI+1.6%	12/2010	12/2016	30,026	--
	R\$ 94,950	CDI+1.3%	11/2010	11/2016	95,982	--
Debentures	R\$ 693,575	CDI+0.5% p. a.	04/2006	04/2016	725,538	703,621
Total Subordinated debt Banco Votorantim					<u>3,452,131</u>	<u>2,167,529</u>
Subordinated debt issued by the Banco do Brasil, in the possession of controlled Abroad, eliminated in the BB-Consolidated					<u>(637)</u>	<u>(1,858)</u>
Total Subordinated debt BB Consolidated ⁽³⁾					<u>23,412,116</u>	<u>18,553,240</u>

(1) Contracted charges are paid by borrowers with less the del credere financial institution, according to article 9 of Law No. 7.827/1989.

(2) Remunerated based on extra-rate announced by the Central Bank of Brazil, pursuant to Article 9 of Law No. 7.827/1989.

(3) The amount of R\$ 18,738,173 thousand (R\$ 16,059,788 thousand on 12.31.2009) make up the Capital (PR), level II, in accordance with Resolution CMN n° 3.444 / 2007, 02.28.2007. As determined by the Bank, subordinated debt issued by Banco Votorantim ceased to compose the Reference Equity Bank (Note 29.f).

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d) Hybrid capital and debt instruments

R\$/US\$ Thousand						
Banco do Brasil e BB-Consolidated						
Funding		Issued value	Remuneration (p.a.)	Date of funding	12.31.2010	12.31.2009
Perpetual Bonuses						
	US\$	500,000	7.95%	01/2006	911,750	883,194
	US\$	1,500,000	8.50%	10/2009	2,459,533	2,633,591
Total BB-Banco do Brasil		<u>2,000,000</u>			<u>3,371,283</u>	<u>3,516,785</u>
Values eliminated in the BB-Consolidated					(9,890)	(981)
Total BB-Consolidated					<u>3,361,393</u>	<u>3,515,804</u>
Current Liabilities					55,746	13,260
Long term Liabilities					3,305,647	3,502,544

The amount of R\$ 2,414,830 thousand and R\$ 816,046 thousand of Perpetual comprise, respectively, the level I and level II of the Referential Shareholders' Equity (PR), in conformity with CMN Resolution 3444/2007 (Note 29f).

In January 2011 the Bank exercised the redemption option of the operation of US\$ 500,000 thousand, issued in January 2006. The terms of these Perpetual Bonuses allow the Bank to suspend quarterly payments of interest and/or accessory payments on the aforesaid securities issued (which will neither be due or accumulated) if: (i) the Bank determines that it is incapable or the payment of these charges does not allow the Bank to be in conformity with the capital adequacy levels then required by the Central Banco do Brasil or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) the Central Banco do Brasil or the Regulatory Authorities determine the suspension of payments of the aforesaid charges; (iii) some insolvency or bankruptcy event occurs; (iv) some default occurs; or (v) the Bank decides to suspend these payments for any other reason. If the Bank decides to suspend the payment of interest and accessories due to the Perpetual Bonuses on account of the contents of item (v) above, the terms of the Perpetual Bonuses provide that, until such payments have been resumed for a period equivalent to 12 months, the Bank (a) cannot recommend to its stockholders and, and as established by the applicable legislation, will act in order to avoid the statement, payment or distribution of dividends or interest on own capital on its common stock and (b) will suffer restrictions on its capacity to redeem or otherwise acquire its common stock.

The transaction of US\$ 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 and on each monthly payment of interest thereafter, provided by prior authorization of the Central Bank of Brazil. If the Bank does not exercise the option to redeem in October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of Treasuries North American 10 years. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of North American Treasuries of 10 years. The terms of Perpetual determine that the Bank has suspended payments of monthly interest and / or accessories on those securities issued (which shall not be paid or accrued) if: (i) the Bank is not framed or such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks, (ii) The Central Bank of Brazil or the Regulatory Authorities to determine the suspension of payments of these costs, (iii) any event of insolvency occurs, (iv) any default occurs, or (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and / or accessories.

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e) Sundry

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009		
Credit card operations	10,420,831	7,982,813	10,420,831	7,982,813
Actuarial Liability (Note 27.d)	6,906,736	6,373,767	6,906,736	6,373,767
Provisions for payments	3,102,822	3,028,675	3,707,256	3,452,755
Sundry creditors - Brazil	1,893,896	1,878,724	3,698,337	3,093,899
Provisions for civil claims (Note 28.b)	3,464,569	3,036,381	3,594,694	3,131,472
Provisions for labor grievances (Note 28.b)	2,462,390	3,242,208	2,538,036	3,300,748
Funds subject to loans	716,859	627,782	1,179,658	1,056,660
Obligations for premiums granted by the customer loyalty	1,088,368	1,170,060	1,088,368	1,170,060
Liabilities for official agreements	756,351	1,191,354	756,351	1,191,354
Liabilities for purchase of goods and rights	465,922	855,655	467,917	855,987
Accounts payable for payment services provided	389,253	280,874	389,253	280,874
Provision for losses with FCVS	289,274	269,309	289,274	269,309
Sundry creditors - abroad	142,065	61,661	150,779	70,098
Provisions for guarantees provided	82,230	70,191	85,510	70,204
Assumption of obligations - Securitization (Note 20.f)	35,869	109,288	35,869	109,288
Obligations for the acquisition of Banco Nossa Caixa	--	3,674,324	--	3,674,324
Other	287,784	108,446	355,347	751,397
Total	32,505,219	33,961,512	35,664,216	36,835,009
Current Liabilities	24,627,962	26,499,585	24,292,008	26,464,456
Long term Liabilities	7,877,257	7,461,927	11,372,208	10,370,553

f) Securitization

Funding	R\$ Thousand						
	Banco do Brasil e BB-Consolidated					12.31.2010	12.31.2009
	Issued value	Remuneration (p.a.)	Date of funding	Maturity			
Future flow of credit card invoice receivables							
	US\$	178,474	5.911%	07/2003	06/2011	28,822	88,418
	US\$	44,618	4.777%	07/2003	06/2011	7,047	20,870
Total		<u>223,092</u>				<u>35,869</u>	<u>109,288</u>

The Special Purpose Company - SPC "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes: (a) issue and sell securities in the international market; (b) to use funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. (Visanet) against Visa International Service Association over the Receivables arising from: (i) credit or charge purchases made in Brazilian territory, in any currency processed by Visanet, with Visa cards issued by financial institutions located outside of Brazil, or (ii) credit or charge purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and (c) to make payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities. BB is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Cielo. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. BB does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPC using the funds accumulated in its account.

Notes to Financial Statements

21 – Insurance, Pension and Capitalization Operations

a) Credit Operations

BB-Consolidated	R\$ Thousand	
	12.31.2010	12.31.2009
Direct insurance premiums receivable	977,155	612,282
Credit insurance business with insurers	7,097	9,447
Credit insurance transactions with reinsurers	122,771	286,481
Credits reinsurance pension	1,547	--
Total	1,108,570	908,210
Current assets	1,086,548	885,945
Noncurrent assets	22,022	22,265

b) Technical Provisions

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Mathematical provision for future benefits	4,173	25,858,592	--	25,862,765	8,984	12,271,198	--	12,280,182
Mathematical provision for vested benefits	--	643,665	--	643,665	222	358,872	--	359,094
Mathematical provision for redemptions	--	42,183	2,028,909	2,071,092	--	14,862	1,743,419	1,758,281
Mathematical provision for unearned premiums	1,465,400	--	--	1,465,400	1,041,045	--	--	1,041,045
Provision for unsettled claims	888,751	--	--	888,751	858,902	--	--	858,902
Provision for financial surplus	--	395,635	--	395,635	--	255,445	--	255,445
Provision for insufficiency of contributions	--	301,435	--	301,435	--	154,005	--	154,005
Provision for financial fluctuation	--	254,698	--	254,698	--	151,937	--	151,937
Provision for IBNR	181,251	6,065	--	187,316	232,495	3,441	--	235,936
Provision for premiums deficiency	139,403	31,371	--	170,774	92,689	26,777	--	119,466
Provision for draws for prizes and redemptions	--	--	35,256	35,256	--	--	56,430	56,430
Other provisions	33,704	33,463	25,461	92,628	33,913	24,669	9,871	68,453
Total	2,712,682	27,567,107	2,089,626	32,369,415	2,268,250	13,261,206	1,809,720	17,339,176
Current	2,344,851	718,087	2,089,626	5,152,564	1,940,475	372,969	1,809,720	4,123,164
Non-Current	367,831	26,849,020	--	27,216,851	327,775	12,888,237	--	13,216,012

c) Technical Provisions by product

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Automotive	1,067,363	--	--	1,067,363	654,000	--	--	654,000
Life	857,975	--	--	857,975	755,536	--	--	755,536
Property/casualty	676,712	--	--	676,712	781,925	--	--	781,925
Dpvt	110,632	--	--	110,632	59,879	--	--	59,879
Health	--	--	--	--	16,910	--	--	16,910
Capitalization	--	--	2,089,626	2,089,626	--	--	1,809,720	1,809,720
PGBL Free benefit generating plan	--	9,858,613	--	9,858,613	--	5,391,560	--	5,391,560
VGBL Living benefits life insurance	--	13,083,869	--	13,083,869	--	5,091,497	--	5,091,497
Traditional plans	--	4,624,625	--	4,624,625	--	2,778,149	--	2,778,149
Total	2,712,682	27,567,107	2,089,626	32,369,415	2,268,250	13,261,206	1,809,720	17,339,176

Notes to Financial Statements

d) Guarantee of Technical Provisions

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	22,693,391	--	22,693,391	--	10,331,995	--	10,331,995
Shares in Investment Funds (except VGBL and PGBL)	1,464,706	3,387,192	--	4,851,898	886,671	2,021,878	1,250,781	4,159,330
Government bonds	814,204	1,788,979	1,670,016	4,273,199	665,987	1,087,281	241,904	1,995,172
Corporate bonds	239,104	27,523	523,906	790,533	197,670	33,337	410,494	641,501
Credit rights	578,124	--	--	578,124	364,346	--	--	364,346
Real estate properties	1,709	--	--	1,709	1,338	--	--	1,338
Deposits held at IRB and deposits in court	96	--	--	96	416	--	--	416
Total	<u>3,097,943</u>	<u>27,897,085</u>	<u>2,193,922</u>	<u>33,188,950</u>	<u>2,116,428</u>	<u>13,474,491</u>	<u>1,903,179</u>	<u>17,494,098</u>

Notes to Financial Statements

e) Results of Insurance, Pension Plan and Capitalization Operations

BB-Consolidated	2S2010				2010				Ins
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	
Financial results	<u>179,924</u>	<u>892,168</u>	<u>118,143</u>	<u>1,190,235</u>	<u>293,203</u>	<u>1,507,344</u>	<u>224,470</u>	<u>2,025,017</u>	
Financial income	185,199	1,488,588	118,248	1,792,035	318,275	2,343,104	224,989	2,886,368	
Financial expenses	(5,275)	(596,420)	(105)	(601,800)	(25,072)	(835,760)	(519)	(861,351)	
Restatement and interest on technical reserves	<u>(295)</u>	<u>(775,208)</u>	<u>(67,302)</u>	<u>(842,805)</u>	<u>(33,888)</u>	<u>(1,274,169)</u>	<u>(124,629)</u>	<u>(1,432,686)</u>	
Operating results	<u>940,013</u>	<u>(8,520)</u>	<u>47,365</u>	<u>978,858</u>	<u>1,813,850</u>	<u>(18,695)</u>	<u>92,567</u>	<u>1,887,722</u>	
Retained premiums and contribution (Note 21.f)	1,919,736	4,287,006	709,683	6,916,425	3,596,849	7,274,269	1,365,310	12,236,428	
Change in technical provisions	(213,769)	(4,247,240)	(11,402)	(4,472,411)	(271,844)	(7,201,321)	(21,703)	(7,494,868)	
Retained claims	(747,133)	--	--	(747,133)	(1,447,625)	--	--	(1,447,625)	(1
Selling expenses	(18,821)	(30,861)	(35,575)	(85,257)	(63,530)	(55,665)	(77,348)	(196,543)	
Expenses with draws for prize & redemptions of capitalization certificates	--	--	(615,341)	(615,341)	--	--	(1,173,692)	(1,173,692)	
Expenses with pension plans benefits and redemptions	--	(17,425)	--	(17,425)	--	(35,978)	--	(35,978)	
Total	<u>1,119,642</u>	<u>108,440</u>	<u>98,206</u>	<u>1,326,288</u>	<u>2,073,165</u>	<u>214,480</u>	<u>192,408</u>	<u>2,480,053</u>	

f) Retained insurance premiums, pension plan contributions and capitalization certificates

BB-Consolidated	2S2010				2010				Ins
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	
Premiums issued (VGBL retirement)	2,131,725	3,386,440	--	5,518,165	3,898,020	5,692,167	--	9,590,187	3
Supplementary pension contributions (includes VGBL risk portion)	--	918,678	--	918,678	--	1,616,927	--	1,616,927	
Revenues from capitalization certificates	--	--	709,683	709,683	--	--	1,365,310	1,365,310	
Coinurance premiums ceded	(2,306)	--	--	(2,306)	(10,324)	--	--	(10,324)	
Reimbursed premiums (return of VGBL contribution)	(6,700)	(18,112)	--	(24,812)	(11,454)	(34,825)	--	(46,279)	
Premiums issued net (premium issued - premium reimbursed)	<u>2,122,719</u>	<u>4,287,006</u>	<u>709,683</u>	<u>7,119,408</u>	<u>3,876,242</u>	<u>7,274,269</u>	<u>1,365,310</u>	<u>12,515,821</u>	3
Reinsurance premiums ceded, consortiums and funds	(202,983)	--	--	(202,983)	(279,393)	--	--	(279,393)	
Retained insurance premiums, pension plans and capitalization	<u>1,919,736</u>	<u>4,287,006</u>	<u>709,683</u>	<u>6,916,425</u>	<u>3,596,849</u>	<u>7,274,269</u>	<u>1,365,310</u>	<u>12,236,428</u>	3

Notes to Financial Statements

22 – Other Income / Expenses

a) Service fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income from cards	1,112,352	2,101,213	1,668,034	1,709,026	3,147,787	2,483,296
Fund Management	727,315	1,400,513	1,177,042	1,198,230	2,309,975	2,023,542
Collections	603,365	1,192,126	1,106,376	605,747	1,196,552	1,138,111
Current Account	446,189	857,312	753,460	447,229	859,287	772,421
Insurance, pension and capitalization	154,846	285,368	206,755	351,883	647,494	401,805
Collection	330,593	614,399	485,531	330,593	614,399	512,470
Services provided by non-financial associated companies	--	--	--	273,750	612,659	435,625
Interbank	282,731	549,423	491,011	282,731	549,423	519,780
Brokerage and custody	11,057	20,316	21,600	232,068	436,455	361,202
Loans and guarantees provided	125,826	265,232	610,348	157,152	337,238	660,940
National Treasury and Management of official Funds	122,450	234,588	290,560	122,450	234,588	290,560
Provided to the related	183,130	373,020	298,623	98,830	182,485	163,865
Consortium administration fees	--	--	--	62,767	112,813	80,300
Other services	144,777	347,536	256,502	168,878	400,175	327,800
Total	4,244,631	8,241,046	7,365,842	6,041,334	11,641,330	10,171,717

b) Bank fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Service package	1,200,171	2,411,525	1,922,398	1,257,711	2,505,583	2,237,880
Loans and registration file	567,107	971,548	550,067	739,509	1,279,221	716,407
Deposit account	163,754	295,522	240,427	163,808	295,743	257,252
Transfer of funds	77,144	145,590	116,924	77,392	146,031	127,925
Total	2,008,176	3,824,185	2,829,816	2,238,420	4,226,578	3,339,464

c) Personnel expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Salaries	(3,008,888)	(5,671,244)	(4,530,941)	(3,283,745)	(6,176,891)	(5,238,800)
Payroll charges	(1,090,173)	(2,023,821)	(1,527,870)	(1,190,964)	(2,210,932)	(1,911,433)
Benefits	(836,606)	(1,639,565)	(1,252,487)	(901,574)	(1,760,321)	(1,486,053)
Personnel administrative provisions	(864,215)	(1,719,096)	(1,301,106)	(864,215)	(1,719,096)	(1,472,570)
Provision for labor grievances	(438,178)	(776,090)	(1,191,920)	(438,178)	(776,090)	(1,374,700)
Supplementary welfare	(130,701)	(228,247)	(137,242)	(134,771)	(235,354)	(231,865)
Training	(48,450)	(76,715)	(63,154)	(53,632)	(85,669)	(73,324)
Directors' and officers' honoraries	(10,525)	(20,582)	(20,223)	(27,039)	(55,238)	(49,689)
Total	(6,427,736)	(12,155,360)	(10,024,943)	(6,894,118)	(13,019,591)	(11,838,434)

Notes to Financial Statements

d) Other Administrative Expenses

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Amortization	(1,144,298)	(2,275,378)	(1,342,380)	(1,162,878)	(2,307,282)	(1,699,718)
Communications	(582,850)	(1,181,377)	(1,016,040)	(626,899)	(1,269,841)	(1,107,054)
Third party services	(562,067)	(1,077,466)	(793,347)	(617,589)	(1,206,846)	(960,148)
Data processing	(472,137)	(1,006,867)	(769,997)	(512,196)	(1,077,662)	(969,344)
Depreciation	(433,519)	(861,319)	(650,726)	(447,908)	(889,235)	(706,123)
Transport	(381,157)	(702,215)	(604,483)	(400,259)	(738,927)	(637,815)
Litigation	(377,909)	(703,305)	(899,525)	(377,909)	(703,305)	(899,525)
Security services	(342,738)	(668,699)	(585,981)	(345,091)	(673,038)	(641,906)
Specialized technical services	(130,317)	(219,196)	(154,401)	(366,614)	(633,885)	(387,812)
Rent	(260,562)	(520,736)	(401,446)	(319,744)	(629,734)	(509,728)
Financial system services	(246,268)	(513,155)	(444,561)	(324,372)	(629,219)	(706,601)
Maintenance and upkeep	(197,424)	(369,048)	(306,001)	(209,320)	(391,499)	(351,256)
Advertising and publicity	(146,338)	(278,514)	(229,320)	(187,684)	(375,994)	(336,254)
Water, electricity and gas	(156,713)	(324,776)	(289,546)	(161,092)	(333,101)	(307,462)
Advertising and public relations	(111,439)	(190,577)	(162,152)	(137,479)	(233,015)	(198,112)
Domestic travel	(70,939)	(133,317)	(111,533)	(85,120)	(160,430)	(133,478)
Materials	(61,941)	(118,704)	(106,273)	(66,201)	(126,334)	(114,502)
Other	(248,772)	(427,506)	(377,823)	(376,539)	(660,622)	(545,115)
Total	(5,927,388)	(11,572,155)	(9,245,535)	(6,724,894)	(13,039,969)	(11,211,953)

e) Other Operating Income

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Previ – Adjustment	2,472,684	4,299,199	4,223,294	2,472,684	4,299,199	4,223,294
Equalization of rates - Law 8427/1992	1,291,044	2,444,924	1,773,404	1,291,044	2,444,924	1,773,404
Recovery of charges and expenses	430,992	1,035,560	1,066,621	840,826	1,720,470	1,061,330
Income from guarantee deposits	662,177	1,209,535	1,079,437	662,177	1,209,535	1,143,105
Labor, civil and tax claims - Reversal of provisions	281,719	850,328	1,705,481	281,719	850,328	1,705,481
Foreign exchange gains	590,444	590,444	5,158,306	832,880	832,880	5,177,825
Equipment Rental - POS (Cielo)	--	--	--	163,765	304,632	279,425
Update on allocation of surplus funds - Previ (Note 27.e)	171,040	280,994	220,755	171,040	280,994	220,755
Credit card transactions	84,807	194,082	157,130	84,807	194,082	162,970
Personnel expenses - Reversal of provisions	126,026	131,754	8,141	126,026	131,754	8,141
Administrative expenses - Reversal of provisions	43,837	126,845	142,994	43,837	126,845	142,994
Dividends received	20,557	51,964	43,166	20,557	51,964	43,166
Commissions originated from services provided (Visavale)	--	--	--	--	--	110,280
Others	541,206	789,093	291,618	971,118	1,645,151	920,784
Total	6,716,533	12,004,722	15,870,347	7,962,479	14,092,757	16,972,954

Notes to Financial Statements

f) Other operating expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Other operating expenses from non-financial associated companies	--	--	--	(625,551)	(1,196,221)	(1,016,952)
Business partners ⁽¹⁾	(6,022)	(22,142)	(48,228)	(616,322)	(1,178,011)	(48,228)
Actuarial liabilities	(513,325)	(1,171,381)	(841,758)	(513,325)	(1,171,381)	(841,758)
Credit card transactions	(434,388)	(875,507)	(733,999)	(434,388)	(875,507)	(759,711)
Premiums paid to clients - Loyalty Program	(524,796)	(792,226)	(442,119)	(524,796)	(792,226)	(442,119)
Readjustment negative exchange / Reclassification of balances	(599,479)	(612,030)	(2,717,098)	(738,699)	(751,250)	(2,726,357)
Payroll guaranteed loans acquired	(409,481)	(582,055)	(251,497)	(409,481)	(582,055)	(251,497)
Restatement of guarantee deposits	(226,590)	(483,894)	(552,634)	(226,590)	(483,894)	(552,634)
Discounts granted on renegotiations	(128,425)	(213,084)	(115,907)	(204,462)	(347,878)	(145,779)
Amortization of goodwill	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
Hybrid capital and debt instruments	(141,590)	(299,071)	(115,938)	(141,590)	(299,071)	(115,938)
Failures / frauds and other losses	(149,056)	(264,149)	(369,875)	(149,056)	(264,149)	(411,693)
Premium life insurance - consumer credit	(112,064)	(205,164)	(101,360)	(112,064)	(205,164)	(101,360)
Amortization / early settlement of contracts	(163,986)	(191,010)	(2,774)	(163,986)	(191,010)	(2,774)
ATM Network	(62,829)	(125,441)	(80,102)	(62,829)	(125,441)	(80,102)
Updating the acquisition of investment	(4,783)	(71,459)	(291,426)	(4,783)	(71,459)	(291,426)
Expenses Proagro	(6,110)	(51,823)	(8,139)	(6,110)	(51,823)	(8,139)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(28,878)	(48,453)	(43,941)	(28,878)	(48,453)	(43,941)
Update interest own capital / Dividends	(17,794)	(43,155)	(37,070)	(17,794)	(43,155)	(37,070)
INSS	(17,098)	(29,589)	(27,032)	(17,098)	(29,589)	(27,032)
Previ - Adjustment	(8,476)	(24,701)	(30,459)	(8,476)	(24,701)	(30,459)
Fees for the use of Sisbacen – Central Bank of Brazil System	(8,682)	(16,465)	(13,571)	(8,682)	(16,465)	(13,571)
Others	(411,930)	(661,998)	(456,641)	(625,803)	(863,094)	(1,242,851)
Total	(4,072,088)	(6,971,516)	(7,346,623)	(5,774,927)	(9,916,964)	(9,326,901)

(1) Refers mainly to commission for loans originated by partners and commercial agreements with tenants.

23 – Non Operating Income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Non-operating income	71,117	286,060	246,452	118,649	544,949	1,971,297
Profit on the sale of investments	816	117,166	76,696	7,853	221,568	1,765,663
Visa Inc.	816	117,166	76,696	816	214,531	141,088
Cielo (Visanet)	--	--	--	--	--	1,624,575
Brasilsaúde (Nota 2.c)	--	--	--	7,037	7,037	--
Capital gains	9,551	17,020	34,226	25,324	131,647	52,100
Profit on the sale of assets	13,164	47,553	34,514	16,392	52,865	40,246
Reversal of provision for devaluation of other assets	13,062	38,599	44,593	13,116	38,781	45,768
Sale of real estate	14,831	31,767	30,416	14,831	31,767	30,416
Rental income	6,536	12,546	14,322	6,746	12,881	14,902
Provision for/(reversal of) loss with shares and quotas	--	--	4,421	--	--	4,421
Other non-operating income	13,157	21,409	7,264	34,387	55,440	17,781
Non-operating expenses	(53,222)	(95,556)	(70,140)	(94,324)	(174,600)	(127,669)
Loss on sale of assets	(1,422)	(3,642)	(2,386)	(36,170)	(69,560)	(23,042)
Devaluation of other assets	(20,307)	(47,513)	(47,272)	(20,367)	(47,750)	(47,842)
Capital losses	(27,796)	(38,834)	(17,040)	(28,374)	(40,138)	(37,301)
Other non-operating expenses	(3,697)	(5,567)	(3,442)	(9,413)	(17,152)	(19,484)
Total	17,895	190,504	176,312	24,325	370,349	1,843,628

Notes to Financial Statements

24 – Stockholder’s Equity

a) Book value and market value per common share

	12.31.2010	12.31.2009
Equity Banco do Brasil (R\$ thousand)	50,495,741	36,119,265
Book value per share (R\$)	17,65	14,05
Market value per common share (R\$)	31,42	29,70
Equity BB-Consolidated (R\$ thousand)	50,440,683	36,119,406

Book value per share is calculated based on the equity of Banco do Brasil. The reconciliation with the equity of BB-Consolidated is shown in Note 24.g.

b) Capital

The capital of R\$ 33,077,996 thousand (R\$ 18,566,919 thousand on 12.31.2009) of Banco do Brasil is divided into 2,860,729,247 common shares represented in book entry form no par value. The Federal Government is the largest shareholder, holding the control.

The capital increase in the period of 2010, in the amount of R\$ 14,511,077 thousand, was due to the capitalization of Reserve for Retained Earnings (Statutory Reserve Operating Margin) of R\$ 7,412,899 thousand and Reserve of Capital valued at R\$ 5,188 thousand, Primary Offering of 286 million shares valued at R\$ 7,049,900 thousand, the subscription of 4,859,696 common shares from the exercise of subscription bonuses "C" of R\$ 42,816 thousand, and the issuance of 9,039 shares, no par value, from the incorporation of companies Besc Leasing SA - Leasing and Finance SA Besc - Credit, Financing and Investment of R\$ 274 thousand.

Banco do Brasil may, even without amending its by-laws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R\$ 50 billion Brazilian Reais, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders.

c) Revaluation reserves

The revaluation reserves, totaling R\$ 6,241 thousand (R\$ 6,746 thousand in 12.31.2009), refer to revaluations of assets made by the companies Kepler Weber S.A., Pronor, and Cobra Tecnologia S.A. The realizations of the reserves in 2010, totaling R\$ 505 thousand (R\$ 540 thousand in 2009), were transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until to the date of its effective realization, in conformity with CMN Resolution 3565/2008.

d) Capital and profit reserves

	12.31.2010	R\$ Thousand 12.31.2009
Capital reserves	--	5,188
Reserve for Retained Earnings ⁽¹⁾	<u>16,944,324</u>	<u>17,301,439</u>
Legal Reserve	2,884,196	2,296,291
Statutory Reserves ⁽¹⁾	<u>14,060,128</u>	<u>15,005,148</u>
Operating margin	10,725,406	12,308,413
Equalization of dividends	3,334,722	2,696,735

(1) In the BB-Consolidated figures of profit reserve and statutory reserve is R\$ 16,889,416 thousand and R\$ 14,005,220 thousand, respectively, due to the elimination of unrealized profit subsidiary, the value of R\$ 54,908 thousand.

Notes to Financial Statements

The Capital Reserve on tax incentives was capitalized in April 2010, as decided by the Extraordinary General Meeting held on April 13, 2010.

The capital reserve Operating Margin has the purpose is to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Capital Reserve Equalization of dividends Guarantees financial resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

e) Earnings per share

Basic earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total shares, excluding treasury shares. For the calculation of diluted earnings per share and added the weighted average number of potential subscription of shares from the exercise of warrants "C"(Note 24.j).

	Banco do Brasil		BB-Consolidated	
	2010	2009	2010	2009
Net profit attributable to shareholders (R\$ thous)	11,758,093	10,147,522	11,703,165	10,148,111
Weighted average number of shares				
Basic	2,711,976,359	2,567,313,946	2,711,976,359	2,567,313,946
Diluted	2,727,868,423	2,585,730,437	2,727,868,423	2,585,730,437
Earnings per share				
Basic earnings per share (R\$)	4,34	3,95	4,32	3,95
Diluted earnings per share (R\$)	4,31	3,92	4,29	3,92

f) Interest on own capital / Dividends

	Value (R\$ Thousand)	Value per share	Data Base Payment	Date of payment
1st quarter/2010				
Dividends	444,161	0,173	21.05.2010	31.05.2010
Interest on own capital	518,155	0,202	24.03.2010	31.05.2010
2nd quarter/2010				
Dividends	564,785	0,220	18.08.2010	26.08.2010
Interest on own capital	525,372	0,205	24.05.2010	26.08.2010
3rd quarter/2010				
Dividends	375,970	0,131	22.11.2010	30.11.2010
Interest on own capital	673,935	0,236	22.09.2010	30.11.2010
4th quarter/2010				
Dividends	917,410	0,321	23.02.2011	03.03.2011
Interest on own capital	685,788	0,240	22.12.2010	30.12.2010
2010				
Total allocated to stockholders (item 1 + item 2)	4,705,576	1,728		
1- Dividends	2,302,326	0,845		
2- Interest on own capital ⁽¹⁾	2,403,250	0,883		
Net income for the period	11,758,093			
Profits/(Losses)	5,848			
Basis of calculation of dividends/ Interest on own capital	11,763,941			

Notes to Financial Statements

	Value (R\$ Thous)	Value per share	Data Base Payment	Date of payment
1st quarter/2009				
Dividends	218,474	0,085	14,05,2009	27,05,2009
Interest on own capital	447,717	0,174	23,03,2009	27,05,2009
2nd quarter/2009				
Dividends	483,097	0,188	13,08,2009	27,08,2009
Interest on own capital	456,137	0,178	22,06,2009	27,08,2009
3rd quarter/2009				
Dividends	315,482	0,123	12,11,2009	24,11,2009
Interest on own capital	475,922	0,185	21,09,2009	24,11,2009
4th quarter/2010				
Dividends	1,184,090	0,461	25,02,2010	10,03,2010
Interest on own capital	478,090	0,186	21,12,2009	10,03,2010
2009				
Total allocated to stockholders (item 1 + item 2)	<u>4,059,009</u>	<u>1,580</u>		
1- Dividends	2,201,143	0,857		
2- Interest on own capital ⁽¹⁾	1,857,866	0,723		
Net income for the period	10,147,522			

(1) Amounts subject to the rate of 15% Income Tax Withholding.

In accordance with Laws 9249/1995 and 9430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on Own Capital to its stockholders, imputed to the value of the dividends, plus additional dividends, equivalent to 40% of the adjusted net income from the year 2010, the value recorded in earnings or accumulated deficit during the period.

Interest on capital is calculated based on adjusted net equity accounts and is limited on a pro rata basis to the variation of long-term interest rate, as long as there is profit computed before its deduction or Reserve for Retained Earnings and profit reserves at least twice its amount.

To comply with the Income Tax legislation, the amount of interest on capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of the financial statements, reclassified to "Retained earnings". The total interest on capital during the period of 2010 provided a reduction in spending on tax charges totaling R\$ 961,300 thousand.

g) Reconciliation of Net Income and Shareholders' Equity

	R\$ Thousand				
	Net Income			Shareholders' Equity	
	2S2010	2010	2009	12.31.2010	12.31.2009
Banco do Brasil	6,626,909	11,758,093	10,147,522	50,495,741	36,119,265
Unrealized Gains	--	(54,908)	--	(54,908)	--
Reciprocal participation in subsidiaries	--	--	--	(197)	--
Minority interests in subsidiaries	--	(20)	589	47	141
BB-Consolidated	6,626,909	11,703,165	10,148,111	50,440,683	36,119,406

Notes to Financial Statements

h) Stockholdings (Number of shares)

Shares held by the Bank's shareholder, directly or indirectly, of more than 5%, by the directors and members of the Fiscal Council and Audit Committee:

Stockholders	12.31.2010		12.31.2009	
	Shares	% Total	Shares	% Total
Federal Government	<u>1,693,134,063</u>	<u>59.3</u>	<u>1,677,309,058</u>	<u>65.3</u>
Ministério da Fazenda	1,483,734,063	51.9	1,378,734,058	53.7
Fundo de Garantia a Exportação	139,400,000	4.9	229,400,000	8.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	-	--
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3
Fundo Garantidor de Parcerias Público-Privadas - FGP	--	--	60,000,000	2.3
Fundo Garantidor de Habitação Popular – FGHab	--	--	1,675,000	0.1
Banco do Brasil Employees Retirement Fund (PREVI) ⁽¹⁾	<u>296,564,911</u>	<u>10.3</u>	<u>266,446,187</u>	<u>10.4</u>
BNDES Participações S.A. - BNDESPar ⁽¹⁾	<u>235,119</u>	<u>--</u>	<u>62,409,779</u>	<u>2.4</u>
Treasury Stock	<u>9,753</u>	<u>--</u>	<u>1,150,369</u>	<u>--</u>
Other shareholders	<u>870,785,401</u>	<u>30.4</u>	<u>562,545,119</u>	<u>21.9</u>
Total	<u>2,860,729,247</u>	<u>100.0</u>	<u>2,569,860,512</u>	<u>100.0</u>

(1) Connected to the Controller.

	Shares ON ⁽¹⁾	
	12.31.2010	12.31.2009
Steering committee (Except for the shares of the President that are included in the Board of Directors)	12	14
Board of Directors	7,370	7,665
Executive Committee (Except Board of Directors)	25,961	9,686
Fiscal Council	--	--
Audit Committee	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.001% of the Bank's capital stock.

i) Number of Shares being Traded on the Market / Free Float

BB Shares	12.31.2010		12.31.2009	
	Quantity	%	Quantity	%
Being traded ⁽¹⁾	870,752,058	30.4	562,527,754	21.9
Total issued	2,860,729,247	100.0	2,569,860,512	100.0

(1) As Law No. 6.404/1976 and regulation of Bovespa's New Market. Does the shares held by the Board of Directors and Executive committee.

j) "C" subscription bonuses

The Extraordinary General Meeting of 05.19.2010, provided the anticipation of the exercise of subscription of shares arising from bonus "C" during the period 06.21.2010 to 06.23.2010, and exercised 1,551,727 bonuses. Remains secured to the holders of outstanding bonds of 4,328,704 "C" the right to subscribe for shares of capital stock during the period 03.31.2011 to 06.30.2011. The market value of these warrants was R\$ 67.33 on 12.31.2010 (R\$ 58.50 on 12.31.2009).

Notes to Financial Statements

25 – Taxes

a) Breakdown of income tax and social contribution expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Present values	<u>(2,531,445)</u>	<u>(4,603,134)</u>	<u>(3,745,029)</u>	<u>(3,346,095)</u>	<u>(6,245,343)</u>	<u>(5,895,124)</u>
Income and social contribution taxes in Brazil	(2,515,582)	(4,569,152)	(3,725,621)	(3,327,529)	(6,205,106)	(5,868,228)
Income tax abroad	(15,863)	(33,982)	(19,408)	(18,566)	(40,237)	(26,896)
Deferred values	<u>620,600</u>	<u>622,341</u>	<u>1,458,607</u>	<u>739,686</u>	<u>924,155</u>	<u>1,992,337</u>
Deferred tax liabilities	447,068	(397,879)	(1,810,119)	404,457	(649,071)	(2,135,317)
Leasing Operations – Portfolio adjustment and accelerated depreciation	(2,166)	(2,973)	--	(21,068)	(103,616)	(260,847)
MTM – Market to Market	(178,472)	(164,503)	49,286	(202,181)	(315,300)	(16,870)
Actuarial gains	762,355	65,722	(1,610,764)	762,355	65,722	(1,610,764)
Restatement of litigation deposits	(155,431)	(290,212)	(248,607)	(155,431)	(290,212)	(248,607)
Income abroad	24,674	(2,032)	--	24,674	(2,032)	--
Transactions carried out on the futures market	(3,892)	(3,881)	(34)	(3,892)	(3,633)	(7,108)
Sale of Term Investments	--	--	--	--	--	8,879
Deferred tax assets	173,532	1,020,220	3,268,726	335,229	1,573,226	4,127,654
Temporary differences	(98,273)	780,495	3,131,118	69,992	1,276,321	3,781,893
Income tax and social contribution losses	87,425	128,789	42,819	80,116	186,018	251,305
MTM – Market to Market	184,380	140,003	175,308	185,121	139,954	174,975
Transactions Carried out on the Futures Market	--	(29,067)	(80,519)	--	(29,067)	(80,519)
Total Income Tax and Social Contribution	<u>(1,910,845)</u>	<u>(3,980,793)</u>	<u>(2,286,422)</u>	<u>(2,606,410)</u>	<u>(5,321,189)</u>	<u>(3,902,787)</u>

b) Reconciliation of income tax and social contribution expense

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Earnings before taxation and profit sharing	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
Total charges of IR (25%) and CSLL (15%)	(3,752,961)	(6,895,645)	(5,491,690)	(4,088,942)	(7,512,218)	(6,174,172)
Interest on Own Capital	543,889	961,300	743,146	543,889	961,300	743,146
Equity in subsidiaries and associated	580,748	1,149,586	739,821	(50,013)	(18,529)	(395,740)
Difference CSLL rate - non-financial companies	--	--	--	127,700	221,481	125,089
Profit sharing	337,860	600,091	518,113	395,614	702,476	553,812
Activation of Tax Credits (CSLL previous years)	--	--	1,213,177	--	--	1,213,177
Other amounts	379,619	203,876	(8,989)	465,341	324,300	31,901
Social contribution expense	<u>(1,910,845)</u>	<u>(3,980,792)</u>	<u>(2,286,422)</u>	<u>(2,606,410)</u>	<u>(5,321,189)</u>	<u>(3,902,787)</u>

Considering that some financial institutions have been going to court with individual lawsuits challenging the increase of the rate of CSLL and that the National Confederation of the Financial System - Consif filed a Direct Unconstitutionality Lawsuit - ADIN, the Banco do Brasil has been recognizing tax credits in a sum sufficient to annul, exclusively, the impact on income resulting from the increase of the rate (6%) on the CSLL tax liabilities (current and deferred). Banco do Brasil performed an assessment of the arguments employed by ADIN, concluding on the remote likelihood of success by Consif, for which reason the Bank posted an additional sum of CSLL tax credits in order to complete the increased 15% tax rate, totaling R\$ 1,213,177 thousand.

Notes to Financial Statements

c) Tax Expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Cofins	(1,112,113)	(2,087,592)	(1,791,777)	(1,363,202)	(2,603,844)	(2,287,683)
Tax Services of any kind - ISSQN	(247,340)	(480,644)	(418,016)	(322,996)	(624,022)	(560,696)
PIS/Pasep	(159,994)	(318,509)	(291,162)	(207,909)	(413,941)	(379,455)
Others	(37,781)	(74,024)	(59,678)	(48,106)	(108,138)	(104,844)
Total	(1,557,228)	(2,960,769)	(2,560,633)	(1,942,213)	(3,749,945)	(3,332,678)

d) Deferred tax liabilities

	R\$ Thousand				
	Banco do Brasil		BB-Consolidated		
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	
Arising from unrecognized actuarial gains ⁽¹⁾		4,049,365	4,123,099	4,049,365	4,123,099
Arising from leasing portfolio adjustments		2,973	--	930,884	635,040
Arising from restatement of judicial deposits		316,412	156,508	316,412	156,508
Arising from mark-to-market adjustments		354,776	179,243	413,899	191,916
Foreign branches		3,141	3,827	3,175	3,834
Arising from futures market transactions		4,394	113,702	4,395	113,950
Others		2,032	11	189,252	205,058
Total deferred tax liabilities		4,733,093	4,576,390	5,907,382	5,429,405
Income Tax		2,518,448	2,497,476	3,666,538	2,972,537
Social Contribution		1,508,079	1,428,023	1,527,853	1,783,521
Pasep		98,767	90,985	99,665	94,124
Cofins		607,799	559,906	613,326	579,223

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial (Note 27).

e) Deferred tax assets (Tax Credit)

Recorded

	R\$ Thousand			
	Banco do Brasil			12.31.2010
	12.31.2009	2010		
	Balance	Entries	Write-offs	Balance
Temporary differences	16,246,460	4,565,080	3,989,826	16,821,714
Allowance for loan losses	7,357,817	548,413	1,027,187	6,879,043
Passive reserves	6,192,259	2,403,407	2,223,979	6,371,687
Marked-to-market	209,519	391,560	318,209	282,870
Other provisions	2,486,865	1,221,700	420,451	3,288,114
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,481	575,407	2,809,264
Fiscal losses/ negative bases	772,285	191,640	843,001	120,924
Total tax credits recorded	20,206,935	4,953,201	5,408,234	19,751,902
Income Tax	10,886,269	2,989,319	3,302,315	10,573,273
Social Contribution	9,298,545	1,921,231	2,071,873	9,147,903
Pasep	3,092	5,962	4,759	4,295
Cofins	19,029	36,689	29,287	26,431

Notes to Financial Statements

	R\$ Thousand			
	BB Consolidated			
	12.31.2009	2010		12.31.2010
	Balance	Entries	Write-offs	Balance
Temporary differences	17,244,001	4,980,101	4,076,361	18,147,741
Allowance for loan losses	7,812,377	762,056	1,081,597	7,492,836
Passive reserves	6,341,708	2,420,735	2,225,793	6,536,650
Mark-to-market	254,607	393,203	348,473	299,337
Other provisions	2,835,309	1,404,107	420,498	3,818,918
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,480	575,407	2,809,263
Fiscal losses/ negative bases	948,834	516,972	847,481	618,325
Excess Depreciation	528,776	55,711	190,278	394,209
Total tax credits recorded	21,909,801	5,749,264	5,689,527	21,969,538
Income Tax	12,127,634	3,542,558	3,481,092	12,189,100
Social Contribution	9,755,169	2,163,866	2,173,951	9,745,084
Pasep	3,475	5,988	4,820	4,643
Cofins	23,523	36,852	29,664	30,711

Not Recorded

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Tax credit abroad	198,728	108,345	198,728	108,345
Temporary differences	--	--	14,249	19,782
Fiscal losses/ negative bases	--	--	--	60,302
Total tax credits and the Pasep Cofins not Activated	198,728	108,345	212,977	188,429
Income Tax	124,205	67,716	138,449	117,768
Social Contribution	74,523	40,629	74,528	70,661

Estimates for the realization of tax credits recorded

The expectation of implementation of deferred assets (tax credits) is based on technical study was prepared in 12.31.2010, and the present value determined based on the average rate of funding of Banco do Brasil.

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	Face Value	Present Value	Face Value	Present Value
In 2011	3,531,458	3,327,897	3,557,439	3,362,175
In 2012	3,411,583	3,074,753	3,469,816	3,124,885
In 2013	3,508,476	3,032,052	3,599,123	3,101,675
In 2014	3,287,961	2,730,942	3,370,948	2,789,082
In 2015	4,605,901	3,654,441	4,673,729	3,696,086
From 2016	1,406,523	1,075,361	3,298,483	2,538,860
Total tax credits	19,751,902	16,895,447	21,969,538	18,612,763

During the period of 2010, the realization of deferred assets (tax credits) in Banco do Brasil was observed in the amount of R\$ 6,266,506 thousand, corresponding to 174.11% of the forecast for use in 2010, reported in a technical study prepared as of 12.31.2009 (R\$ 3,599,072 thousand).

Notes to Financial Statements

The realization of the nominal value of tax credit assets, considering the recovery of those issued during the processing of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil (12.31.2010), is designed for 6.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses ⁽¹⁾	Temporary differences ⁽²⁾	Tax losses ⁽¹⁾	Temporary differences ⁽²⁾
In 2011	28%	16%	25%	15%
In 2012	24%	16%	22%	15%
In 2013	28%	16%	26%	15%
In 2014	20%	16%	19%	15%
In 2015	--	27%	1%	25%
From 2016	--	9%	7%	15%

(1) Projection of consumption linked to the ability to generate taxable income for income tax and social contribution in subsequent periods.

(2) The ability to use results from the movement of reserves (expected reversals occur, and uses low).

26 – Related-party Transactions

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Board of Directors, Executive Directors, Audit Committee and Fiscal Council):

	R\$ Thousand		
	2S2010	2010	2009
Short-term benefits	<u>13,226</u>	<u>27,008</u>	<u>25,095</u>
Fees	<u>8,762</u>	<u>17,235</u>	<u>17,476</u>
Executive Board	7,884	15,426	15,885
Audit Committee	640	1,341	1,157
Board of Directors	130	255	237
Council Tax	108	213	197
Profit sharing	<u>3,944</u>	<u>7,662</u>	<u>6,854</u>
Other	<u>520</u>	<u>2,111</u>	<u>765</u>
Benefits for termination of employment	<u>2,125</u>	<u>2,125</u>	<u>10,940</u>
Total	<u>15,351</u>	<u>29,133</u>	<u>36,035</u>

Banco do Brasil has no variable remuneration based on shares and other long-term benefits and does not offer post-employment benefits to its key management personnel except those that are part of the staff of the Bank, participating in the Pension Plan for Employees of the Banco do Brasil - Previ. Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expenses (Note 27).

The Bank does not grant loans to key management personnel, pursuant to the prohibition to all financial institutions established by the Central Bank of Brazil.

The balances referring to transactions between the consolidated companies of Banco do Brasil are eliminated in the Consolidated Financial Statements. With respect to the majority shareholder, transactions with the National Treasury and with the agencies of the direct administration of the Federal government that maintain banking operations with the Bank, are included.

The Bank has only normal banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions. There are also service provision and guarantee agreements. These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve payment risks.

Notes to Financial Statements

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18 respectively.

The Bank sponsors the Banco do Brasil Foundation whose goals are the promotion, support, encouragement and sponsorship of actions at the educational, cultural, social, philanthropic, recreational / sports and promote research activities - scientific and technological assistance to urban communities - rural areas. In the period of 2010, the Bank has made contributions to the Banco do Brasil Foundation in the amount of R\$ 90,320 thousand (R\$ 42,932 thousand from 2009).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

During 2010, the Banco do Brasil acquired portfolios of credit operations of Banco Votorantim, transferred joint obligations, totaling R\$ 7,795,787 thousand (R\$ 2,134,420 thousand on 2009).

Summary of transactions with related parties

The balances of the assets and liabilities of Banco do Brasil from transactions with related on 12.31.2010 and 12.31.2009 and their results for the 2010 and 2009 are as follows:

	R\$ Thousand						
	12.31.2010						
	Controller ⁽¹⁾	Subsidiaries ⁽²⁾	Jointly controlled subsidiaries ⁽³⁾	Affiliates ⁽⁴⁾	Key management Personnel ⁽⁵⁾	Other Related Parties ⁽⁶⁾	Total
Assets							
Interbank deposits	--	14,960,687	75,078	--	--	--	15,035,765
Securities	--	5,632	92,574	27,988	--	--	126,194
Loans	947,969	48,602	86,706	--	--	798,938	1,882,215
Receivables	--	29,570	--	--	--	--	29,570
Other Assets	--	402,472	318,106	--	--	135,926	856,504
Total							
Liabilities							
Demand deposits	816,374	51,353	50,069	5,680	522	1,226,662	2,150,660
Saving deposits	--	--	--	--	1,117	--	1,117
Remunerated time deposits	--	3,492,926	1,159,700	708,689	5,636	7,115,485	12,482,436
Obligations related to Committed Operations	--	1,174,729	--	--	--	528,713	1,703,442
Borrowings and transfers	1,512,821	9,443,002	--	--	--	37,697,421	48,653,245
Other Liabilities	--	31,075	113,117	--	--	121,355	265,547
Income – 2S2010							
Income from interest and services	38,328	779,956	558,924	69,854	--	341,681	1,788,743
Expenses from raising funds	(104,963)	(109,764)	(18,003)	(17,641)	(197)	(1,340,363)	(1,590,931)
Income – 2010							
Income from interest and services	87,957	1,578,538	1,047,877	165,570	--	427,908	3,307,850
Expenses from raising funds	(170,672)	(385,147)	(19,892)	(21,951)	(838)	(2,400,736)	(2,999,236)
Guarantees and Other Recourses ⁽⁷⁾	--	1,002,892	9,409,585	--	--	--	10,412,477

Notes to Financial Statements

R\$ Thousand

	12.31.2009						Total
	Controller ⁽¹⁾	Subsidiaries ⁽²⁾	Jointly controlled subsidiaries ⁽³⁾	Affiliates ⁽⁴⁾	Key management Personnel ⁽⁵⁾	Other Related Parties ⁽⁶⁾	
Assets							
Interbank deposits	--	16,559,827	--	--	--	--	16,559,827
Securities	--	3,930	82,277	--	--	--	86,207
Loans	1,218,927	234,136	88,446	--	--	262,227	1,803,736
Receivables	--	28,979	--	--	--	--	28,979
Other Assets	--	1,001,079	294,958	153,214	--	--	1,449,251
Liabilities							
Demand deposits	711,810	30,127	11,028	16,203	809	876,779	1,646,756
Saving deposits	--	--	--	--	994	--	994
Remunerated time deposits	--	5,082,990	278,427	294,868	5,136	4,877,040	10,538,461
Obligations related to Committed Operations	--	1,023,492	--	--	--	1,174,283	2,197,775
Borrowings and transfers	2,100,693	7,328,589	--	--	--	26,793,832	36,223,114
Other Liabilities	--	50,278	47,184	21,176	--	17,508	136,146
Income – 2S2009							
Income from interest and services	46,773	666,747	554,707	67,791	--	71,418	1,407,436
Expenses from raising funds	(75,030)	(83,517)	(11,550)	(8,299)	(613)	(1,012,130)	(1,191,139)
Income – 2009							
Income from interest and services	111,541	1,330,800	690,133	141,676	--	173,841	2,447,991
Expenses from raising funds	(165,932)	(219,083)	(19,934)	(19,485)	(1,341)	(2,046,112)	(2,471,842)
Guarantees and Other Recourses	--	478,160	--	--	--	--	478,160

(1) Controller - National Treasury and agencies of the direct administration of the Federal Government.

(2) Subsidiaries - Includes related companies Note 3 as identified in item (1) and (2).

(3) Jointly Controlled - Includes related companies Note 3 as identified in item (3).

(4) Affiliates - Includes related companies Note 3 as identified in item (4).

(5) Key Personnel Administration - Audit Committee, Audit Committee, Board of Directors, Executive Directors and Auditor General.

(6) Includes private and public companies controlled by the Federal Government, entities linked to employees.

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution less the figures used in the transactions with the Bank.

Notes to Financial Statements

27 – Employee Benefits

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

Sponsored entities	Plans	Benefits	Classification
PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Benefit Plan 1	Retirement and Pension	Defined benefit
	Informal Plan	Retirement and Pension	Defined benefit
CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil	Plan of Members	Health Care	Defined benefit
	Prevmais	Retirement and Pension	Defined contribution
	General Regulation	Retirement and Pension	Defined benefit
	Supplementary Regulations 1	Retirement and Pension	Defined benefit
ECONOMUS – Instituto de Seguridade Social	Grupo B'	Retirement and Pension	Defined benefit
	Unified Health Plan – PLUS	Health Care	Defined benefit
	Unified Health Plan – PLUS II	Health Care	Defined benefit
	Supplementary Health Care Plan - PAMC	Health Care	Defined benefit
FUSESC - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
	Benefit Plan 1	Retirement and Pension	Defined benefit
SIM - A fund for assistance for BESC, Codesc, Badesc and Fusc employees	Health Care Plan	Health Care	Defined contribution
PREVBEP – Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank:

Plans	12.31.2010			12.31.2009		
	Number of Participants			Number of Participants		
	Actives	Retirees	Total	Actives	Retirees	Total
Retirement and Pension Plans	<u>105,074</u>	<u>105,517</u>	<u>210,591</u>	<u>100,447</u>	<u>100,508</u>	<u>200,955</u>
Plan participants Plano 1	32,449	82,727	115,176	33,814	82,536	116,350
Plan participants Previ Future	60,113	370	60,483	51,923	73	51,996
Other Plans	--	7,920	7,920	--	7,703	7,703
Informal Plan	12,512	14,500	27,012	14,710	10,196	24,906
Medical Plans	<u>117,262</u>	<u>82,153</u>	<u>199,415</u>	<u>98,262</u>	<u>81,359</u>	<u>179,621</u>
Cassi Plan	98,221	82,153	180,374	91,364	81,359	172,723
Other Plans	19,041	--	19,041	6,898	--	6,898

Contributions to benefit plans:

Sponsors' contributions	2S2010	2010	2009
Retirement and Pension Plans	<u>728,310</u>	<u>1,004,182</u>	<u>1,089,673</u>
Plan participants 1 ⁽¹⁾	431,305	459,051	638,191
Plan participants Previ Future	105,901	184,045	144,128
Other Plans	154,241	295,797	296,375
Informal Plan	36,863	65,289	10,979
Medical Plans	<u>367,158</u>	<u>722,785</u>	<u>660,776</u>
Cassi Plan	350,546	689,561	635,342
Other Plans	16,612	33,224	25,434
Total	<u>1,095,468</u>	<u>1,726,967</u>	<u>1,750,449</u>

Notes to Financial Statements

(1) refers to the relative contributions of the participants supported the agreement in 1997 whose objective is to regulate the way the funding necessary for the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 04.14.1967 inclusive, and who have retired or will retire after that date except those participants who are part of the formal plan. These contributions were made by the realization of the Fund Parity (Note 27.e1).

The Bank's contributions to benefit plans during the first semester of 2010 are estimated at R\$ 585,949 thousand.

Values recognized in earnings:

	R\$ Thousand		
	2S2010	2010	2009
Retirement and Pension Plans	<u>2,151,754</u>	<u>3,532,137</u>	<u>3,772,365</u>
Benefit Plan 1 PREVI	2,472,684	4,299,199	4,223,294
Previ Future Plan	(105,901)	(184,045)	(144,128)
Plano Informal	(171,270)	(522,033)	(300,174)
Other Plans	(43,759)	(60,984)	(6,627)
Medical Plans	<u>(498,483)</u>	<u>(954,904)</u>	<u>(858,723)</u>
Plan Cassi	(452,236)	(892,045)	(854,634)
Other Plans	(46,247)	(62,859)	(4,089)
Total	<u>1,653,271</u>	<u>2,577,233</u>	<u>2,913,642</u>

a) Supplementary retirement and pension plans

Previ Futuro (Previ): Participants in this plan are the Bank's employees hired as from December 24, 1997. The active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Previ Benefit Plan "1" (Previ): The participants of this plan are the Bank employees who were enrolled up to December 23, 1997. The plan is closed to new applicants. Due to the establishment of parity between Bank's and participants' contributions, in December 2000, a parity fund was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank of Brazil, Previ entities representing the beneficiaries, was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, being linked to its continued existence of the Reserve Special plan.

Informal Plan (Previ): The sole responsibility of the Banco do Brasil whose contractual obligations include (a) retirement pensions to founder participants and pension payments to survivors of participants deceased up to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the Benefit Plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

Prevmias (Economus): The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on November 30, 2009) enrolled after August 1, 2006, and the participants previously linked to the General Regulation Benefit Plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, workers' compensation, disability benefits and death pension.

Notes to Financial Statements

General Regulation (Economus): The participants of this plan are the employees from Banco Nossa Caixa enrolled up to July 31, 2006. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 12.11% of participation salary.

Supplementary Regulation 1 (Economus): For officials coming from Banco Nossa Caixa. Offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Group B '(Economus): Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in Regulation, is known a priori.

Multifuturo I (Fusesc): The participants of this plan are the employees from Banco do Estado de Santa Catarina - BESC (merged into Banco do Brasil on September 9, 2008) enrolled after January 12, 2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this benefit plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Benefit Plan 1 (Fusesc): The participants of this plan are the employees from BESC enrolled until January 11, 2003. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 9.89% of participation salary.

Plano BEP (Prevbep): Participants of this plan are the employees from Banco do Estado de Piauí - BEP (merged in to Banco do Brasil on November 30, 2008). Employees and the sponsor contribute equally, with 3.58% in average of participation salary.

b) Medical Assistance Plans

Plan Associates (Cassi): The Bank is the sponsor of a Health Plan managed by CASSI that the main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month the Bank contributed a sum equivalent to 4.5p.p. of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

Plano Unificado de Saúde - PLUS (Economus): The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus): For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Supplementary Health Care Plan – PAMC (Economus): For employees from Banco Nossa Caixa stationed in the State of São Paulo. Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs inasmuch as they use it, and according to the salary range progressive table.

SIM Health Plan (SIM): The participants of this plan are the employees from Banco do Estado de Santa Catarina. Monthly contributions from members amount to 3% of the total payroll.

Notes to Financial Statements

Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, the Bank's obligations related to retired employees are evaluated by the present actuarial value of the contributions to be paid over the expected period when plan participants and beneficiaries will be linked to the plan. In addition, the Bank is also responsible for maintaining the financial balance of the plan for certain groups of participants. Said obligations are evaluated and recognized under the same criteria used for defined benefit plans.

Notes to Financial Statements

c) Actuarial valuations

Changes in present value of defined benefit obligations:

Present value of actuarial liabilities	Plan 1 Previ		Informal Plan - Previ		Plan Associate
	2010	2009	2010	2009	Cassi
Opening Balance	(80,270,786)	(76,109,636)	(1,743,385)	(1,739,591)	(4,943,220)
Interest cost	(8,434,756)	(8,076,071)	(202,866)	(194,472)	(542,750)
Current service cost	(447,544)	(409,344)	--	--	(70,937)
Benefits paid net contributions retirees	7,532,656	7,166,391	295,797	296,759	376,039
Administrative Expenses paid by plan	--	35,831	--	--	--
Actuarial gain / (loss) on actuarial obligation	(9,185,047)	(2,877,957)	(344,304)	(106,081)	(116,304)
Closing Balance	(90,805,477)	(80,270,786)	(1,994,759)	(1,743,385)	(5,297,172)
Present value of actuarial liabilities to cover	(90,805,477)	(80,270,786)	--	--	--
Present value of actuarial liabilities	--	--	(1,994,759)	(1,743,385)	(5,297,172)

Changes in fair value of plan assets:

Fair value of the plan's assets	Plan 1 Previ		Informal Plan - Previ		Plan Associate
	2010	2009	2010	2009	Cassi
Opening Balance	137,814,150	104,778,828	--	--	--
Estimated yield on plan assets	13,963,696	10,871,704	--	--	--
Contributions received	459,300	638,380	295,797	296,759	376,039
Benefits paid net contributions retirees	(7,532,656)	(7,166,391)	(295,797)	(296,759)	(376,039)
Administrative Expenses paid by plan	--	(35,831)	--	--	--
Allocation Fund to Sponsor and Participant ⁽¹⁾	(15,068,115)	--	--	--	--
Gain / (loss) on actuarial plan assets	11,929,947	28,727,461	--	--	--
Closing Balance	141,566,323	137,814,150	--	--	--

(1) Refers to the values used for setting up the fund allocation of the surplus, and the Bank the amount of R\$ 7,519,058 thousand as evidenced in Note 27.e.2

Notes to Financial Statements

Amounts recognized in the balance sheet:

Amounts recognized in the Balance Sheet	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi	
	2010	2009	2010	2009	2010	
1) Fair value of the plan's assets	141,566,323	137,814,150	--	--	--	
2) Present value of actuarial liabilities	(90,805,477)	(80,270,786)	(1,994,759)	(1,743,385)	(5,297,172)	
3) <i>Surplus / (deficit)</i> (1+2)	50,760,845	57,543,364	(1,994,759)	(1,743,385)	(5,297,172)	
4) Surplus / (deficit) - plot sponsor	25,380,423	28,771,682	(1,994,759)	(1,743,385)	(5,297,172)	
5) Unrecognized actuarial gains or (losses)	15,485,635	16,116,336	(199,476)	(174,338)	(689,849)	
6) Service cost not recognized	--	--	--	--	--	
7) Net actuarial (liability) / asset (4-5-6)	<u>9,894,787</u>	<u>12,655,346</u>	<u>(1,795,283)</u>	<u>(1,569,047)</u>	<u>(4,607,323)</u>	

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of the plan is the date at which the last commitment will be paid.

Amounts recognized in income relating to defined benefit plans:

Effects on the results for the period	Plan 1 Previ			Informal Plan - Previ			Plan Associates Cassi	
	2S2010	2010	2009	2S2010	2010	2009	2S2010	2010
1) Cost of current service	(112,479)	(223,772)	(204,672)	--	--	--	(37,669)	(70,937)
2) Contributions from participants	--	--	--	--	--	--	--	--
3) Interest cost	(2,155,572)	(4,217,378)	(4,038,035)	(99,839)	(202,866)	(194,472)	(267,074)	(542,750)
4) Expected earnings on the plan's assets	3,371,464	6,981,848	5,435,852	--	--	--	--	--
5) Amortization of gains or (losses) actuarial	1,369,270	1,758,501	3,030,150	(71,431)	(319,167)	(105,702)	(7,264)	(2,307)
6) Unrecognized past service cost	--	--	--	--	--	--	--	(9,913)
7) Expense with active employees	--	--	--	--	--	--	(111,608)	(208,894)
8) Expenses with extraordinary contribution	--	--	--	--	--	--	(28,622)	(57,244)
9) Effect of passive asset not recognized	--	--	--	--	--	--	--	--
10) (Expense)/income recognized in Statement of Income	<u>2,472,684</u>	<u>4,299,199</u>	<u>4,223,294</u>	<u>(171,270)</u>	<u>(522,033)</u>	<u>(300,174)</u>	<u>(452,236)</u>	<u>(892,045)</u>

Notes to Financial Statements

Composition of the plans' assets, shown as a percentage of the total:

Breakdown of Assets	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Fixed Rate	29.1%	30.7%	--	--	--
Floating Rate	64.7%	63.8%	--	--	--
Real estate investments	3.2%	2.8%	--	--	--
Loans and financing	2.9%	2.6%	--	--	--
Other	--	0.1%	--	--	--
Amounts listed in fair value of plan assets					
In their own financial instruments of the entity	6.7%	6.8%	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	--	--	--

Comparative table showing expected and actual return from plan assets:

Specification	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Real expected yield on plan assets	10.96%	10.76%	--	--	--
Real expected yield on assets for the year	13,963,696	10,871,704	--	--	--
Effective yield	10,825,529	39,599,165	--	--	--

Principal actuarial assumptions adopted in each period:

Actuarial assumptions	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Inflation rate	4.38%	4.20%	4.38%	4.20%	4.38%
Discount rate	6.30%	6.30%	6.30%	6.30%	6.30%
Return rate of investments	10.96%	10.76%	--	--	--
Rate of future salary growth	0.41%	1.26%	--	--	0.41%
Average remaining work period (years)	3.57	4.04	--	--	14.81
Survival table	AT-83		AT-83 ⁽²⁾		AT-83
Capitalization regime	Projected Unit Credit		Projected Unit Credit		Projected Unit Credit

(1) Grouped actuarial assumptions are expressed as weighted averages.

(2) To the actuarial calculations of the Informal Plan at 12.31.2009 a transitory table between GAM-71 modified and GAM-83 is used for the Informal Plan.

Notes to Financial Statements

The Bank, to define the values for the defined benefit plans, uses methods and assumptions different from those submitted by entities sponsored. The most significant differences are concentrated on the definition of the figures relating to plan 1 – Previ.

Differences in assumptions of the Plan 1 - Previ:

Assumptions / method	Bank	Previ
Discount rate	6.3% p.a.	5% p.a.
Lists of survival	AT-83	AT-2000
Evaluation of Assets - Funds exclusive	Market value or discounted cash flow - the base scenario	Discounted cash flow conservative scenario
Capitalization Regime	Projected credit unit	Aggregate Method

Plan a reconciliation of values in Previ / Bank:

	R\$ Thousand					
	Plan Assets		Actuarial Liabilities		Effect on Surplus	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Values in the Previ	116,790,760	117,127,503	(90,629,774)	(72,989,055)	26,160,986	44,138,448
Incorporation of contract 97 ⁽¹⁾	13,147,607	12,554,780	(13,147,607)	(12,554,780)	--	--
Adjust the value of plan assets ⁽²⁾	11,627,956	8,131,867	--	--	11,627,956	8,131,867
Adjust the liabilities - the rate of discount / capitalization regime	--	--	12,971,904	5,273,049	12,971,904	5,273,049
Value determined by the Bank	141,566,323	137,814,150	(90,805,477)	(80,270,786)	50,760,846	57,543,364

(1) The contract is subject to disciplinary action in 1997 to form the necessary funding to the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 14.04.67 inclusive, and have retired or will retire after that date except those participants who are part of the Informal Plan.

(2) refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow - baseline scenario for assets Neenergia, 521 Holdings and Invepar while at Previ is used in the method of discounted cash flow - the conservative scenario.

Values for the current period and previous four periods are as follows:

Specification	R\$ Thousand				
	2010	2009	2008	2007	2006
Plan 1 (Previ) - Surplus (deficit)	50,760,845	57,543,364	28,669,191	64,229,505	37,481,696
Defined benefit obligation	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)	(65,870,816)
Plan assets	141,566,323	137,814,150	104,778,828	134,802,296	103,352,512
Adjustment of experience on the plan liabilities	(8.4%)	(3.6%)	(7.1%)	(3.2%)	(9.7%)
Adjustment experience on plan assets	16.7%	20.8%	(28.7%)	(18.7%)	(17.3%)
Informal Plan (Previ) - Surplus (deficit)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)	(1,633,840)
Defined benefit obligation	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)	(1,633,840)
Plan assets	--	--	--	--	--
Adjustment of experience on the plan liabilities	(3.7%)	(6.1%)	(11.4%)	(9.6%)	(12.1%)
Plan Associates (Cassi) - Surplus (deficit)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)	(3,562,867)
Defined benefit obligation	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)	(3,562,867)
Adjustment of experience on the plan liabilities	(2.9%)	(0.3%)	0.1%	8.8%	--
Adjustment experience on plan assets	--	--	--	--	--
Other Plans - Surplus (deficit)	(850,290)	(489,570)	171,899	--	--
Defined benefit obligation	(5,189,411)	(4,432,673)	(446,280)	--	--
Plan assets	4,339,121	3,943,103	618,179	--	--
Adjustment of experience on the plan liabilities	(6.9%)	(17.6%)	(4.9%)	--	--
Adjustment experience on plan assets	(0.5%)	(3.2%)	0.4%	--	--

Notes to Financial Statements

d) Overview of asset / liability actuarial recorded in the Bank:

Specification	R\$ Thousand			
	Actuarial Assets		Actuarial Liability	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Plan 1 Previ	9,894,787	12,655,346	--	--
Informal Plan Previ	--	--	(1,795,283)	(1,569,047)
Plan Associates Cassi	--	--	(4,607,323)	(4,357,455)
Regulation Economus	--	--	(113,592)	(90,686)
Supplementary Regulation 1 Economus	--	--	(237)	--
PLUS I and II Economus	--	--	(275,836)	(242,945)
Grupo B'	--	--	(114,465)	(113,634)
Total	<u>9,894,787</u>	<u>12,655,346</u>	<u>(6,906,736)</u>	<u>(6,373,767)</u>

e) Allocations of the Surplus - Plan 1

	R\$ Thousand			
	Parity Fund		Fund Allocation	
	2010	2009	2010	2009
Initial Balance	<u>1,778,366</u>	<u>2,195,802</u>	<u>7,519,058</u>	--
Monetary restatement	205,308	220,944	75,935	--
Contributions to the Plan 1	(459,300)	(638,380)	--	--
Closing Balance	<u>1,524,374</u>	<u>1,778,366</u>	<u>7,594,993</u>	--

Parity Fund

The plan was funded, up to 12/15/2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12/16/2000, in order to adjust to the provisions of Constitutional Amendment No. 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this Agreement, the Bank, yet, was entitled to recognize the amount of R\$ 2,227,254 thousand, which was recorded in Other Receivables – Accounts receivable. This Asset is monthly adjusted based on the actuarial target (National Consumer Price Index - INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plan 1 who joined the Plan up to 04/14/1967 and had not retired up to that date.

Allocation Fund

On 11/24/2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represent current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2011, under "Other receivables - Securities and credits receivable - Previ", the amount of R\$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (National Consumer Price Index - INPC + 5% per year).

Notes to Financial Statements

28 – Commitments, Responsibilities and Contingencies

a) Contingent tax assets

The Bank is an active participant in proceedings to restore indebts tax and prevent the launch of tax credits by tax authorities, recognized in the financial statements only on the assumption favorable to the Bank (not counted), according Resolution CVM 3823/2009. The actions of most relevance:

a.1) Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st semester of 1992, in the amount of R\$ 14,292 thousand (R\$ 13,101 thousand on 12.31.2009);

a.2) Tax on Financial Transactions (IOF) - Law 8033/1990 (Price-level restatement), in the amount of R\$ 223,660 thousand (R\$ 203,470 thousand on 12.31.2009).

b) Contingent liabilities

Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. The provisions for probable losses account for various applications demanded as compensation, overtime, mischaracterization of the working day, additional function and representation and others.

Tax Lawsuits

The Bank is subject to a number of challenges by the tax authorities with respect to taxes, which can give rise to assessments regarding the jurisdiction where taxes are incurred or the sum of taxable income or deductible expenses, Most of the lawsuits originating from tax assessment notices are related to ISSQN, CPMF, CSLL, IRPJ and IOF, and, some are guaranteed by cash or real estate properties.

Civil Lawsuits

The most significant lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation suffered and the rate used for inflation correction of financial investments during the period of the various economic Plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for bringing actions seeking the recovery of values based on inflation rates away by these economic plans, there was an increase in the volume of lawsuits filed. Actions whose success by adverse parties are considered probable are properly provisioned. The indices are expected questioned by law that regulated the time the Federal Government's economic policy. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is action pending trial in the Supreme Court (STF) - ADPF/165: complaint of breach of fundamental precept - authored by the National Confederation of Financial System (Consif), with the aim of declaring the constitutionality of legislation that established the economic plans.

Notes to Financial Statements

Changes in the provision for civil, tax and labor claims classified as probable:

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Labor claims						
Opening balance	2,736,323	3,242,208	2,456,461	2,804,314	3,300,748	2,475,231
Constitution	68,615	481,273	1,526,525	77,558	501,962	1,932,707
Reversal of the provision	(541)	(740,365)	(1,475,351)	(1,879)	(743,968)	(1,544,250)
Monetary restatement	(436,123)	(709,436)	(538,711)	(436,123)	(709,440)	(570,609)
Written off due payment	94,116	188,322	189,951	94,166	188,734	--
Amount added / embedded ⁽¹⁾	--	388	1,083,333	--	--	1,007,669
Closing balance	<u>2.462.390</u>	<u>2.462.390</u>	<u>3.242.208</u>	<u>2.538.036</u>	<u>2.538.036</u>	<u>3.300.748</u>
Tax demands						
Opening balance	198,895	174,696	122,456	1,221,967	1,138,706	1,004,031
Constitution	(2,277)	25,659	99,095	194,842	266,708	240,760
Reversal of the provision	(17)	(9,094)	(51,296)	(129,353)	(138,924)	(86,410)
Monetary restatement	(8,064)	(8,508)	(898)	(8,064)	(9,962)	(28,413)
Written off due payment	6,840	12,624	5,339	3,664	26,528	--
Amount added / embedded ⁽¹⁾	--	--	--	(22,133)	(22,133)	8,738
Closing balance	<u>195.377</u>	<u>195.377</u>	<u>174.696</u>	<u>1.260.923</u>	<u>1.260.923</u>	<u>1.138.706</u>
Civil claims						
Opening balance	3,204,045	3,036,381	1,719,947	3,353,840	3,131,472	1,760,175
Constitution	358,792	929,880	1,049,776	420,780	1,081,380	1,689,241
Reversal of the provision	(309)	(387,665)	(1,024,777)	(62,520)	(473,404)	(1,134,168)
Monetary restatement	(278,032)	(417,872)	(159,733)	(296,788)	(448,469)	(334,944)
Written off due payment	180,073	302,046	141,277	179,382	303,715	--
Amount added / embedded ⁽¹⁾	--	1,799	1,309,891	--	--	1,151,168
Closing balance	<u>3.464.569</u>	<u>3.464.569</u>	<u>3.036.381</u>	<u>3.594.694</u>	<u>3.594.694</u>	<u>3.131.472</u>
Total Labor Demand, Taxation and Civil	<u>6.122.336</u>	<u>6.122.336</u>	<u>6.453.285</u>	<u>7.393.653</u>	<u>7.393.653</u>	<u>7.570.926</u>

(1) Refers to the balance of the Banco Popular do Brasil, Bescleaving and Bescredi, incorporated in 2010, and Banco Nossa Caixa, acquired in March 2009 and incorporated in November 2009.

c) Contingent liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CVM No. 3823/2009.

Labor Lawsuits

Representing various applications demanded as compensation for overtime, distortion of the working day, Additional Function and Representation, and others.

Tax Lawsuits

Represents a number of claims made such as: ISSQN, collection and other tax obligations originating from the Federal Revenue Department and Institute of Social Security. The main contingencies originate from:

- Notices of labor infraction drawn by the National Institute of Social Security (INSS), aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R\$ 1,025,848 thousand, public transport pay and use of private car by employees of

Notes to Financial Statements

Banco do Brasil, in the amount of R\$ 155,211 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 25,833 thousand.

- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 243,677 thousand.

Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible were as follows:

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	83,822	40,950	87,335	62,301
Tax Claims	1,746,429	1,843,559	2,541,761	2,079,151
Civil Claim	2,761,507	2,620,763	2,812,261	2,723,460
Total	<u>4,591,758</u>	<u>4,505,272</u>	<u>5,441,357</u>	<u>4,864,912</u>

d) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for probable, possible and / or remote contingencies are as follows:

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	2,420,578	2,228,067	2,440,689	2,254,502
Tax Claims	4,149,248	3,790,881	5,419,232	4,628,601
Civil Claim	2,832,003	2,247,146	2,983,856	2,509,058
Total	<u>9,401,829</u>	<u>8,266,094</u>	<u>10,843,777</u>	<u>9,392,161</u>

e) Legal Obligations

The Bank has recorded in Other Liabilities - Tax and Social Security, the amount of R\$ 12,241,776 thousand (R\$ 11,245,230 thousand at 12.31.2009) in the Banco do Brasil and R\$ 12,942,257 thousand (R\$ 11,768,441 thousand at 12.31.2009) in BB-Consolidated, for the following actions:

Lawsuit: Interest on Own Capital Tax Benefit

In February 1998, the Bank filed a request for full offsetting of accumulated income tax loss carry forwards and negative basis of social contribution against taxable income. Since then, the Bank has been fully offsetting tax loss carry forwards and negative basis of social contribution against income tax and social contribution and has made judicial deposits in the full amount due (70% of the amount offset). These deposits prompted the Federal District 16th Court to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Tax Code. Since 10.1.2002, the proceedings have been awaiting hearing of an extraordinary appeal by the Federal Supreme Court.

The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

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Deferred taxes (including corporate income tax (IRPJ) and social contribution on net income (CSLL)) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 1, item II, article 1 of CMN Resolution 3059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of Income Tax and Social Contribution are being paid in full. Additionally, there would be the transfer of funds from the account used to record judicial deposits to cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R\$ 3,897,897 thousand.

If the Bank were unsuccessful in its lawsuit the amounts deposited judicially would be converted into income in favor of the National Treasury. The portions of IRPJ tax credits on tax loss carry forward that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes to compensate would result from the adjustments to the Economic-Tax Information Returns for Corporate Entities, corresponds to R\$ 3,809,762 in December/2010, and its restatement using the Selic rate corresponds to R\$ 581,192 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter are as follows:

	R\$ Thousand	
	12.31.2010	12.31.2010
Legal Liability - Provision	11,697,619	11,245,230
Judicial Deposits	<u>12,485,258</u>	<u>11,752,804</u>
Amount realized	7,817,011	7,817,011
Restatement	4,668,247	3,935,793
70% thereof	<u>6,585,045</u>	<u>6,585,045</u>
Income tax losses	3,002,033	3,002,033
Negative basis of CSLL / Recoverable CSLL	3,583,012	3,583,012

Judicial Proceeding: PIS/PASEP and COFINS

Banco do Brasil, BB Corretora and Banco Votorantim filed a writ of mandamus in order to guarantee the right to collect the PIS/PASEP and COFINS according to the calculation basis provided for in Complementary Laws no. 7/1970, and no. 70/1991, the amount of R\$ 544,157 thousand in the Banco do Brasil and R\$ 1,244,638 thousand (R\$ 523,211 thousand at 12.31.2009) in BB-Consolidated. The injunction was suspended on 08.18.2010, which is why the Banco do Brasil and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No 9.718/1998. The legal action of Banco Votorantim had favorable judgments and rulings and await, with the Distinguished Federal Regional Court of the Third Region, the appeals by the National Treasury or analysis of the appropriateness / acceptability.

Notes to Financial Statements

29 – Risk Management and Regulatory Capital

a) Risk Management Process

Banco do Brasil considers the management of risks and of capital the main vectors for the decision-making process.

In Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk policies are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market, and Operations), which are groups formed by Directors.

To find out more about the risk management process at Banco do Brasil, access the website bb.com.br/ri.

b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed on with borrowers, counterparts of contracts or issues of securities.

For alignment with the best practices of credit risk management and to increase efficiency in the management of its economic capital, Banco do Brasil uses risk and return metrics as instruments for dissemination of the culture at the Institution, present throughout its loan process.

c) Market Risk

Market Risk reflects the possibility of loss that can be caused by changes in the behavior of interest and exchange rates and of prices of shares and *commodities*.

Financial Instruments – Fair Value

Financial instruments recorded in assets, compared to fair value:

	R\$ Thousand							
	BB-Consolidated							
	12.31.2010		12.31.2009		Unrealized gain/loss, net of tax effects			
	Book value	Fair Value	Book value	Fair Value	On Income		On Stockholders' Equity	
				12.31.2010	12.31.2009	12.31.2010	12.31.2009	
ASSETS								
Short-term interbank deposits	107,578,790	107,564,261	168,397,960	168,377,532	(14,529)	(20,428)	(14,529)	(20,428)
Securities	142,243,143	142,083,409	122,873,797	122,714,673	285,221	(33,426)	(159,734)	(159,124)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	444,955	125,698	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(159,734)	(159,124)	(159,734)	(159,124)
Derivative financial instruments	1,623,591	1,623,591	1,463,084	1,463,084	--	--	--	--
Loan operations	317,726,499	317,801,144	261,783,097	262,062,450	74,645	279,353	74,645	279,353
LIABILITIES								
Interbank deposits	18,998,102	19,007,052	11,618,573	11,631,606	(8,950)	(13,033)	(8,950)	(13,033)
Time deposits	204,652,146	204,636,840	193,515,574	193,575,751	15,306	(60,177)	15,306	(60,177)
Obligations related to Committed Operations	142,174,955	142,100,736	160,821,187	160,648,661	74,219	172,526	74,219	172,526
Borrowings and onlendings	59,458,834	59,416,542	38,063,569	38,129,257	42,292	(65,688)	42,292	(65,688)
Derivative financial instruments	5,296,640	5,296,640	4,724,036	4,724,036	--	--	--	--
Other liabilities	159,458,907	159,393,860	120,378,462	120,186,289	65,047	192,173	65,047	192,173
Unrealized gain/loss, net of tax effects					533,251	451,300	88,296	325,602

Notes to Financial Statements

Determination of Fair Value of Financial Instruments

Short-term interbank investments: The market value was obtained by future cash flows discount, adopting interest rates exercised by the market in similar operations in the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by the market value, as provided for in BACEN Circular 3068/2001, excluding from such criterion, securities held to maturity. Determination of securities' market value, including those held to maturity, is obtained according to rates collected at the market.

Loan operations: Operations remunerated at fixed rates have been estimated through future cash flow discount, adopting for such, interest rates utilized by the Bank for contracting of similar operations in the balance sheet date. For operations of such group remunerated at variable rates, it was considered as market value the book value itself due to equivalence among them.

Interbank deposits: The market value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of variable operations which maturities did not exceed 30 days, the book value was deemed to be approximately equivalent to the market value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the market value.

Deposits received under security repurchase agreements: For operations at fixed rates, the market value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applicable in contracting of similar operations in the last market day. For variable operations, book values have been deemed approximately equivalent to market value.

Borrowing and onlendings: Said operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the market values of such operations are equivalent to the book value.

Other liabilities: Market values have been determined by means of the discounted cash flow, which takes into account interest rates offered in the market for obligations which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, book values are approximately equivalent to their correspondent market value.

Derivatives: According to BACEN Circular 3082/2002, derivatives are recorded at market value. Determination of derivatives' market value is estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

Sensitivity Analysis (CVM Instruction no. 475/2008)

The Banco do Brasil manages its risks in a dynamic manner, seeking to detect, assess, monitor, and control market risk exposures in its own positions. To this end, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution no 3464/2007 and with Bacen Circular no. 3354/2007, in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:

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1) Trading Book: consisting in all the transactions in its own position undertaken as business deals or intended as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting in transactions not classified in the Trading Book and the key feature of which is the intention of keeping these transactions until expiry.

The sensitivity analysis for all the operations with assets and liabilities of the balance sheet, in compliance with CVM Instruction n.º 475/2008, does not adequately reflect the management of market risks adopted by the Institution, and does not represent the Bank's accounting practices.

In order to determine the sensitivity of the Bank's capital to the reflexes of market trends, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome for the Bank. The scenarios employed are seen as follows:

Scenario I: Likely situation, which reflects the perception of senior management of the Bank, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM & F Bovespa, Andima, etc.). Assumptions used: real exchange rate / dollar rate of R\$ 1.71 and raising the Selic rate to 11.75% per annum based on market conditions observed at 12.31.2010.

Scenario II: Situation possible. Assumptions used: parallel shock of 25% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

Scenario III: Situation possible. Assumptions used: parallel shock of 50% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the table below a summary of the Trading Portfolio profit figures (Trading), which includes public and private securities, derivatives financial instrument and funding based on transactions subject to repurchase agreements:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,129)	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	164	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(971)	Decrease	394
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	--	--	--
Exchange variation	Risk of variation of exchange rates	Increase	2,382	Maintenance	--

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(35,251)	Increase	(206,888)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(41)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(1,451)	Increase	(1,638)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(22,653)	Decrease	(17,419)

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		R\$ Thousand			
		Scenario III			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(73,052)	Increase	(400,577)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(82)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(2,837)	Increase	(3,184)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(45,305)	Decrease	(34,837)

In the case of transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and bookkeeping impact on the Bank's income. This is so because this portfolio is composed chiefly of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other transactions (natural hedge), hence minimizing the reflexes of a *stress* scenario.

In the tables below may be seen a summary of the Trading Portfolio (Trading) and Non Trading (Banking), excerpt from Banco Votorantim:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,928,246)	Maintenance	--
TR	Risk of change of interest rate coupon	Increase	1,449,619	Increase	145,330
TBF		Decrease	(145)		
TJLP	Risk of variation of long-term interest rate (TJLP)	Increase	137,778	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(27,143)	--	--
IGP-M		Increase	(137,572)		
IGP-DI	Risk of variation of price index coupons	Increase	(207)	Decrease	134,964
INPC		Increase	(70,605)		
IPCA		Increase	(31,214)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(116,853)	Decrease	12,954
Exchange variation	Risk of variation of exchange rates	Increase	21,083	Maintenance	--

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(5,300,903)	Increase	(4,332,688)
TR	Risk of change of interest rate coupon	Decrease	(4,570,631)	Decrease	(3,602,616)
TBF		Decrease	(301)		
TJLP	Risk of change of interest rate coupon	Increase	(203,752)	Decrease	(20,391)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(35,049)	--	--
IGP-M		Increase	(187,811)		
IGP-DI	Risk of variation of price index coupons	Increase	(287)	Increase	(772,021)
INPC		Increase	(101,491)		
IPCA		Increase	(45,560)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(29,465)	Increase	(17,337)
Exchange variation	Risk of variation of exchange rates	Decrease	(200,507)	Decrease	(275,403)

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		R\$ Thousand			
Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(10,163,642)	Increase	(8,303,533)
TR	Risk of change of interest rate coupon	Decrease	(9,476,165)	Decrease	(7,474,159)
TBF		Decrease	(603)		
TJLP	Risk of change of interest rate coupon	Decrease	(414,806)	Decrease	(41,838)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(70,073)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(351,961)		
IGP-DI		Increase	(570)	Increase	(1,458,284)
INPC		Increase	(198,695)		
IPCA		Increase	(88,026)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(59,180)	Increase	(34,482)
Exchange variation	Risk of variation of exchange rates	Decrease	(401,014)	Decrease	(550,806)

The scenarios used for preparing the framework of sensitivity analysis must necessarily use situations of deterioration of at least 25% and 50% for variable risk for isolation, as determined by CVM Instruction No. 475/2008. Therefore, the analysis of the results is impaired. For example, simultaneous shocks of increase in the rate of advance and reduction in interest coupon of TR are not consistent from a macroeconomic.

The derivative transactions found in the Banking Book, in particular, do not represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Change of the indexation of funding and lending transactions performed to meet customer needs;
- Market risk hedge with purpose and efficacy as described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction no. 475 - Attachment II.

Participation in Banco Votorantim

In order to determine the sensitivity of the Bank's participation in Banco Votorantim, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome. The scenarios employed are seen as follows:

Scenario I: Situation likely, which reflects the perception of top management of Banco Votorantim in the scenario most likely to occur. Assumptions used: real exchange rate / dollar from R\$ 1.70 and the Selic rate of interest 12.25% per year, to the end of 2010.

Scenario II: Assumptions used: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

Scenario III: Assumptions used: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

Notes to Financial Statements

In the tables below are the results for the positions of the Bank for its participation in Banco Votorantim:

		R\$ Thousand			
Risk Factor	Concept	Scenario I			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	--	Increase	(142,478)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	42,497	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(690,382)	Increase	(65,497)
Price Indexes	Risk of variation of price index coupons	Increase	(2,403)	Increase	(46,908)
Interest Rates	Risk of change coupon interest rate	Increase	(425)	Increase	(9,781)
Others	Risk of variation of others coupons	Increase	(12,221)	Increase	3,136

		R\$ Thousand			
Risk Factor	Concept	Scenario II			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(605,880)	Increase	(324,976)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(111,898)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(732,519)	Increase	(236,751)
Price Indexes	Risk of variation of price index coupons	Increase	(8,522)	Increase	(96,030)
Interest Rates	Risk of change coupon interest rate	Increase	(2,973)	Increase	(15,820)
Others	Risk of variation of others coupons	Decrease	(21,201)	Decrease	(1,809)

		R\$ Thousand			
Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(1,237,639)	Increase	(479,181)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(167,073)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(1,025,643)	Increase	(398,723)
Price Indexes	Risk of variation of price index coupons	Increase	(14,498)	Increase	(139,799)
Interest Rates	Risk of change coupon interest rate	Increase	(5,241)	Increase	(21,165)
Others	Risk of variation of others coupons	Decrease	(207,868)	Decrease	(9,299)

d) Liquidity Risk - this type of risk takes two forms: market liquidity risk and cash flow liquidity risk (*funding*). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

e) Operating Risk - reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

Notes to Financial Statements

f) Regulatory Capital - The BIS ratio was determined according to the criteria established by CMN Resolutions 3444/2007 and 3490/2007, which address the calculation of Referential Equity Amount (RE) and of Required Referential Equity Amount (RRE), respectively:

	R\$ Thousand			
	12.31.2010		12.31.2009	
	Economic-Financial	Financial	Economic-Financial	Financial
RE - REFERENTIAL EQUITY AMOUNT	<u>66,927,567</u>	68,257,551	<u>53,704,324</u>	<u>54,529,352</u>
Level I	<u>52,397,235</u>	<u>52,452,142</u>	<u>41,086,985</u>	<u>41,086,960</u>
Shareholders' equity	50,440,683	50,495,590	36,119,406	36,119,381
Revaluation reserves	(6,241)	(6,241)	(6,746)	(6,746)
Deferred Assets	(226,529)	(226,529)	(223,782)	(223,782)
Mark-to-market	(203,031)	(203,031)	(85,061)	(85,061)
Tax credits excluded from Level I of RE	(22,477)	(22,477)	(22,477)	(22,477)
Additional provision to the minimum required by resolution CMN 2682/1999 ⁽¹⁾	--	--	2,782,065	2,782,065
Hybrid Capital and Debt Instruments - Level I	2,414,830	2,414,830	2,523,580	2,523,580
Level II	<u>19,763,491</u>	<u>19,763,491</u>	<u>17,004,391</u>	<u>17,004,391</u>
Mark-to-market	203,031	203,031	85,061	85,061
Subordinated Debt Qualifying as Capital	18,738,173	18,738,173	16,059,788	16,059,788
Funds obtained from the FCO	13,455,864	13,455,864	12,422,046	12,422,046
Funds obtained abroad	1,369,813	1,369,813	400,323	400,323
Funds obtained from the CDB	2,829,732	2,829,732	3,237,419	3,237,419
Funds raised in Financial Letters	1,082,764	1,082,764	--	--
Hybrid Capital and Debt Instruments – Level II	816,046	816,046	852,796	852,796
Revaluation reserves	6,241	6,241	6,746	6,746
Deduction from the PR	<u>(5,233,159)</u>	<u>(3,958,082)</u>	<u>(4,387,052)</u>	<u>(3,561,999)</u>
Financial instruments excluded from the PR	(5,233,159)	(3,958,082)	(4,387,052)	(3,561,999)
RRE - Required Referential Equity Amount	52,297,326	50,993,696	42,749,265	42,195,431
Credit Risk	48,900,634	47,805,205	40,161,404	39,607,570
Market Risk	31,422	31,422	285,850	285,850
Operating Risk	3,365,270	3,157,069	2,302,011	2,302,011
Surplus of stockholders' equity: RE – RRE	14,630,241	17,263,855	10,955,059	12,333,921
BIS Ratio: (RE x 100) / (RRE / 0.11)	<u>14,08</u>	<u>14,72</u>	<u>13,82</u>	<u>14,22</u>

(1) Resolution CMN 3.825/2009 revoked with effect from 04/01/2010, the CMN Resolution No. 3.674/2008 allowing Level I add the value of additional provision to the minimum percentage required by CMN Resolution No. 2682/1999.

Change in the methodology of calculating operational limits and risk management documents:

As determined by the Central Bank of Brazil, through the Office Design / Gabin - 2010/10 of 11.03.2010, the information and account balances of Banco Votorantim ceased to be included exclusively in the statements of operational limits and risk management documents and the basis for calculating the index of the Basel Bank retroactively to 09.30.2009, the date of acquisition of the stake. This measure has caused positive impact of 0.08% in the Basel ratio of the Bank, by virtue of the following changes in the calculation of PR and PRE:

- The balances in proportion of subordinated debt issued by Banco Votorantim, the amount of R\$ 1,748,335 thousand (R\$1,018,419 thousand at 12.31.2009) failed to make the Tier II capital of PR;
- the investment in Banco Votorantim, in the amount of R\$ 3,955,639 thousand (R\$ 3,560,206 thousand on 12.31.2009) has to be deducted from PR;
- The proportion of fixed assets balances deferred, made from 03.02.2007 in the amount of R\$ 20,443 thousand (R\$ 18,514 on 12.31.2009), failed to deduct the capital level I PR;

Notes to Financial Statements

- the capital requirements on stocks of assets and liabilities in proportion to participation in Banco Votorantim stopped composing PRE.

g) Fixed asset ratio

With the change in methodology for calculating operating limits described in item "f" above, the proportion of fixed asset balances of Banco Votorantim stopped writing the Banco do Brasil's fixed assets.

The fixed asset ratio in relation to RE - Referential Equity is 20.99% (15.65% on 12.31.2009) to the Consolidated Financial and 16.83% (11.86% on 12.31.2009) to the Economic-Financial Consolidated pursuant to CMN Resolution No. 2669/1999. The difference between the fixed assets ratio of Consolidated Financial and Economic-Financial results from the inclusion of non financial subsidiaries / affiliates, with high liquidity and low level of immobilization, with consequent reduction in fixed assets ratio index of Consolidated Economic and Financial Report.

Notes to Financial Statements

30 – Statement of Comprehensive Income

	Banco do Brasil			
	2S2010	2010	2009	
Net earnings reported in the Income Statement	<u>6,626,909</u>	<u>11,758,093</u>	<u>10,147,522</u>	6,626,909
Other comprehensive income / (loss)				
Assets Valuation Adjustments (Note 8.f)	<u>92,417</u>	<u>284,590</u>	<u>80,745</u>	92,417
Own	78,857	106,174	(8,047)	78,857
Subsidiaries and affiliates	13,560	178,416	88,792	13,560
Other comprehensive income / (loss) before taxes on income	92,417	284,590	80,745	92,417
Income and social contribution related to unrealized gains / (losses) (Note 8.f)	(36,358)	(87,319)	(9,310)	(36,358)
Other comprehensive income / (loss), net of income tax and social contribution	<u>56,059</u>	<u>197,271</u>	<u>71,435</u>	56,059
Comprehensive income	<u>6,682,968</u>	<u>11,955,364</u>	<u>10,218,957</u>	6,682,968
Comprehensive income attributable to the Parent	6,682,968	11,955,364	10,218,957	6,682,968
Comprehensive income of the Non-Controlling Investments	--	--	--	--

31 – Other Information

a) New Market

At 5.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the New Market segment of Bovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related to the New Market Listing Regulations through the Arbitration Chamber of the BM&FBovespa Market, in conformity with an arbitration clause included in the By-laws of Banco do Brasil.

b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 2.24.2010, the Board of Directors approved the setting, for the year 2010, of the payout rate equivalent to the minimum percentage of 40% of net income, fulfilling the policy for payment of dividends and/or interest on own capital on a quarterly basis, pursuant to article 43 of the Bank's By-Laws.

c) Financial Holding Company

On 04.13.2010, the North-American Central Bank - FED (Federal Reserve System) granted Banco do Brasil the status of "Financial Holding Company". The Bank was accorded this status after a minute analysis of major factors determined by the US banking legislation, among which are the Bank's capitalization level and the quality of its management.

This qualification will make it possible for Banco do Brasil, if it is in its interest, to perform banking activities in the US territory, either by itself or through its subsidiaries, under the same conditions as US banks.

d) BB Odontoprev - Start of Operation

On 11.16.2010, the Banco do Brasil signed a contract with Dental Plan of Operation Odontoprev SA, in order to begin providing dental insurance to about 260 thousand beneficiaries, including employees of BB and their dependents.

e) Partnership BB - Oi - Cielo

On 09.29.2010, the Bank of Brazil signed the partnership agreement negotiations with Telemar Participações (Oi) and Cielo SA to issue credit cards co-branded and prepaid, with the national flag and / or international level, besides other payment in the traditional format or using the Mobile Payment technology.

f) Funds and Programs

The Bank administrator of the Training Programme Heritage Server Public - Pasep with assets of R\$ 2,027,901 thousand (R\$ 1,916,461 thousand on 12.31.2009), guaranteeing a minimum return equivalent to TJLP.

Notes to Financial Statements

g) Investment Funds Administration

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A:

	Funds/Portfolios		Balance (R\$ Thous)	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Managed funds	489	464	360,200,007	306,686,220
Investment funds	471	444	348,659,790	295,983,716
Managed portfolios	18	20	11,540,217	10,702,504

h) Details of Branches and Subsidiaries Abroad

	R\$ Thousand					
	Branches Abroad		BB-Consolidated Abroad			
	12.31.2010	12.31.2009	12.31.2010	12.31.2009		
Assets						
- BB Group	16,773,425	18,229,330	14,931,097	13,975,507		
- Third parties	37,217,130	32,507,723	39,120,507	33,751,943		
Total Assets	53,990,555	50,737,053	54,051,604	47,727,450		
Liabilities						
- BB Group	9,063,431	9,112,535	7,093,625	4,146,629		
- Third parties	42,378,018	39,066,043	43,428,217	40,072,902		
Stockholders' Equity	2,549,106	2,558,475	3,529,762	3,507,919		
Total Liabilities	53,990,555	50,737,053	54,051,604	47,727,450		
	2S2010	2010	2009	2S2010	2010	2009
Net income (loss)	31.872	24.653	(94.658)	82.570	106.429	(29.186)

i) Consortium funds

	R\$ Thousand	
	12.31.2010	12.31.2009
Forecast of funds receivable from consortium members	71,052	45,856
Obligations of the group for contributions	4,524,352	2,383,273
Consortium - goods to granted	4,236,828	2,177,640
(In Units)		
Number of groups managed	532	316
Number of active consortium members	208,486	140,860
Number of goods to delivery to consortium	15,934	21,450
Number of goods delivered to consortium winners	41,286	31,164

Notes to Financial Statements

j) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law No. 10.470/2002 and Decree No. 4.050/2001.

	2S2010		2010		2009	
	Employees assigned ⁽¹⁾	Cost for the period (R\$ 000)	Employees assigned ⁽¹⁾	Cost for the period (R\$ 000)	Employees assigned ⁽¹⁾	Cost for the period (R\$ 000)
With costs for the Bank						
Federal Government	10	1,254	10	2,512	11	2,677
Labor unions	232	12,629	232	24,106	217	15,729
Other agencies/entities:	5	877	5	1,647	4	1,350
Without cost to the Bank						
Federal, State and Municipal	303	--	303	--	318	--
Outside agencies (Cassi, FBB, Previ)	753	--	753	--	725	--
Employee entities	87	--	87	--	73	--
Controlled and associates entities	331	--	331	--	311	--
Total	1,721	14,760	1,721	28,265	1,659	19,756

(1) Balance in the period.

k) Remuneration of Employees and Management

Monthly wages paid to employees and Directors of the Banco do Brasil:

	R\$ Thousand	
	12.31.2010	12.31.2009
Lowest salary	1,600.13	1,416.00
Highest salary	27,140.70	25,247.10
Average salary	4,444.70	4,567.70
Management		
President	44,505.00	41,592.00
Vice-President	40,197.00	37,566.00
Director	34,380.00	32,130.00
Directors		
Council Tax	3,606.85	3,370.80
Board of Directors	3,606.85	3,370.80
Audit Committee – Member	30,942.00	28,917.00
Audit Committee - Substitute	27,847.80	26,025.30

l) Insurance Policy of Assets

Despite the low degree of risk to which their assets are subject, the bank hires for its values and assets, insurance considered adequate to cover potential claims.

Insurance contracted by the Bank in force on 12.31.2010 have value coverage R\$ 6,325,412 thousand and cover the following risks:

Risks Covered	R\$ Thousand	
	Covered Securities	Value Award
Property insurance for the assets themselves relevant	6,298,996	2,571
Life insurance and personal accident for the collective Board ⁽¹⁾	700	191
Others	25,716	339

(1) Refers to individual coverage for members of the Executive Board.

Banco do Brasil S.A.

Report of Independent Auditors



KPMG Auditores Independentes

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Independent auditors' opinion

To
The Board of Directors, Stockholders and Management
Banco do Brasil S.A.
Brasília - DF

1. We have examined the balance sheets of Banco do Brasil S.A. (Banco do Brasil) and the consolidated balance sheets of Banco do Brasil S.A. and its subsidiaries (BB – Consolidated) as of December 31, 2009 and 2008 and the related statements of income, changes in stockholders' equity, and changes in cash flows and in added value for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the indirect investments, Brasilcap Capitalização S.A., Brasilsaúde Companhia de Seguros, Brasilveículos Companhia de Seguros, Brasilprev Seguros e Previdência S.A., Cielo S.A., Neoenergia S.A. (Notes 4 and 14), were examined by other independent auditors. Thus, our opinion on the balances of the investments aforementioned and of the respective income arising from the application of the equity pick-up method, which totaled R\$1,865 million (R\$1,773 as of December 31, 2008) and R\$840 (R\$981 million as of December 31, 2008), respectively, are based on the reports issued by those independent auditors. Additionally, the net assets used in the calculation of the Retirement and Pension Plan (Note 28.a), were examined by other independent auditors and our evaluation, with respect to these net assets, is based on the report issued by those independent auditors.
2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.



3. In our opinion, based on our examination and on the reports of other independent auditors, pursuant to the aforementioned in paragraph one, the financial statements aforementioned represent fairly, in all material respects, the financial position of Banco do Brasil S.A. (Banco do Brasil) and Banco do Brasil S.A. and its subsidiaries (BB-Consolidated) as of December 31, 2009 and 2008, and the results of their operations, changes in stockholders' equity and changes in cash flows and the added value in their operations for each of the years then ended, in conformity with accounting practices adopted in Brazil.
4. The Bank has recorded in its assets, as of December 31, 2009, the amount of R\$12,655 million (R\$7,794 as of December 31, 2008) corresponding to the surplus of PREVI – Employee Benefits (Note 28.a), which was determined based on criteria established by the Bank's Management, which are considered adequate in the circumstance. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. Therefore, the inaccuracies inherent to the process of using estimates and assumptions may result in differences between the amount recorded and the amount effectively realized.

Brasília, February 24, 2010

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Francesco Luigi Celso
Accountant CRC SP-175348/O-5 S-DF

José Claudio Costa
Accountant CRC SP-167720/O-1 S-DF

BALANCE SHEET

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Current Assets	380.877.073	314.653.208	414.966.454	299.740.123
Available Funds	(Note 6) <u>7.596.546</u>	<u>5.375.268</u>	<u>7.842.770</u>	<u>5.544.850</u>
Short-term interbank investments	(Note 7a) <u>166.919.021</u>	<u>127.830.542</u>	<u>166.070.192</u>	<u>107.237.436</u>
Money market	134,937,621	95,151,703	144,173,860	95,159,610
Interbank deposits	31,981,400	32,678,839	21,896,332	12,077,826
Securities and derivative financial instruments	(Note 8) <u>39.370.590</u>	<u>36.839.447</u>	<u>59.297.166</u>	<u>42.346.332</u>
Internal portfolio	29,778,301	24,194,172	47,295,209	29,695,948
Repurchase agreements	5,239,743	8,571,019	5,956,127	8,576,649
Deposits with the Brazilian Central Bank	3,713,112	1,810,537	3,817,049	1,810,537
Pledged in guarantee	19,300	272,710	1,147,243	272,710
Derivative financial instruments	620,134	1,991,009	1,081,538	1,990,488
Interbank Accounts	<u>26.421.167</u>	<u>21.206.709</u>	<u>26.574.438</u>	<u>21.286.986</u>
Payments and receipts pending settlement	153,232	178,205	153,258	178,230
Restricted deposits	(Note 9) <u>25.950.674</u>	<u>20.895.605</u>	<u>26.063.340</u>	<u>20.954.167</u>
Brazilian Central Bank deposits	24,167,099	20,823,562	24,279,765	20,882,124
National Treasury - rural credits receivable	148,158	10,826	148,158	10,826
National Housing Financing System (SFH)	1,635,417	61,217	1,635,417	61,217
Interbank onlendings	1,254	325	7,746	325
Correspondent banks	316,007	132,574	350,094	154,264
Interdepartmental accounts	<u>293.950</u>	<u>228.102</u>	<u>295.152</u>	<u>228.102</u>
Third-party funds in transit	330	--	330	--
Internal transfers of funds	293,620	228,102	294,822	228,102
Loan operations	(Note 10) <u>102.016.228</u>	<u>81.328.473</u>	<u>110.606.691</u>	<u>78.872.784</u>
Public sector	2,432,592	3,206,769	2,794,701	2,385,544
Private sector	107,102,607	83,955,847	115,763,862	82,341,803
(Allowance for loan losses)	-7,518,971	-5,834,143	-7,951,872	-5,854,563
Lease operations	(Note 10) --	<u>5.697</u>	<u>1.858.258</u>	<u>1.235.592</u>
Public sector	23,883	36,670	23,883	36,670
Private sector	--	--	1,951,468	1,230,066
(Unearned income from lease operation)	-23,883	-30,973	--	--
(Allowance for lease losses)	--	--	-117,093	-31,144
Other receivables	<u>36.984.668</u>	<u>41.087.222</u>	<u>40.891.329</u>	<u>42.070.999</u>
Receivables on guarantees honored	36,938	24,135	39,588	24,135
Foreign exchange portfolio	(Note 12a) <u>8.480.791</u>	<u>20.913.621</u>	<u>8.671.052</u>	<u>20.913.621</u>
Income receivable	1,464,119	1,038,371	533,393	384,803
Negotiation and intermediation of securities	16,017	78,896	435,578	345,819
Specific operations	(Note 11a) --	<u>1.701</u>	--	<u>1.701</u>
Special operations	28	28	28	28
Insurance, pension plan and capitalization	(Note 21a) --	--	<u>885.945</u>	<u>440.611</u>
Sundry	(Note 11b) <u>27.747.561</u>	<u>19.854.665</u>	<u>31.167.511</u>	<u>20.799.150</u>
(Provision for other losses)	-760,786	-824,195	-841,766	-838,869
Other assets	<u>1.274.903</u>	<u>751.748</u>	<u>1.530.458</u>	<u>917.042</u>
Investments	--	<u>3</u>	--	<u>3</u>
Other assets	(Note 13a) <u>290.210</u>	<u>259.231</u>	<u>363.989</u>	<u>308.329</u>
(Provision for devaluations)	(Note 13a) -166,105	-154,360	-175,968	-170,297
Prepaid expenses	(Note 13b) <u>1.150.798</u>	<u>646.874</u>	<u>1.342.437</u>	<u>779.007</u>

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
NON CURRENT ASSETS	<u>279,731,903</u>	<u>206,424,122</u>	<u>293,582,389</u>	<u>221,532,694</u>
LONG-TERM RECEIVABLES	<u>257,451,549</u>	<u>195,393,035</u>	<u>276,572,786</u>	<u>212,021,057</u>
Interbank Investments	(Note 7a)	<u>7,248,277</u>	<u>11,442,051</u>	<u>2,327,768</u>
Interbank deposits		7,248,277	11,442,051	2,327,768
Securities and derivative financial instruments				
Derivatives	(Note 8)	<u>57,501,256</u>	<u>35,371,039</u>	<u>65,039,715</u>
Internal portfolio		21,131,525	7,465,983	27,638,367
Subject to repurchase agreements		20,584,267	14,061,216	20,929,518
Deposits with the Brazilian Central Bank		14,527,621	12,196,175	14,590,558
Pledged in guarantee		1,110,340	1,361,095	1,499,726
Derivative financial instruments		147,503	286,570	381,546
Interbank transactions		<u>17,071</u>	<u>274</u>	<u>17,071</u>
Interbank transfers		17,071	274	17,071
Loan operations	(Note 10)	<u>140,826,236</u>	<u>108,363,702</u>	<u>151,176,406</u>
Public sector		3,801,538	715,058	3,593,364
Private sector		146,444,106	114,851,620	157,315,829
(Allowance for loan losses)		-9,419,408	-7,202,976	-9,732,787
Lease operations	(Note 10)	<u>--</u>	<u>2,805</u>	<u>2,842,305</u>
Public sector		38,967	18,061	38,967
Private sector		--	--	2,917,455
(Unearned income from lease operation)		(38,967)	-15,256	--
(Allowance for lease losses)		--	--	-114,117
Other receivables		<u>51,223,436</u>	<u>39,910,781</u>	<u>54,341,849</u>
Receivables on guarantees honored		51,384	47,038	51,384
Income receivable		31,069	32,505	30,051
Negotiation and intermediation of securities		--	--	427
Specific credits	(Note 11a)	931,845	844,186	931,845
Insurance, pension plan and capitalization	(Note 21a)	--	--	22,265
Sundry	(Note 11b)	51,031,510	39,510,751	54,145,893
(Provision for other losses)		-822,372	-523,699	-840,016
Other assets		<u>635,273</u>	<u>302,383</u>	<u>827,672</u>
Prepaid expenses	(Note 13b)	635,273	302,383	827,672
PERMANENT ASSETS		<u>22,280,354</u>	<u>11,031,087</u>	<u>17,009,603</u>
Investments	(Note 14)	<u>12,182,867</u>	<u>3,232,919</u>	<u>6,645,339</u>
Investments in subsidiary and associated companies		12,143,602	3,198,067	5,775,953
Domestic		11,177,506	2,185,853	5,775,953
Foreign		966,096	1,012,214	--
Other investments		109,093	89,088	947,225
(Provision for losses)		-69,828	-54,236	-77,839
Land and buildings in use	(Note 15)	<u>4,006,745</u>	<u>3,178,471</u>	<u>4,214,484</u>
Land and buildings in use		3,167,766	2,488,354	3,335,698
Other property and equipment in use		6,232,263	5,263,162	6,631,918
(Accumulated depreciation)		-5,393,284	-4,573,045	-5,753,132
Applications in fixed assets for leasing	(Note 15)	<u>60,775</u>	<u>45,603</u>	<u>1,223</u>
Leased assets		93,876	99,260	3,640
(Accumulated depreciation)		-33,101	-53,657	-2,417
Intangible	(Note 16)	<u>5,625,845</u>	<u>4,040,645</u>	<u>5,676,879</u>
Intangible Assets		7,607,239	4,042,847	7,659,321
(Accumulated amortization)		-1,981,394	(2,202)	-1,982,442
Deferred charges		<u>404,122</u>	<u>533,449</u>	<u>471,678</u>
Organization and expansion costs		2,083,036	1,675,713	2,246,822
(Accumulated amortization)		-1,678,914	-1,142,264	-1,775,144
Total		<u>660,608,976</u>	<u>521,077,330</u>	<u>708,548,843</u>
			<u>521,272,817</u>	

LIABILITIES / STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
CURRENT LIABILITIES	478,981,403	393,278,855	503,739,681	378,074,414
Deposits (Note 17a)	252,490,505	224,785,452	258,676,108	212,058,474
Demand deposits	56,211,678	51,865,142	56,458,787	51,949,022
Savings deposits	75,741,590	54,965,370	75,741,590	54,965,370
Interbank deposits	13,543,548	15,804,085	10,437,440	3,136,771
Time deposits	106,765,221	101,907,587	115,808,988	101,764,043
Sundry	228,468	243,268	229,303	243,268
Deposits received under security repurchase agreements (Note 17c)	142,412,717	87,448,258	153,699,462	86,501,235
Internal portfolio	24,462,905	21,311,721	30,819,656	20,962,640
Third-party portfolio	117,949,812	66,136,537	122,719,587	65,538,595
Subject to repurchase agreements within free movement	--	--	160,219	--
Funds from acceptance and issue of securities (Note 19)	758,810	835,076	1,406,912	1,167,593
Mortgage Notes	--	--	407,929	248,155
Foreign securities	758,810	835,076	998,983	919,438
Interbank accounts	21,332	21,152	21,350	21,161
Receipts and payments pending settlement	602	772	615	781
Correspondent banks	20,730	20,380	20,735	20,380
Interdepartmental accounts	3,209,295	2,495,853	3,229,088	2,495,853
Third-party funds in transit	3,197,791	2,495,480	3,214,643	2,495,480
Internal transfers of funds	11,504	373	14,445	373
Borrowings (Note 18a)	6,274,611	9,223,333	4,810,915	5,845,958
Domestic borrowings - Official institutions	--	2,750,087	70,976	2,750,087
Domestic borrowings - Other institutions	--	--	86,221	109,115
Foreign borrowings	6,274,611	6,473,246	4,653,718	2,986,756
Local onlendings - official institutions (Note 18b)	11,472,080	13,738,050	12,405,660	13,749,287
National Treasury	2,100,693	3,485,066	2,100,693	3,485,066
National Bank for Economic and Social Development (BNDES)	6,078,474	6,365,619	6,731,990	6,365,619
Federal Bank (CEF)	21,935	--	21,935	--
National Industrial Financing Authority (FINAME)	2,138,406	2,688,728	2,418,470	2,699,965
Other institutions	1,132,572	1,198,637	1,132,572	1,198,637
Foreign onlendings	868	3,143,690	576	95
Foreign onlendings	868	3,143,690	576	95
Derivative financial instruments (Nota 8d)	1,996,875	3,159,952	2,617,011	3,155,962
Derivative financial instruments	1,996,875	3,159,952	2,617,011	3,155,962
Other liabilities	60,344,310	48,428,039	66,872,599	53,078,796
Collection and payment of taxes and social contributions	335,641	232,192	376,523	252,368
Foreign exchange portfolio (Note 12a)	12,106,915	15,870,660	12,173,988	15,964,485
Social and statutory	2,470,489	1,816,963	2,625,183	1,838,048
Taxes and social security contributions (Note 20b)	16,568,631	13,342,332	18,315,213	14,345,530
Negotiation and intermediation of securities	95,006	345,799	526,029	376,629
Technical provisions - insurance, pension plan and capitalization (Note 21b)	--	--	4,123,164	3,321,909
Financial and development funds (Note 20a)	2,050,776	428,517	2,050,776	428,517
Special operations (Note 20c)	204,007	--	204,007	--
Hybrid capital and debt instruments (Note 20e)	13,260	17,696	13,260	16,817
Sundry (Note 20f)	26,499,585	16,373,880	26,464,456	16,534,493

LIABILITIES / STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
NON CURRENT LIABILITIES	145.508.308	97.861.225	168.689.897	113.261.153
LONG-TERM LIABILITIES	145.259.396	97.639.703	168.689.756	113.261.153
Deposits (Note 17a)	77.614.251	51.656.948	78.887.719	58.782.622
Interbank deposits	2,012,595	3,802,500	1,181,133	10,928,174
Time deposits	75,601,656	47,854,448	77,706,586	47,854,448
Deposits received under security repurchase agreements (Note 17c)	7.108.094	4.631.397	7.121.725	4.629.129
Internal portfolio	1,082,487	966,524	1,082,045	964,256
Third-party portfolio	6,025,607	3,664,873	6,025,607	3,664,873
Subject to repurchase agreements within free movement	--	--	14,073	--
Funds from acceptance and issue of securities (Note 19)	1.812.687	365.451	5.955.407	2.311.307
Features letters Real estate, mortgage, credit and similar	--	--	860,822	--
Debentures	--	--	1,496,353	21,020
Foreign Securities	1,812,687	365,451	3,598,232	2,290,287
Borrowings (Note 18a)	4.776.034	5.294.568	1.559.348	1.780.855
Domestic borrowings - Official institutions	--	--	93,859	--
Foreign borrowings	4,776,034	5,294,568	1,465,489	1,780,855
Local onlendings - official institutions (Note 18b)	17.422.445	8.671.278	18.984.508	8.687.137
National Bank for Economic and Social Development (BNDES)	11,799,391	4,802,134	12,897,512	4,802,134
Federal Bank (CEF)	124,297	--	124,297	--
National Industrial Financing Authority (FINAME)	5,498,757	3,869,144	5,962,699	3,884,811
Other institutions	--	--	--	192
Foreign onlendings	1.457.949	294.422	98.555	97.984
Foreign onlendings	1,457,949	294,422	98,555	97,984
Derivative financial instruments (Nota 8d)	187.908	739.108	2.107.025	739.098
Derivative financial instruments	187,908	739,108	2,107,025	739,098
Other liabilities	34.880.028	25.986.531	53.975.469	36.233.021
Taxes and social security (Note 20b)	4,123,099	2,315,952	5,981,486	3,224,798
Negotiation and intermediation of securities	1,320,070	1,784,041	2,197	24,843
Technical provisions - insurance, pension plan and capitalization (Note 21b)	--	--	13,216,012	9,353,318
Financial and development funds (Note 20a)	2,083,838	2,029,282	2,083,838	2,029,282
Special operations (Note 20c)	2,278	2,335	2,278	2,335
Subordinated debt (Note 20d)	16,387,569	11,772,177	18,553,240	11,772,177
Hybrid capital and debt instruments (Note 20e)	3,503,525	1,168,461	3,502,544	1,168,461
Sundry (Note 20f)	7,459,649	6,914,283	10,633,874	8,657,807
DEFERRED INCOME	248.912	221.522	--	--
MINORITY INTEREST IN SUBSIDIARIES	--	--	141	--
STOCKHOLDERS' EQUITY (Note 24)	36.119.265	29.937.250	36.119.265	29.937.250
Capital	18.566.919	13.779.905	18.566.919	13.779.905
Domestic	17,236,823	12,458,740	17,236,823	12,458,740
Foreign	1,330,096	1,321,165	1,330,096	1,321,165
Capital reserves	5.188	5.188	5.188	5.188
Revaluation Reserves	6.746	7.286	6.746	7.286
Profits Reserves	17.301.439	15.977.333	17.301.439	15.977.333
Assets Valuation Adjustments (Nota 8f)	270.164	198.729	270.164	198.729
(Treasury Shares)	-31.191	(31.191)	-31.191	(31.191)
Total	660.608.976	521.077.330	708.548.843	521.272.817

The accompanying notes are an integral part of these financial statements

Statement of Income

	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
INCOME FROM FINANCIAL INTERMEDIATION	28,395,133	55,998,281	55,348,356	34,715,065	65,729,138	57,115,713
Loans (Note 10b)	19,178,139	36,425,296	33,031,551	22,050,178	40,515,241	33,220,577
Leases (Note 10i)	25,359	50,880	54,241	1,321,716	2,310,112	1,165,857
Securities (Note 8b)	8,894,970	19,392,839	21,165,973	10,404,651	21,349,624	20,692,255
Derivative financial instruments (Note 8e)	-669,446	-1,179,684	-1,282,975	-710,122	-1,222,621	-1,283,280
Net foreign exchange (Note 12b)	640,068	658,721	469,764	671,033	685,917	464,154
Compulsory deposits (Note 9b)	326,043	650,229	1,909,802	427,607	816,273	1,909,802
Insurance, pension plans and capitalization (Note 21e)	--	--	--	550,002	1,274,592	946,348
EXPENSES FROM FINANCIAL INTERMEDIATION	-19,762,795	-41,183,190	-42,993,211	-23,790,654	-47,496,279	-44,296,320
Deposits and funds obtained in the money market (Note 17d)	-13,318,317	-27,383,700	-25,542,519	-15,317,759	-30,145,928	-25,531,725
Borrowings and onlendings (Note 18c)	-1,172,447	-2,340,688	-8,853,265	-1,311,117	-2,509,969	-8,684,551
Leases (Note 10i)	-22,015	-44,342	-46,577	-961,050	-1,663,342	-852,352
Insurance, pension plans and capitalization (Note 21e)	--	--	--	-323,386	-780,779	-621,884
Allowance for loan losses (Notes 10f e 10g)	-5,250,016	-11,414,460	-8,550,850	-5,877,342	-12,396,261	-8,605,808
GROSS FINANCIAL INTERMEDIATION INCOME	8,632,338	14,815,091	12,355,145	10,924,411	18,232,859	12,819,393
OTHER OPERATING INCOME/EXPENSES	1,110,304	-1,262,177	-1,231,461	-809,302	-4,641,058	-1,149,919
Banking service fees (Note 22a)	3,883,960	7,365,842	6,806,077	5,360,395	10,171,717	9,088,792
Banking Fees (Note 22b)	1,425,918	2,829,816	2,721,886	1,771,631	3,339,464	2,722,001
Personnel expenses (Note 22c)	-4,953,839	-10,024,943	-8,580,242	-6,179,793	-11,838,434	-8,870,069
Other administrative expenses (Note 22d)	-4,486,952	-9,245,535	-7,375,501	-5,649,688	-11,211,953	-7,917,260
Tax Expenses (Note 22e)	-1,367,988	-2,560,633	-2,222,744	-1,804,779	-3,332,678	-2,634,872
Equity in the (earnings)/loss of subsidiary and associated compar (Note 14)	831,318	1,849,552	3,028,642	-324,394	-989,350	1,394,233
Insurance, pension plan and capitalization (Note 21e)	--	--	--	799,565	1,574,123	892,415
Other operating income (Note 22f)	9,244,142	15,870,347	11,245,922	9,956,403	16,972,954	11,780,014
Other operating expenses (Note 22g)	-3,466,255	-7,346,623	-6,855,501	-4,738,642	-9,326,901	-7,605,173
OPERATING INCOME	9,742,642	13,552,914	11,123,684	10,115,109	13,591,801	11,669,474
NON-OPERATING INCOME (Note 23)	148,206	176,312	100,991	401,384	1,843,628	412,544
Income	182,696	246,452	191,448	482,033	1,971,297	561,088
Expenses	-34,490	-70,140	-90,457	-80,649	-127,669	-148,544
PROFIT BEFORE TAXATION AND PROFIT SHARING	9,890,848	13,729,226	11,224,675	10,516,493	15,435,429	12,082,018
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME (Note 25)	-2,974,280	-2,286,422	-1,298,239	-3,524,943	-3,902,787	-2,145,116
Income tax	-1,710,171	-3,441,524	-2,926,234	-2,497,831	-5,116,348	-3,608,692
Social contribution on net income	-1,064,005	-2,113,624	-1,810,802	-1,430,707	-2,914,093	-2,081,175
Deferred tax credits	-200,104	3,268,726	3,438,797	403,595	4,127,654	3,544,751
PROFIT SHARING	-782,609	-1,295,282	-1,123,567	-857,615	-1,384,531	-1,134,068
MINORITY INTEREST	--	--	--	24	-589	35
NET INCOME	6,133,959	10,147,522	8,802,869	6,133,959	10,147,522	8,802,869
Number of shares	2,569,860,512	2,569,860,512	2,568,186,485	2,569,860,512	2,569,860,512	2,568,186,485
(Treasury Shares)	(1,150,369)	(1,150,369)	(1,150,365)	(1,150,369)	(1,150,369)	(1,150,365)
Total shares used in calculation of earnings per share	2,568,710,143	2,568,710,143	2,567,036,120	2,568,710,143	2,568,710,143	2,567,036,120
Net income per share	2.39	3.95	3.43	2.39	3.95	3.43

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A
Financial Statements
In thousands of Reais

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

EVENTS	Capital Realized	Capital Reserves	Reserves in Subsidiary and Associated Companies	Revenue Reserves		
		Tax Incentives		Legal Reserves	Statutory Reserves	Expansion Reserves
Balances at 12.31.2007	13,211,644	34	5,909	1,348,772	4,577,229	4,768,706
Capital increase through shares incorporation (Note 24b)	568,261	--	--	--	--	--
Treasury shares	--	--	--	--	--	--
Ajustment to market value (Note 8e)	--	--	--	--	--	--
Prescribed interest on own capital and dividends	--	--	--	--	--	--
Revaluations in subsidiary and associated companies	--	--	1,662	--	--	--
Realization of revaluation reserves in subsidiary and associated (Note 24c)	--	--	(285)	--	--	--
Fiscal incentives	--	5,154	--	--	--	--
Net income for the period	--	--	--	--	--	--
Appropriations:						
- Reserves	--	--	--	440,144	5,753,334	--
- Dividends (Note 24e)	--	--	--	--	(910,852)	--
- Interest on own capital (Note 24e)	--	--	--	--	--	--
Balances at 12.31.2008	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706
Changes in the period	568,261	5,154	1,377	440,144	4,842,482	--
Balances at 06.30.2009	18,548,611	5,188	6,948	1,989,474	11,624,888	--
Capital increase through shares incorporation (Note 24b)	18,308	--	--	--	--	--
Ajustment to market value (Note 8e)	--	--	--	--	--	--
Prescribed interest on own capital and dividends	--	--	--	--	--	--
Gain/loss in subsidiary and associated	--	--	17	--	--	--
Realization of revaluation reserves in subsidiary and associated (Note 24c)	--	--	(219)	--	--	--
Net income for the semester	--	--	--	--	--	--
Appropriations:						
- Reserves	--	--	--	306,817	3,695,742	--
- Dividends (Note 24e)	--	--	--	--	(315,482)	--
- Interest on own capital (Note 24e)	--	--	--	--	--	--
Balances at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--
Changes in the semester	18,308	--	(202)	306,817	3,380,260	--
Balances at 12.31.2008	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706
Capital increase with reserves (Note 24b)	4,768,706	--	--	--	--	(4,768,706)
Capital increase through shares incorporation (Note 24b)	18,308	--	--	--	--	--
Ajustment to market value (Note 8e)	--	--	--	--	--	--
Prescribed interest on own capital and dividends	--	--	--	--	--	--
Gain/loss in subsidiary and associated	--	--	17	--	--	--
Realization of revaluation reserves in subsidiary and associated (Note 24c)	--	--	(557)	--	--	--
Net income for the period	--	--	--	--	--	--
Appropriations:						
- Reserves	--	--	--	507,375	6,119,393	--
- Dividends (Note 24e)	--	--	--	--	(533,956)	--
- Interest on own capital (Note 24e)	--	--	--	--	--	--
Balances at 12.31.2009	18,566,919	5,188	6,746	2,296,291	15,005,148	--
Changes in the period	4,787,014	--	(540)	507,375	5,585,437	(4,768,706)

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOW

	Banco do Brasil			BB - Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income before taxes	9,890,848	13,729,226	11,224,675	10,516,493	15,435,429	12,082,018
Adjustments to Net Income	495,366	7,239,306	4,500,814	4,695,578	16,264,335	9,249,594
Provision for credit, leasing operations and other receivables	5,250,016	11,414,460	8,550,850	5,877,342	12,396,261	8,605,808
Depreciation and amortization	1,046,220	1,993,106	790,703	1,305,156	2,405,841	814,844
Resultado da avaliação do valor recuperável de ativos	4,063	4,063	83,671	4,736	4,736	83,671
Result of participation in affiliates and subsidiaries	(831,318)	(1,849,552)	(3,028,642)	324,394	989,350	(1,394,233)
(Profit)/ loss on the sale of assets	(23,791)	(32,129)	(33,920)	(5,804)	(17,205)	(85,659)
(Gain)/Loss on Capital	(19,871)	(17,187)	4,215	(16,935)	(14,799)	(19,613)
Changes in foreign exchange	(265,919)	(762,200)	708,177	(365,320)	(1,041,840)	932,614
Provision/(reversal) for devaluation of other assets	3,131	2,679	2,826	2,594	2,074	2,836
Amortization of goodwill on investments	24,799	65,055	--	47,956	135,509	--
(Reversal)/expenses with civil, labor and tax provisions	(1,257,621)	460,539	1,384,142	(1,205,124)	1,097,880	1,659,124
Changes in provision for Insurance, Pension Plans and Capitalization	--	--	--	2,267,013	4,386,295	2,478,428
Mark-to-market adjustment for trading securities and derivatives	152,079	136,144	(330,040)	115,603	95,905	(197,058)
Actuarial Assets/Liabilities	(3,592,923)	(4,179,431)	(3,669,548)	(3,592,923)	(4,179,431)	(3,669,548)
Other adjustments	6,501	3,759	38,380	(63,110)	3,759	38,380
Changes						
Short-term interbank investments	(54,103,737)	(53,678,169)	(35,462,271)	(70,386,685)	(76,202,677)	(26,815,774)
Securities and derivative financial instruments	468,093	1,320,426	2,516,150	(2,132,742)	(3,233,899)	(6,004,885)
Interbank and interdepartmental accounts	(7,639,479)	(7,999,748)	12,229,012	935,534	1,247,715	12,195,233
Loan operations	(30,674,715)	(45,135,557)	(59,645,321)	(34,745,540)	(52,270,401)	(60,005,106)
Lease operations	6,084	8,502	(7,852)	(38,717)	(413,263)	(1,779,774)
Other claims net of deferred tax	(1,040,091)	5,180,484	(17,737,666)	(766,306)	2,875,269	(20,798,410)
Other assets	(538,421)	(556,829)	1,839,236	(491,203)	(626,390)	1,691,631
Income tax and social contribution	(2,774,176)	(5,555,148)	(4,737,036)	(3,928,538)	(8,030,441)	(5,689,867)
Deposits	15,149,097	13,841,022	84,704,546	13,558,389	16,897,899	82,558,608
Money Market	58,569,829	55,966,488	19,326,746	46,261,488	48,437,052	18,860,251
Repurchase agreements	1,790,627	1,370,970	840,064	1,627,820	818,837	2,181,742
Borrowing and onlendings	1,839,901	749,142	14,049,225	2,294,746	3,101,597	9,840,242
Other liabilities	(395,690)	2,454,996	11,965,425	(1,410,709)	3,665,912	24,427,607
Change Deferred Income	32,792	8,542	98,773	--	--	(122,749)
CASH PROVIDED/(USED IN) OPERATIONS	(8,923,672)	(11,056,347)	45,704,520	(34,010,392)	(32,033,026)	51,870,361
CASH FLOWS INVESTING ACTIVITIES						
Securities and Derivatives available for sale	(10,562,304)	(9,368,347)	(418,368)	(13,073,244)	(15,118,446)	(416,147)
Securities and Derivatives held to maturity	8,048,294	8,447,014	923,572	8,971,828	10,771,841	(3,292,597)
Dividends receivable from subsidiary/associated companies	1,746,294	2,504,030	1,941,240	--	--	--
(Acquisition) / disposal of fixed assets in use	(809,327)	(1,195,496)	(911,828)	(896,807)	(1,300,154)	(836,192)
(Acquisition) / Disposal of investment	(185,670)	(555,827)	(41,413)	(81,781)	(170,022)	198,362
(Acquisition) of intangible	(1,180,631)	(1,497,276)	(4,259,421)	(2,456,453)	(1,668,061)	(4,329,277)
(Increase) / decrease of deferred	--	--	--	--	--	--
Cash and Cash Equivalents Assets and Liabilities arising from the merger of Banco Nossa Caixa (Note 5.a.)	(3,552,174)	(4,810,665)	--	(1,958,923)	856,037	--
Cash and Cash Equivalents Assets and Liabilities arising from the Acquisition of Banco Votorantim (Note 5.b.)	(3,750,000)	(3,750,000)	--	3,113,393	3,113,393	--
CASH PROVIDED/(USED IN) INVESTING ACTIVITIES	(10,245,518)	(10,226,567)	(2,766,218)	(6,381,987)	(3,515,412)	(8,675,851)
CASH FLOWS FROM FINANCING ACTIVITIES						
Change in minority interest	--	--	--	(786,540)	(448)	(69)
Subordinated debt	1,698,429	4,615,392	1,754,207	3,864,100	6,781,063	1,760,094
Hybrid capital instruments and debt	2,330,628	2,330,628	--	2,330,628	2,330,628	--
Capital increase by shares incorporation	18,308	18,308	568,261	18,308	18,308	568,261
Acquisition of shares in Treasury	--	--	(31,191)	--	--	(31,191)
Dividends and Interest on own capital paid	(3,052,077)	(3,718,268)	(2,830,179)	(3,052,077)	(3,718,268)	(2,830,179)
CASH PROVIDED/(USED IN) FINANCING ACTIVITIES	995,288	3,246,060	(538,902)	2,374,419	5,411,283	(533,084)
Net Cash Variation	(18,173,902)	(18,036,854)	42,399,400	(38,017,960)	(30,137,155)	42,661,426
At the beginning of the period	67,876,413	67,739,365	25,339,965	75,892,942	68,012,137	25,350,711
At the end of the period	49,702,511	49,702,511	67,739,365	37,874,982	37,874,982	68,012,137
Increase (decrease) in cash and cash equivalents	(18,173,902)	(18,036,854)	42,399,400	(38,017,960)	(30,137,155)	42,661,426

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statement
In Thousand of Reals

STATEMENT OF ADDED VALUE

Description	Banco do Brasil								
	2S2009		2009		2008		2S2009		Ba
	Balance	%	Balance	%	Balance	%	Balance	%	
Income	34,123,123		62,202,168		59,832,719		42,029,153		
Financial Intermediation Income	28,395,133		55,998,281		55,348,356		34,715,065		65
Banking and service fees	5,309,878		10,195,658		9,527,963		7,132,026		13
Allowance for loans losses	(5,250,016)		(11,414,460)		(8,550,850)		(5,877,342)		(12)
Other income/expenses	5,668,128		7,422,689		3,507,250		6,059,404		9
Financial Intermediation Expense	(14,512,779)		(29,768,730)		(34,442,361)		(17,913,312)		(35)
Inputs purchased from third parties	(2,968,511)		(5,573,635)		(5,271,236)		(3,703,643)		(6)
Materials, energy and other	(201,058)		(395,819)		(370,493)		(215,847)		(
Services provided	(428,708)		(793,347)		(774,500)		(507,448)		(
Others	(2,338,745)		(4,384,469)		(4,126,243)		(2,980,348)		(5)
Communications	(534,367)		(1,016,040)		(984,843)		(586,999)		(1)
Data processing	(416,066)		(769,997)		(702,690)		(544,808)		(
Transportation	(330,381)		(604,483)		(539,439)		(349,535)		(
Security and surveillance services	(300,802)		(585,981)		(524,040)		(336,189)		(
Services of the financial system	(230,799)		(444,561)		(434,802)		(368,679)		(
Advertising and publicity	(132,928)		(229,320)		(249,269)		(196,331)		(
Other	(393,402)		(734,087)		(691,160)		(597,807)		(1)
Added Value	16,641,833		26,859,803		20,119,122		20,412,198		34
Amortization / depreciation	(1,046,220)		(1,993,106)		(790,703)		(1,305,156)		(2)
Net Value Added Produced by Entity	15,595,613		24,866,697		19,328,419		19,107,042		32
Added Value Received in the Transfer	831,318		1,849,552		3,028,642		(324,394)		(
Equity in the (earning)/loss of subsidiary and associated companies	831,318		1,849,552		3,028,642		(324,394)		(
Added Value to distribute	16,426,931	100.00	26,716,249	100.00	22,357,061	100.00	18,782,648	100.00	31
DISTRIBUTED OF ADDED VALUE	16,426,931	100.00	26,716,249	100.00	22,357,061	100.00	18,782,648	100.00	31
Personnel	5,096,679	31.03	10,118,498	37.87	8,629,668	38.60	6,256,403	33.31	11
Salaries and fees	3,170,130		6,437,910		5,511,610		3,893,617		7
Profit sharing	782,609		1,295,282		1,123,567		857,615		1
Benefits and training	695,502		1,315,641		1,156,463		853,229		1
FGTS	203,216		386,336		352,029		316,682		
Others	245,222		683,329		485,999		335,260		
Income Taxes and Social Contribution	4,982,038	30.33	6,048,783	22.64	4,595,120	20.55	6,110,728	32.53	8
Federal	4,735,475		5,571,089		4,131,099		5,765,612		7
State	225		699		738		242		
Municipal	246,338		476,995		463,283		344,874		
Remuneration of Third Party Capital	214,255	1.30	401,446	1.50	329,404	1.48	281,582	1.50	
Rentals	214,255		401,446		329,404		281,582		
Remuneration of Equity	6,133,959	37.34	10,147,522	37.99	8,802,869	39.37	6,133,935	32.66	10
Interest on capital of the Union	622,684		1,215,612		1,013,441		622,684		1
Interest on equity to other stockholders	331,328		642,254		534,786		331,328		
Dividends - main shareholder	978,771		1,439,002		1,291,641		978,771		1
Dividends - other shareholder	520,801		762,141		681,280		520,801		
Retained earnings	3,680,375		6,088,513		5,281,721		3,680,375		6
Minority interests in retained earnings	--		--		--		(24)		

The accompanying notes are an integral part of these financial statements

- 1 – The Bank and its Operations**
- 2 – Presentation of the Financial Statements**
- 3 – Summary of main accounting practices**
- 4 – Consolidated Financial Statements**
- 5 – Acquisition of Banco Nossa Caixa S.A. and Banco Votorantim S.A.**
- 6 – Cash and cash equivalents**
- 7 – Short-term Interbank Investments**
- 8 – Securities and Derivative Financial Instruments**
- 9 – Interbank - Credit Linked**
- 10 – Loans**
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- 23 – Non operating income**
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1 – The Bank and its Operations

Banco do Brasil S.A. is a publicly listed company established under private law with both public and private stockholders. It is subject to the requirements of Brazilian corporate legislation. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to intermediate and originate financial transactions in various forms, including foreign exchange transactions and supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of credit/debit cards, consortiums, investment funds and management portfolios, and to practice any activities permitted for the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of Article 19 of Law 4595/1964.

2 – Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the Conselho Monetário Nacional (CMN), Brazilian Central Bank (BACEN), the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP), the Superintendency of Private Insurance (Susep), and the National Health Agency (ANS).

Accounting Practices adopted in Brazil (BRGAAP) require that Management use its judgment in determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, the allowance for doubtful loans and deferred income tax recorded in assets, the provision for contingencies, the appreciation of derivative financial instruments, and the assets and liabilities relating to benefits for employees. The final amounts for transactions involving these estimates are only known upon their settlement.

They include operations of Banco do Brasil S.A. in Brazil and abroad (Banco do Brasil), and financial and non-financial subsidiaries in Brazil and abroad, special purpose entities, including the Investment Funds in which the Bank controls directly or indirectly, pursuant to CVM Instruction No. 408/2004, and investments in subsidiaries and associated companies, in accordance with BACEN requirements (BB-Consolidated). See details of the companies included in the consolidated financial statements in Note 4.

The balances of foreign branches and subsidiaries included in the financial statements of BB are as follows:

	R\$ thousand			
	Foreign Branches		Foreign Branches and Subsidiaries	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Current assets	31,972,111	39,145,989	29,007,775	34,790,221
Non Current assets	18,764,942	18,306,440	18,719,675	19,017,554
Long-term receivables	18,712,658	18,262,771	18,516,079	18,949,105
Permanent assets	52,284	43,669	203,596	68,449
Total assets	<u>50,737,053</u>	<u>57,452,429</u>	<u>47,727,450</u>	<u>53,807,775</u>
Current liabilities	33,174,856	42,322,057	29,707,025	37,608,748
Non Current liabilities	15,003,723	11,601,820	14,512,506	11,661,380
Long-term liabilities	14,977,756	11,594,859	14,486,539	11,654,419
Deferred income	25,967	6,961	25,967	6,961
Stockholders' equity	2,558,474	3,528,552	3,507,919	4,537,647
Total liabilities	<u>50,737,053</u>	<u>57,452,429</u>	<u>47,727,450</u>	<u>53,807,775</u>
Net income (loss)	(94,658)	177,618	(29,186)	223,683

For purposes of comparability of financial statements was made in the BB-Consolidated, on 31.12.2008, the reclassification from R\$ 557.603 thousand of the grouping of intangible investment due to the goodwill arising on acquisition of investments.

Authorization for conclusion of these financial statements was given by the Executive Board of Directors, on February 23, 2010.

3 – Summary of main accounting practices

a) Statements of income

Income and expenses are recognized on the accrual basis. Transactions with fixed rates are recorded at their redemption value and deferred income and expenses are recorded as a discount to the corresponding assets or liabilities. Variable or foreign-currency-indexed transactions are adjusted to the balance sheet date based on agreed contractual indices.

b) Cash and cash equivalents

Cash and cash equivalents are represented by available funds in local currency, foreign currency, investments in gold, short-term investments with high liquidity and insignificant risk of change in value and limits, with maturity equal to or less than 90 days and do not include short-term interbank investments – financed position (Note 6).

c) Short-term interbank investments

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustment to allowance for losses when applied.

d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified in three separate categories according to management's intentions, According to Bacen 3.068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in their value are recorded, respectively, in income and expense accounts for the period;

Securities available for sale: these are securities purchased to be traded at any time. They are adjusted monthly to market value. The increases and decreases in their value are recorded, net of tax effects, in a separate stockholders' equity account (mark-to-market adjustment).

Securities held to maturity: these are securities that the Bank intends and has the financial ability to hold to maturity. These securities are not adjusted to market value but are held at cost plus accumulated interest. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through the use of future interest rate curves, foreign exchange rates, and price and currency index charged in the settlement.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a daily pro-rata basis on the accrual basis of accounting until the date of maturity or final sale, according to the exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Losses with securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expenses for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of acquisition plus accrued income is recorded as a gain or loss on securities on the date of the transaction.

e) Derivative Financial Instruments

Derivative financial instruments are recorded at market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The mark-to-market methodology used for derivative financial instruments was established following consistent, verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value, according to the characteristics of the derivatives.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in market values of financial assets or liabilities or future cash flows are considered hedge instruments and are classified according to their nature:

Market Risk Hedge - the increases or decreases in the value of the derivative financial instruments, as well as of the hedged item, are recorded in income accounts in the statement of income for the period;

Cash Flow Hedge - the effective portion of the increases or decreases in the value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Stockholders' Equity account. The effective portion is that where the variation in the hedged item, directly related to the corresponding risk, is offset by the variation in the derivative financial instrument used as the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income for the period.

f) Loans, lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing provision and monitored for five years in memorandum accounts, but do not appear in the balance sheet.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans already written off against the allowance are rated as H and any gains from renegotiation are only recognized as income when effectively received.

The allowance for loan losses is considered sufficient by management which satisfies the minimum requirements established by CMN Resolution 2682/1999 (Note 10.f).

g) Income and Social Contribution Taxes

Income tax is calculated at the basic rate of 15% plus a surcharge of 10%. As of May 1, 2008, Social Contribution is being calculated at the rate of 15% for financial and insurance companies and 9% for other companies. (Up to April 30, 2008 the rate was 9% for all companies).

Tax credits are recorded by applying the current tax rates to the difference between their respective fiscal and accounting bases. The Bank follows the criteria for recording, maintaining, and writing off the tax credits as established by CMN Resolution 3059/2002, and amended by CMN Resolution 3355/2006, and they are supported by a study of their capacity for realization.

The deferred tax liabilities are made by applying the current rates of taxes on their respective bases.

h) Prepaid Expenses

Refer to the application of funds in payments made in advance, and the benefits will be felt or the services will be rendered in subsequent periods.

i) Permanent assets

Investments – The investments in subsidiaries and associated companies with significant influence or with participation of 20% or more voting shares in other companies and which are part of a group or are under common control are evaluated by the equity method based on the value of the equity related or controlled in accordance with the instructions and rules of the Central Bank and the CVM.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reals using current exchange rates, in conformity with BACEN Circulars 2397, of December 29, 1993 and 2571, of May 17, 1995, and their impacts are recorded in the statement of income for the period. Other permanent investments are stated at cost, restated for inflation up to December 31, 1995, and, if necessary, are adjusted to market value through the formation of a provision, according to the current rules.

Property and equipment – Property and equipment is stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; others - 10%. (Note 15)

Deferred – Deferred assets are recorded at cost of acquisition or formation, net of accrued amortizations. They are composed mainly of expenditures with restructuring and leasehold improvements as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% p.a.

Intangible – Intangible Assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including goodwill acquired. An asset meets the criteria for identification as an intangible asset, in accordance with CMN Resolution 3642/2008, when it is inseparable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

The carrying value of intangible assets with definite useful life subject to amortization refers to the amounts disbursed for acquisition of rights for providing banking services (acquisition of payrolls) and acquisition/

development of software (Note 16). The amortization of intangible assets is usually done in a linear method during a period of economic benefit estimated and accounted for in Other Administrative Expenses.

j) Decrease in the recoverable value of non-financial assets – impairment

A loss through impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest identifiable group of assets that generates cash entries, which are largely independent of the cash entries from other assets or groups of assets. Losses through impairment are recognized in income for the period.

From 2008, the values of non-financial assets, excluding tax credits and other assets, are reviewed at least annually to determine whether there is any indication of loss through impairment.

k) Benefits for employees

Short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2009 in accordance with criteria established by CVM Resolution 371/2000 (Note 28.b).

The actuarial asset recognized in the balance sheet (Note 28) refers to the Actuarial gains calculated in accordance with CVM Resolution No 371/2000 and its implementation must occur by the end of the plan. There may be partial completion of actuarial, conditioned upon satisfying the requirements of the Supplementary Law No 109/2001 and Resolution CGPC No 26/2008 of 29.09.2008.

l) Operations related to insurance, pension and capitalization activities

Statement of income

Insurance premiums and selling expenses are recorded upon the issuing of policies or upon billing and are recognized in the statement of income, according to the elapsed period of coverage. Revenues from premiums and the corresponding selling expenses, related to present risks without the issuing of respective policies are recognized in the statement of income at the beginning of the coverage, based on estimates.

Income from insurance premiums covering future risks is deferred over the period of validity of the insurance policies, through the recording of provision for unearned premiums, based on the net withholding of earned premiums issued.

Accepted coinsurance, retrocession and DPVAT (Personal injuries caused by motor vehicles) convention operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized by the duration of the risk, regardless of your receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to results on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

Other income and expenses are determined according to the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by Resolutions 36/2000, 162/2006, 181/2007 and 195/2008 of the National Council of Private Insurance (CNSP) and Regulatory

Resolution 75/2004 of the National Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance (SUSEP) and the National Health Agency (ANS).

Insurance

The Provision for Unearned Premiums represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a daily pro rata basis.

The Provision for Unearned Premiums for Present Risks But Not Yet Issued represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

The Provision for Premium Deficiency represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

The Provision for Unsettled Loss Claims represents the forecast of probable indemnifications, judicial or otherwise, net of recoveries, determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred But Not Enough Reported (IBNER).

The Provision for Claims Incurred but not Reported_ [IBNR - Incurred But Not Reported and PEONA - Provision for Events Occurred but not Reported (of the health insurance segment)] represents the amount expected of claims incurred but not reported until the base date of the financial statements.

The Premium Complementary Provision (PCP), recorded in "Other Provisions", has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PPNG and PPNG-RVNE) higher or equal to the daily average of the month of calculation.

Pension plan

The mathematical reserves related to pension plans represent the current value of the liabilities in the form of a living income, pension and savings, determined through actuarial calculations and assumptions in the financial regimes of capitalization, allocation of hedge capital and simple allocation, respectively.

Particularly for the pension and insurance plans of the PGBL and VGBL type, the mathematical provision for future benefit payments represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose perception of the benefits has not yet started and Mathematics Provision of benefits refers to those already in enjoyment of benefits.

The provisions for a deficiency in contributions and in premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the plans sold.

The provision for financial fluctuation is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Capitalization

The mathematical reserve for redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

The provisions for redemption of overdue and prepaid notes are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

The amounts earmarked for the formation of the provision for unrealized draws for prizes are calculated on the face value of the notes, based on actuarial technical notes approved by Susep, and the write-off of the provision for unrealized draws for prizes is recorded at the amount equivalent to the lapsed risk, i.e., the balance of the provision for unrealized draws for prizes represents the deferred amounts of draws for prizes not yet made.

The provision for draws for prizes payable is formed at the amounts of the notes payable from draws for prizes, restated for the period between the date of the draw and the effective payment.

m) Contingent Assets and Liabilities and Legal Obligations

The recognition and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined in CVM Resolution 3535/2008 (Note 31).

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of obligation and when the amounts involved are measurable with sufficient assurance, and judicial figures when reporting monthly and revised as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims and civil claims related to economic plans, provisions are based on the average payments for cases closed in the last 24 and 12 months respectively; and

Individual – cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

Legal obligations (tax and social security) originate from tax obligations established in the legislation, and, regardless of the probability of success of lawsuits in progress, the amounts are recognized in full in the financial statements.

4 – Consolidated Financial Statements

The consolidated financial statements include the Banco do Brasil and the direct and indirect subsidiaries and affiliates listed below:

				Total Share	
				12.31.2009	12.31.2008
Financial Activities - Domestic			Activity		
BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(11)	Asset Management	100%	100%
BB Banco de Investimento S.A.	(1)	(11)	Investment Bank	100%	100%
BB Banco Popular do Brasil S.A.	(1)	(11)	Banking	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	(11)	Leasing	100%	100%
BESC Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(11)	Asset Management	99.62%	99.62%
BESC Financeira S.A. – Crédito, Financiamento e Investimentos	(1)	(11)	Loans and Financing	99.58%	99.58%
BESC Leasing S.A. – Arrendamento Mercantil	(1)	(11)	Leasing	99%	99%
Banco Nossa Caixa S.A.	(2)		Bank	–	–
Banco Votorantim S.A.	(3)	(11)	Bank	50%	–
Financial Activities - Abroad					
Banco do Brasil – AG. Viena	(1)	(11)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(11)	Leasing	100%	100%
BB Securities LLC.	(1)	(11)	Broker	100%	100%
BB Securities Ltd.	(1)	(11)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB	(1)	(11)	Banking	100%	100%
BB USA Holding Company, Inc	(1)	(11)	Holding company	100%	100%
Insurance, Pension Plans and Capitalization					
Cia. de Seguros Aliança do Brasil	(4)	(11)	Insurance	100%	100%
Nossa Caixa Capitalização S.A.	(5)	(11)	Capitalization	100%	–
Brasilveículos Companhia de Seguros	(6)	(11)	Insurance	70%	70%
Brasilcap Capitalizações S.A.	(6)	(11)	Capitalization	49.99%	49.99%
Brasilprev Seguros e Previdência S.A.	(6)	(11)	Insurance /Pension	49.99%	49.99%
Brasilsaúde Companhia de Seguros	(6)	(11)	Insurance /Health	49.92%	49.92%
Seguradora Brasileira de Crédito à Exportação – SBCE	(6)	(12)	Insurance	12.09%	12.09%
BB Seguros Participações S.A.	(7)	(11)	Holding the branch secu	100%	–
BB Aliança Participações S.A.	(7)	(11)	Holding the branch secu	100%	–
Other activities					
Ativos S.A.	(4)	(11)	Acquisition of receivables	100%	100%
BB Administradora de Cartões de Crédito S.A.	(4)	(11)	Rendering of services	100%	100%
BB Administradora de Consórcios S.A.	(4)	(11)	Consortiums	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	(4)	(11)	Broker	100%	100%
BB Tur Viagens e Turismo Ltda.	(4)	(12)	Tourism	100%	100%
BB Money Transfers, Inc	(4)	(11)	Rendering of services	100%	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	(5)	(11)	IT	100%	–
Cobra Tecnologia S.A.	(4)	(12)	Rendering of services	99.94%	99.39%
Cia. Brasileira de Soluções e Serviços CBSS – Visavale	(6)	(12)	Rendering of services	40.35%	40.35%
Cielo S.A. (Cia. Brasileira de Meios de Pagamento CBMP – Visanet)	(8)	(11)	Rendering of services	23.60%	31.63%
Kepler Weber S.A.	(8)	(12)	Industry	17.65%	17.67%
Neoenergia S.A.	(8)	(11)	Power	11.99%	11.99%
Companhia Brasileira de Securitização – Cibrasec	(6)	(12)	Acquisition of receivables	9.09%	9.09%
Tecnologia Bancária S.A. – Tecban	(6)	(12)	Rendering of services	9.02%	8.96%
Dollar Diversified Payment Rights Finance Company	(9)	(11)	Acquisition of receivables	–	–
BV Participações S.A.	(10)	(11)	Holding	50%	–

(1) Financial subsidiaries.

(2) On 11.30.2009, the Shareholders approved the merger of Banco Nossa Caixa. The balances of equity accounts have been absorbed by BB-Commercial Bank on the date of incorporation, after the lifting of the Balance of Absorption. The financial statements of BB-Consolidated suite drives revenue and expenditure of Nossa Caixa, the period between the date of purchase and date of incorporation (April to November/2009).

(3) Financial company, with joint control with Votorantim Finanças, included proportionately in the consolidation (Note 5). Including the investments funds, in which the Bank directly or indirectly controls, according to CVM Instruction No. 408/2004.

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For the years ended December 31, 2008 and 2009

- (4) Non financial subsidiaries. The Alliance Insurance Co. of Brazil set up temporarily as "sole proprietorship", in the form of art. 206, paragraph I, item d, of Law No. 6404/1976, in view of the process of reorganization of the security sector (Note 33.i).
(5) Non financial subsidiaries of Banco Nossa Caixa S.A. which was embedded by the Banco do Brasil on November 30, 2009.
(6) Jointly controlled non-financial companies, included proportionally in the consolidation as recommended by the Banco Central, based on paragraph 2 of Article 22 of Law 6385/1976, complemented by Law 9447/1997, with the wording given by Decree 3995/2001.
(7) Non financial subsidiaries set up in September/2009. (Note 33.i).
(8) Non financial affiliated companies included proportionally in the consolidation as recommended by the Central Bank, based on paragraph 2 of Article 22 of Law 6385/1976, complemented by Law 9447/1997, with the wording given by Decree 3995/2001.
(9) Non financial of a Special Purpose Entity.
(10) Non-financial company, with joint control with Votorantim Finanças, included proportionately in the consolidation (Note 5).
(11) Data for consolidation related to December 2009.
(12) Data for consolidation related to November 2009.

We present below, the consolidated balances comprising the financial group (branches and financial subsidiaries in Brazil and abroad) and the Non-Financial Subsidiaries/Associated Companies presented in the financial statements of the Bank.

Balance Sheet

	Financial		Non-Financial		Eliminations		Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Current and Long-Term Assets	669,389,221	495,339,095	26,485,905	17,503,018	(4,335,886)	(1,080,933)	691,539,240	511,761,180
Cash and cash equivalents	7,741,969	5,385,499	130,964	220,714	(30,163)	(61,363)	7,842,770	5,544,850
Short-term interbank deposits	168,353,947	119,299,453	459,155	311,640	(415,142)	(202,796)	168,397,960	119,408,297
Securities and derivatives	107,244,986	73,223,320	19,044,243	13,909,009	(1,952,348)	(223,755)	124,336,881	86,908,574
Loans and leasing operations	266,659,173	193,849,134	–	–	(175,513)	–	266,483,660	193,849,134
Other receivables	119,389,146	103,581,689	6,851,543	3,061,655	(1,762,720)	(593,019)	124,477,969	106,050,325
Permanent Assets	19,290,689	10,876,110	2,540,898	990,683	(4,821,984)	(2,355,156)	17,009,603	9,511,637
Investments	9,143,477	3,068,920	2,323,846	810,076	(4,821,984)	(2,355,156)	6,645,339	1,523,840
Property and equipment	4,070,208	3,217,848	145,499	124,962	–	–	4,215,707	3,342,810
Intangible	5,646,143	4,040,645	30,736	–	–	–	5,676,879	4,040,645
Deferred charges	430,861	548,697	40,817	55,645	–	–	471,678	604,342
Total Assets	<u>688,679,910</u>	<u>506,215,205</u>	<u>29,026,803</u>	<u>18,493,701</u>	<u>(9,157,870)</u>	<u>(3,436,089)</u>	<u>708,548,843</u>	<u>521,272,817</u>
Current and Long-Term Liabilities	652,560,529	476,277,652	23,313,077	16,208,004	(3,444,169)	(1,150,089)	672,429,437	491,335,567
Deposits	337,850,442	271,121,700	38,317	–	(324,932)	(280,604)	337,563,827	270,841,096
Money Market repurchase commitment	161,231,327	91,434,096	–	–	(410,140)	(303,732)	160,821,187	91,130,364
Borrowings and onlendings	37,701,801	30,052,203	333,523	199,701	(175,762)	(90,588)	37,859,562	30,161,316
Other liabilities	115,776,959	83,669,653	22,941,237	16,008,303	(2,533,335)	(475,165)	136,184,861	99,202,791
Minority Interest in Subsidiaries	116	303	25	–	–	(303)	141	–
Stockholders' equity	36,119,265	29,937,250	5,713,701	2,285,697	(5,713,701)	(2,285,697)	36,119,265	29,937,250
Total Liabilities	<u>688,679,910</u>	<u>506,215,205</u>	<u>29,026,803</u>	<u>18,493,701</u>	<u>(9,157,870)</u>	<u>(3,436,089)</u>	<u>708,548,843</u>	<u>521,272,817</u>

Income Statement

	Financial		Non-Financial		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Income from Financial Intermediation	64,351,226	56,105,725	1,384,408	1,039,159	(6,496)	(29,171)	65,729,138	57,115,713
Expenses from Financial Intermediation	(46,685,265)	(43,587,794)	(825,127)	(621,244)	14,113	(87,282)	(47,496,279)	(44,296,320)
Gross Financial Intermediation Income	17,665,961	12,517,931	559,281	417,915	7,617	(116,453)	18,232,859	12,819,393
Other Operating Income / Expenses	(4,728,797)	(1,110,924)	1,522,443	1,099,250	(1,434,704)	(1,138,245)	(4,641,058)	(1,149,919)
Operating Net income	12,937,164	11,407,007	2,081,724	1,517,165	(1,427,087)	(1,254,698)	13,591,801	11,669,474
Non-operating Net income	1,840,531	150,801	3,097	261,743	–	–	1,843,628	412,544
Income before taxes	14,777,695	11,557,808	2,084,821	1,778,908	(1,427,087)	(1,254,698)	15,435,429	12,082,018
Income Tax and Social Contribution	(3,275,906)	(1,626,005)	(626,881)	(519,111)	–	–	(3,902,787)	(2,145,116)
Profit Sharing	(1,353,627)	(1,128,932)	(30,904)	(5,136)	–	–	(1,384,531)	(1,134,068)
Minority Interest Sharing	(640)	(2)	51	37	–	–	(589)	35
Net Income	<u>10,147,522</u>	<u>8,802,869</u>	<u>1,427,087</u>	<u>1,254,698</u>	<u>(1,427,087)</u>	<u>(1,254,698)</u>	<u>10,147,522</u>	<u>8,802,869</u>

5 – Acquisition of Banco Nossa Caixa S.A. and Banco Votorantim S.A.

(a) Banco Nossa Caixa S.A.

On December 19, 2008, Banco do Brasil and the State Government of São Paulo entered into a share purchase agreement for acquisition of the share control of Banco Nossa Caixa S.A., through the sale of 76,262,912 common shares, belonging to the State, equivalent to 71.25% of the total capital stock and of the voting capital of Banco do Brasil. The transaction was authorized by the São Paulo State Legislature, under the terms of State Law 13286 of December 18, 2008, and approved by the Special General Shareholders' Meeting of Banco do Brasil on December 23, 2008.

The price stipulated for the sale was R\$ 5,386,496 thousand (R\$ 70.63 per share), payable in 18 monthly installments of R\$ 299,250 thousand, calculated based on an economic/financial evaluation, considering the prospects of future profitability and the discounted cash flow of Banco Nossa Caixa, in conformity with article 224 of Law 6404/1976.

On March 10, 2009, the Banco Central do Brazil sent correspondence to Banco do Brasil communicating the approval of the transfer of share control from Nossa Caixa to Banco do Brasil.

On March 16, 2009, after fulfilling all the precedent conditions for the closing of the transaction for acquisition of the share control of Banco Nossa Caixa, there was the payment to the Statement Government of São Paulo of the first installment and the transfer of shares to Banco do Brasil, which became its controlling shareholder.

Banco do Brasil already paid 10 installments to the Government of the State of São Paulo, totaling R\$ 3,217,414 thousand, leaving 8 installments, with balance due on 12.31.2009 of R\$2,657,611 thousand. These values were adjusted to the Selic rate of 11.20.2008 as per the respective terms of the contract. The balance due is recorded in Other Liabilities - Obligations for purchase of goods and rights (Note 20.f).

The initial records of the transaction involved the accounting, in Banco do Brasil, of the amount of the investment and the respective goodwill as per the terms negotiated with the State Government of São Paulo, and in Nossa Caixa, of the amount of the adjustments resulting from the adaptation of accounting criteria and estimates to those adopted by the new controlling shareholder. The amounts of the investment and the goodwill were determined based on the balance sheet of Nossa Caixa as of December 31, 2008, restated until March 31, 2009, by the existing differences in criteria.

On 07.21.2009, the Banco do Brasil published the Notice of Public Offer to acquire up to all the common shares issued by the Banco Nossa Caixa, representing 28.749781953% of the total share capital and voting, not included in the operation of disposal of control.

On 04.09.2009, in accordance with Article 254 of Law No 6404/1976 and Regulation of Bovespa's New Market, the auction was conducted through electronic trading on the BM & F Bovespa - Bovespa segment, where they were 30,041,404 shares traded, with a total value of R\$ 2,304,984 thousand, representing 97.62% of the total held by minority shareholders (30,772,541), ensuring the right to sell their shares at least under the same terms offered to the Government of the State of Sao Paulo. Thus, completion of the Offer, the Banco do Brasil held 106,304,316 shares, representing 99.32% of Banco Nossa Caixa.

On November 30, 2009 the Extraordinary General Meeting approved the merger of Banco Nossa Caixa by Banco do Brasil, as well as the R\$ 18,308 thousand capital increase by Banco do Brasil arising from the issue of 1,674,027 common registered shares with no par value, with the rights and entitlements as found in the By-laws. Equity capital rose from R\$ 18,548,611 thousand to R\$ 18,566,919 thousand, by transferring the merged company's shareholders' equity into the merging company. As a natural outcome, Banco Nossa Caixa was extinguished *pleno jure* as a legal entity, and Banco do Brasil became the universal successor of Banco Nossa Caixa's rights and obligations.

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Pursuant to article 264 in Law 6404/1976, assessments were performed on Banco do Brasil (at fair market value) and on Banco Nossa Caixa (at its economic and financial value by means of a discounted cash flow) in accordance with article 224 of Law 6404/1976. Based on this assessment, Nossa Caixa's minority shareholders received Banco do Brasil shares at a replacement rate of 2.28873181 common registered shares issued by Banco do Brasil for one common registered share issued by Nossa Caixa.

The right to withdrawal of the minority shareholders of Nossa Caixa does not apply to shares acquired after October 10, 2009, as provided for by art. 137, § 1 of Law 6404/76. Dissident shareholders may only exercise their right to withdraw at the Nossa Caixa share's book value on June 30, 2009, equal to R\$ 25.42 pursuant to Law 6404/1976, article 264, § 3, and article 137, indentation II.

The total value of goodwill determined, shown in the following table, mainly based on future income/losses forecast, is accounted for in permanent assets - Investment, being amortized according to Bacen circular 1273/1987 (Nota 14.c)

We present below the calculation of the investment and the goodwill, after the adjustments made in Banco Nossa Caixa, for unification of accounting criteria and after the public offering:

	R\$ thousand
Acquisition of shares held by the Government of Sao Paulo, 03.16.2009	
Shareholders' Equity of Banco Nossa Caixa on 12.31.2008	3,180,682
Increase in Shareholders' Equity in the 1Q 2009 (prior-year adjustment and mark-to-market of securities)	29,184
Results for the 1st quarter of 2009, before the adjustments for unification of accounting practices	(36,236)
Adjustments made in Nossa Caixa for unification of accounting practices with Banco do Brasil ⁽¹⁾	(216,917)
Shareholders' Equity of Nossa Caixa	2,956,713
Amount of the Investment in Banco do Brasil (71.2499527144%)	2,106,657
(a) Amount of goodwill for the acquisition	3,490,097
Price for the acquisition of shares, restated on 3.16.2009	5,596,754
- Price for the acquisition of shares, pursuant to the contract signed on 11.20.2008	5,386,496
- Restatement of the price for the acquisition of shares, on 3.16.2009 (Selic rate)	210,258
Public Offering of shares, held on 04.09.2009	
Adjusted Shareholders' Equity of Nossa Caixa, on 07.31. 2009	2,971,655
Amount of the Investment in Banco do Brasil (28.0667044877%)	834,053
(b) Amount of goodwill for the acquisition	1,470,931
Price for the acquisition of shares, on 09.04. 2009	2,304,984
Total value of goodwill for the acquisition of 99.32% of Banco Nossa Caixa (a + b) ⁽²⁾	4,961,028

(1) Adjustments made in the financial statements of Nossa Caixa, resulting from standardization of accounting criteria and estimates to those adopted by the new controlling shareholder, Banco do Brasil. The responsibility for the obligations resulting from these adjustments was under discussion with the former controlling shareholder of Nossa Caixa. With the change in share control, on March 16, 2009, this responsibility was formally assigned to Banco do Brasil. Adjustments included: reinforcement of the provision for loan losses, civil, labor and tax contingencies; and the liabilities with health and pension plans. In addition, tax credits were recorded on temporary differences originating from the adjustments made as well as on tax credits not recorded in prior years. These adjustments totaled R\$288,135 thousand in the 1st quarter of 2009 and R\$166,406 thousand, the 2nd quarter of 2009, and R\$241,822 thousand, the 3rd quarter of 2009, and R\$4,198 thousand, the 4th quarter of 2009.

(2) Until 12.31.2009, the amortization of goodwill to R\$ 60,792 thousand, based on projections of results that supported the business in accordance with Circular No. 1273/1987 of the Banco Central do Brasil (Note 14c).

The equity interests of Banco Nossa Caixa, are as follows:

Nossa Caixa Capitalização S.A.	Subsidiary	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	Subsidiary	100%
Mapfre Nossa Caixa Vida e Previdência S.A.	Associated company	49%

b) Partnership with Votorantim Finanças S.A.

On 9.28.2009, after approval by the Banco Central do Brasil on 9.11.2009, Banco do Brasil and Votorantim Finanças S.A. concluded the strategic partnership establishment operation, commenced on 1.9.2009, through a contract of sale and subscription of shares executed between them, in which Banco do Brasil

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became the holder of 50.00% of the total capital stock (49.99% of the common shares and 50.01% of the preference shares) and 50% of the total capital stock of BV Participações S.A. The operation cost Banco do Brasil the amount of R\$ 4,200,000 thousand, as follows:

- a) acquisition, by Banco do Brasil, of 33,356,791,198 common shares issued by Banco Votorantim and belonging to Votorantim Finanças for the price of R\$ 2,969,789 thousand;
- b) subscription, by Banco do Brasil, of 7,412,620,277 new preferred shares issued by Banco Votorantim for the price of R\$ 1,200,000 thousand;
- c) acquisition, by Banco do Brasil, of 15,105,692 common shares and 15,105,702 preference shares of BV Participações S.A., *holding company* that owns all the shares issued by the companies BV Sistemas, CP Promotora de Vendas and Votorantim Corretora de Seguros, for the price of R\$ 30,211 thousand.

The payment to Votorantim Finanças was negotiated as follows:

- a) on 9.28.2009, cash deposits in assigned accounts at Banco Votorantim, in the amount of R\$ 2,160,000 thousand and at Banco do Brasil, in the amount of R\$ 840,000 thousand (earmarked for a price adjustment as a result of possible contingencies identified in the future in the Due Diligence in progress);
- b) cash payment in the amount of R\$ 750,000 thousand, on 9.28.2009, plus R\$ 450,000 thousand 180 days after this date, relating to the subscription of the preference shares of Banco Votorantim.

Considering the complexity of the matter and the time that would be required to identify and measure all the existing criteria difference, it was determined that the initial records would be made based on the "bestestimate" possible under the circumstances, and that the definitive records of all differences would be made during a subsequent period of no more than one year, having as a contra entry the adjustment of the initial goodwill of the transaction. The total amount of the goodwill established, presented in the chart below, based on estimates of future results, is accounted under Permanent Assets - Investments and is amortized according to Central Bank Circular No. 1273/1987 (Note 14.c).

The governance of Banco Votorantim and of BV Participações S.A. is shared between Votorantim Finanças and Banco do Brasil. The Board of Directors is on the same level, with 3 members appointed by each institution, and the chairmanship of the Board will be alternated annually. All strategic decisions will be made jointly.

Hence the book balances of Banco Votorantim and of BV Participações S.A. are henceforth included in the consolidated financial statements, in proportion to the share in the total capital stock, as follows: assets and liabilities consolidated as of September/2009 and recognition of the equity accounting results and consolidation of the balances of income and expenses, as from October/2009.

We present below the calculation of the amount of the investment and of the goodwill/negative goodwill from the acquisition of the interest in Banco Votorantim and Votorantim Participações S.A.:

	R\$ Thousand
Banco Votorantim S.A.	
Adjusted Shareholders' Equity of Banco Votorantim on 09.30.2009 ⁽¹⁾	7,451,908
Amount of the Investment at Banco do Brasil (50%)	3,725,954
Amount of goodwill for the acquisition ⁽²⁾	443,835
Price for the acquisition of shares, on 09.28.2009	4,169,789
Votorantim Participações S.A.	
Adjusted Shareholders' Equity of Votorantim Participações on	76,676
Amount of the Investment at Banco do Brasil (50%)	38,338
Amount of the discount for the acquisition	(8,127)
Price for the acquisition of shares, on 09.28.2009	30,211

(1) Shareholders' Equity adjusted by the result accumulated up to 9.30.2009 and considering the capital realization of R\$ 450,000 thousand (recorded in Unrealized Capital at Banco Votorantim).

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(2) Goodwill on the acquisition of the 33,356,791,198 common shares, in the amount of R\$ 218,834 thousand, is recorded in Permanent Assets - Investments, while goodwill on the acquisition of the 7,412,620,277 new preference shares in the amount of R\$ 225,001 thousand, is recorded in Other Receivables, until approval by Bacen of the minutes of the Extraordinary General Meeting of Banco Votorantim that decided on the capital increase. The total amount of goodwill, determined with a basis on the forecast of future results, and is being amortized in accordance with Bacen Circular n.º 1273/1987 (Note 14c).

The relevant equity interests of Banco Votorantim S.A. are as follows:

BV Financeira S.A. – Crédito, Financiamento e Investimento	Domestic subsidiary	99.99%
BV Leasing – Arrendamento Mercantil S.A.	Domestic subsidiary	99.99%
Votorantim Corretora de Títulos e Valores Mobiliários Ltda.	Domestic subsidiary	99.98%
Votorantim Asset Management DTVM Ltda.	Domestic subsidiary	99.99%
Votorantim Bank Limited	Foreign subsidiary	100%
Banco Votorantim Securities Inc.	Foreign subsidiary	100%

The equity interests of BV Participações S.A. are as follows:

CP Promotora de Vendas Ltda.	Domestic subsidiary	100%
BV Sistemas Ltda.	Domestic subsidiary	100%
Votorantim Corretora de Seguros Ltda.	Domestic subsidiary	100%

c) Financial statements

We present below the financial position and that of results, encompassing the Economic and Financial Conglomerate, with the BB-Consolidated position without Banco Nossa Caixa and Banco Votorantim and BB-Consolidated with Banco Nossa Caixa and Banco Votorantim:

Balance Sheet

We present below, for comparative purposes, the consolidated balances involving the Economic/Financial Group, with the position prior to and subsequent to the acquisition of Banco Nossa Caixa and Banco Votorantim:

	R\$ Thousand			
	12.31.2009			
	BB-Consolidated without Banco Nossa Caixa and Banco Votorantim	Banco Nossa Caixa ⁽¹⁾	Banco Votorantim ⁽²⁾	BB-Consolidated including Banco Nossa Caixa and Banco Votorantim
Current Assets and Long-Term Receivables	588,926,142	60,293,047	42,320,051	691,539,240
Cash and cash equivalents	7,189,474	533,340	119,956	7,842,770
Short-term Interbank Investments	155,327,992	2,357,235	10,712,733	168,397,960
Securities and Derivatives	88,323,185	26,916,336	9,097,360	124,336,881
Loan and lease operations	227,281,857	19,009,985	20,191,818	266,483,660
Other receivables	110,803,634	11,476,151	2,198,184	124,477,969
Permanent Assets	10,066,717	1,682,670	80,354	17,009,603
Investments ⁽³⁾	1,359,731	78,955	26,791	6,645,339
Property, plant and equipment	3,883,469	303,173	29,065	4,215,707
Intangible assets	4,451,847	1,222,471	2,561	5,676,879
Deferred charges	371,670	78,071	21,937	471,678
Total Assets	<u>598,992,859</u>	<u>61,975,717</u>	<u>42,400,405</u>	<u>708,548,843</u>
Current and Long-Term Liabilities	562,873,453	58,966,558	38,732,461	672,429,437
Deposits	285,503,783	39,821,334	12,238,710	337,563,827
Funding in the open market	146,962,785	1,474,668	12,383,734	160,821,187
Borrowings and onlendings	33,918,681	289,504	3,651,377	37,859,562
Other liabilities ⁽⁴⁾	96,488,204	17,381,052	10,458,640	136,184,861
Minority Interest in subsidiaries	141	–	–	141
Shareholders' equity	36,119,265	3,009,159	3,667,944	36,119,265
Total Liabilities	<u>598,992,859</u>	<u>61,975,717</u>	<u>42,400,405</u>	<u>708,548,843</u>

(1) Refers to the balances embedded in 11.30.2009.

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(2) Refers to Banco Votorantim only. The balances of BV Participações S.A. (R\$ 67,916 thousand of Total Assets) are not included in this chart.
(3) Includes the goodwill recorded in Permanent Assets - Investments, in the amounts of R\$ 4,961,028 thousand (on the acquisition of Banco Nossa Caixa) and R\$ 218,834 thousand (on the acquisition of Banco Votorantim) in BB-Consolidated with Banco Nossa Caixa and Banco Votorantim;
(4) The amounts of the Shareholders' Equity of Banco Nossa Caixa and Banco Votorantim, as well as the amounts of the goodwill mentioned in item 3, corresponding to the adjusted value of the obligation for the acquisitions of these companies, were excluded from the BB-Consolidated without Banco Nossa Caixa and Banco Votorantim.

Statement of Income

	R\$ Thousand			
	2009			
	BB-Consolidated without Nossa Caixa and Votorantim	Nossa Caixa ⁽¹⁾	Votorantim ⁽²⁾	BB-Consolidated
Financial operations income	59,049,880	5,140,870	1,538,388	65,729,138
Financial operations expenses	(43,535,315)	(2,899,664)	(1,061,300)	(47,496,279)
Gross income on financial operations	15,514,565	2,241,206	477,088	18,232,859
Other operating income/expenses	(2,029,509)	(2,181,952)	(429,597)	(4,641,058)
Operating result	13,485,056	59,254	47,491	13,591,801
Non operating result	1,838,805	(5,116)	9,939	1,843,628
Net income before taxes	15,323,861	54,138	57,430	15,435,429
Income and social contribution taxes	(3,950,156)	4,199	43,170	(3,902,787)
Profit sharing	(1,330,522)	-	(54,009)	(1,384,531)
Minority interest	(589)	-	-	(589)
Net income	10,042,594	58,337	46,591	10,147,522

(1) Refers to transaction occurred between the acquisition date and the takeover date of Banco Nossa Caixa (April to November/2009)
(2) Refers to 4th quarter 2009 transactions in Banco Votorantim. Unearned income from credit assignments by Banco Votorantim to Banco do Brasil were eliminated, which resulted in a R\$ 107,737 thousand reduction in consolidated net income (a R\$ 188,319 drop in financial intermediation revenues, R\$ 5,254 thousand in Pasep / Cofins expenses, and R\$ 75,328 thousand in income tax and social contribution expenses).

As of December 31, 2008, Banco Nossa Caixa and Banco Votorantim had the following balance:

	R\$ Thousand	
	Banco Nossa Caixa	Banco Votorantim
Assets	54,272,860	72,309,956
Shareholder's Equity	3,180,682	6,362,195
Net income for 2008	646,537	901,786

6 – Cash and cash equivalents

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Total Cash	7,596,546	5,375,268	7,842,770	5,544,850
Local currency	6,676,414	4,993,470	6,799,390	5,153,849
Foreign currency	920,132	381,798	1,033,480	381,269
Investments in Gold	-	-	9,900	9,732
Short-term interbank investments⁽¹⁾	42,105,965	62,364,097	30,032,212	62,467,287
Subject to repurchase agreements	14,362,844	31,450,195	18,186,491	31,458,102
Interbank deposits	24,039,500	28,866,068	8,053,192	28,874,572
Investments in foreign currency	3,703,621	2,047,834	3,792,529	2,134,613
Total cash and cash equivalents	49,702,511	67,739,365	37,874,982	68,012,137

(1) Refer to investments whose maturity is less than or equal to 90 days.

7 – Short-term Interbank Investments

a) Breakdown

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Money market	134,937,621	95,151,703	144,173,860	95,159,610
Sales pending settlement - held position	14,362,844	31,450,195	18,220,295	31,458,102
Financial Treasury Bills	1,772,231	24,060,768	1,878,624	24,061,453
National Treasury Bills	804,732	1,338	2,189,355	1,338
National Treasury Notes	11,785,881	7,388,089	14,118,511	7,388,089
Others securities - domestic	-	-	-	7,222
Others securities - Foreign	-	-	33,805	-
Sales pending settlement - financed position	120,574,777	63,701,508	125,793,918	63,701,508
Financial Treasury Bills	111,804,532	61,520,566	112,554,529	61,520,566
National Treasury Bills	8,303,407	1,117,194	9,851,852	1,117,194
National Treasury Notes	466,608	1,063,748	3,387,307	1,063,748
Others securities – Foreign	230	-	230	-
Sales pending settlement - sold position	-	-	159,647	-
Federal securities - Treasury	-	-	159,647	-
Interbank deposits	39,229,677	44,120,890	24,224,100	24,248,687
Investments in local currency	33,845,063	41,986,277	18,750,578	22,114,074
Investments in foreign currency	5,384,614	2,134,613	5,473,522	2,134,613
Total	<u>174,167,298</u>	<u>139,272,593</u>	<u>168,397,960</u>	<u>119,408,297</u>
Current Assets	166,919,021	127,830,542	166,070,192	107,237,436
Non Current Assets	7,248,277	11,442,051	2,327,768	12,170,861

b) Income from short-term interbank deposits

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Income from Money Market	5,092,344	10,850,522	7,219,837	5,528,723	11,390,684	7,216,772
Held position	1,344,483	3,221,993	709,652	1,518,145	3,479,991	709,670
Financed position	3,747,861	7,628,529	6,510,185	3,996,503	7,896,618	6,507,102
Sold position	-	-	-	14,075	14,075	-
Income from interbank deposits ⁽¹⁾	552,413	1,343,540	1,077,542	288,688	718,416	438,415
Total	<u>5,644,757</u>	<u>12,194,062</u>	<u>8,297,379</u>	<u>5,817,411</u>	<u>12,109,100</u>	<u>7,655,187</u>

(1) Refer to income on the applications in Interbank deposits in local currency. The income on applications in Interbank deposits in foreign currency totaled R\$44,385 thousand at December 31, 2009 (R\$120,182 thousand at December 31, 2008), which are recorded under Other Operating Income.

8 – Securities and Derivative Financial Instruments

a) Securities

R\$ Thousand

Banco do Brasil											
Maturity in days	12.31.2009						12.31.2008				
	Market Value					Cost	Market Value	Unrealized gain (loss)	Total		
	With no maturity	0-30	31-180	181-360	over 360				Cost	Market Value	Unrealized gain (loss)
1 - Trading securities	9,688	19,736	1,473,759	2,895,181	15,257,258	19,606,486	19,655,622	–	16,855,740	17,087,621	–
Government bonds	–	19,736	1,473,759	2,895,181	15,123,215	19,466,189	19,511,891	–	16,804,091	17,038,040	–
Financial Treasury Bills	–	–	1,473,759	1,531,229	9,705,723	12,710,659	12,710,711	–	4,529,939	4,526,917	–
National Treasury Bills	–	10,321	–	1,107,086	2,935,224	4,052,388	4,052,631	–	5,780,146	5,828,363	–
National Treasury Notes	–	9,415	–	256,866	2,482,268	2,703,142	2,748,549	–	6,494,006	6,682,760	–
Corporate bonds	9,688	–	–	–	134,043	140,297	143,731	–	51,649	49,581	–
Debentures	–	–	–	–	134,043	135,918	134,043	–	49,649	47,581	–
Promissory Notes	–	–	–	–	–	–	–	–	–	–	–
Shares in listed companies	9,688	–	–	–	–	4,379	9,688	–	2,000	2,000	–
2 - Securities available for sale	74,876	85,739	5,570,093	4,521,384	47,837,261	57,880,134	58,089,353	209,219	36,772,916	36,938,599	165,683
Government bonds	–	13,468	4,036,877	4,093,996	40,453,633	48,280,005	48,597,974	317,969	32,723,285	32,884,916	161,631
Financial Treasury Bills	–	378	4,000,197	560,323	30,897,059	35,459,266	35,457,957	(1,309)	23,250,478	23,250,285	(193)
National Treasury Bills	–	11,260	–	2,987,377	1,546,002	4,502,914	4,544,639	41,725	2,525,431	2,517,102	(8,329)
National Treasury Notes	–	–	–	544,899	4,525,330	5,017,154	5,070,229	53,075	3,716,478	3,682,020	(34,458)
Agricultural debt securities	–	31	408	1,397	9,076	11,572	10,912	(660)	12,223	10,651	(1,572)
Brazilian foreign debt securities	–	–	36,272	–	2,694,068	2,484,527	2,730,340	245,813	2,423,162	2,637,672	214,510
Foreign government bonds	–	1,799	–	–	591,750	592,647	593,549	902	745,947	749,651	3,704
Others	–	–	–	–	190,348	211,925	190,348	(21,577)	49,566	37,535	(12,031)
Corporate bonds	74,876	72,271	1,533,216	427,388	7,383,628	9,600,129	9,491,379	(108,750)	4,049,631	4,053,683	4,052
Debentures	–	–	–	80,323	7,222,485	7,424,945	7,302,808	(122,137)	710,291	702,428	(7,863)
Promissory notes - Commercial Papers	–	–	1,159,916	182,237	–	1,339,479	1,342,153	2,674	2,741,715	2,744,631	2,916
Credit Notes	–	–	–	–	29,674	30,385	29,674	(711)	30,561	29,365	(1,196)
Quotas in investment funds	17,647	–	–	–	–	15,001	17,647	2,646	413	413	–
Quotas in Funds for Social Development	725	–	–	–	–	2,211	725	(1,486)	2,078	699	(1,379)
Shares in listed companies	56,504	–	–	–	–	33,122	56,504	23,382	7,364	13,571	6,207
Shares in restrict companies	–	–	–	–	–	–	–	–	912	912	–
Rural Product Bills - Commodities	–	70,883	283,784	155,703	–	508,429	510,370	1,941	556,297	561,664	5,367
Certificate of Deposits	–	–	83,722	–	–	83,419	83,722	303	–	–	–
Others	–	1,388	5,794	9,125	131,469	163,138	147,776	(15,362)	–	–	–
3 - Securities held to maturity	–	5,605,050	149,969	3,088,528	9,340,649	18,359,234	18,184,196	–	15,906,687	15,909,866	–
Government bonds	–	5,605,050	149,969	3,088,528	9,255,304	18,081,948	18,098,851	–	15,906,687	15,909,866	–
Financial Treasury Bills	–	1,862	149,448	3,088,528	9,091,355	12,331,114	12,331,193	–	15,543,667	15,543,259	–
National Treasury Notes	–	807,317	–	–	19,083	829,207	826,400	–	46,937	43,692	–
National Treasury Bills	–	4,795,871	–	–	–	4,795,191	4,795,871	–	109,951	109,944	–
Brazilian foreign debt securities	–	–	521	–	144,866	126,436	145,387	–	172,661	179,500	–
Foreign government bonds	–	–	–	–	–	–	–	–	33,471	33,471	–
Others	–	–	–	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	85,345	277,286	85,345	–	–	–	–
Others	–	–	–	–	85,345	277,286	85,345	–	–	–	–
Total	<u>84,564</u>	<u>5,710,525</u>	<u>7,193,821</u>	<u>10,505,093</u>	<u>72,435,168</u>	<u>95,845,854</u>	<u>95,929,171</u>	<u>209,219</u>	<u>69,535,343</u>	<u>69,936,086</u>	<u>165,683</u>

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R\$ Thousand

Maturity in days	12.31.2009								12.31.2008		
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	84,564	5,710,525	7,193,821	10,505,093	72,435,168	95,845,854	95,929,171	209,219	69,535,343	69,936,086	165,683
Own portfolio	84,564	5,710,525	2,863,431	6,868,777	35,205,234	50,796,768	50,732,531	63,909	31,364,953	31,656,365	62,365
Subject to repurchase agreements	-	-	1,055,706	3,188,652	21,582,142	25,678,841	25,826,500	145,182	22,526,345	22,639,022	106,845
Deposits with the Brazilian Central Bank	-	-	3,271,071	441,930	14,527,499	18,239,914	18,240,500	819	14,009,610	14,006,718	(2,898)
Pledged in guarantee	-	-	3,613	5,734	1,120,293	1,130,331	1,129,640	(691)	1,634,435	1,633,981	(629)

R\$ Thousand

Maturity in years	12.31.2009						12.31.2008			
	Market Value					Total		Total		
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost	Market Value	Cost	Market Value	
Total by category	84,564	23,409,439	57,344,234	11,863,529	3,227,405	95,845,854	95,929,171	69,535,343	69,936,086	
1 - Trading securities	9,688	4,388,676	10,851,870	4,405,388	-	19,606,486	19,655,622	16,855,740	17,087,621	
2 - Securities available for sale	74,876	10,177,216	37,237,060	7,426,512	3,173,689	57,880,134	58,089,353	36,772,916	36,938,599	
3 - Securities held to maturity	-	8,843,547	9,255,304	31,629	53,716	18,359,234	18,184,196	15,906,687	15,909,866	

R\$ Thousand

	12.31.2009						12.31.2008		
	Book Value						Book Value		
	Current	Non Current	Total	Current	Non Current	Total	Current	Non Current	Total
Total by portfolio	38,750,456	57,353,753	96,104,209	34,848,438	35,084,469	69,932,907			
Own portfolio	29,778,301	21,131,525	50,909,826	24,194,172	7,465,983	31,660,155			
Subject to repurchase agreements	5,239,743	20,584,267	25,824,010	8,571,019	14,061,216	22,632,235			
Deposits with the Brazilian Central Bank	3,713,112	14,527,621	18,240,733	1,810,537	12,196,175	14,006,712			
Pledged in guarantee	19,300	1,110,340	1,129,640	272,710	1,361,095	1,633,805			

R\$ Thousand

	12.31.2009		12.31.2008	
Total by category				
Trading Securities	19,655,622	20%	17,087,621	24%
Securities available for sale	58,089,353	60%	36,938,599	53%
Securities held to maturity	18,359,234	19%	15,906,687	23%
Carrying value of portfolio	96,104,209	100%	69,932,907	100%
Mark-to-market - Category 3	(175,038)		3,179	
Market value of portfolio	95,929,171		69,936,086	

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R\$ Thousand

BB-Consolidated											
Maturity in days	12.31.2009					12.31.2008					
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	With no maturity	Market Value	Unrealized Gain/loss	With no maturity	Market Value	Unrealized Gain/loss
1 - Trading securities	1,398,483	1,467,501	2,558,495	4,198,546	28,651,175	38,110,829	38,274,200	–	25,391,984	26,135,804	–
Government bonds	11,716	1,181,948	1,742,689	4,029,542	25,716,532	32,516,057	32,682,427	–	23,349,513	23,497,896	–
Financial Treasury Bills	6,975	7,030	1,477,575	1,542,199	13,097,474	16,132,667	16,131,253	–	6,590,193	6,585,266	–
National Treasury Bills	–	210,321	122,434	1,323,195	5,437,424	7,085,711	7,093,374	–	6,775,555	6,814,729	–
National Treasury Notes	–	225,384	2,968	770,994	6,664,331	7,533,019	7,663,677	–	8,468,422	8,575,646	–
Agricultural debt securities	–	10,511	5,086	6,680	28,097	47,492	50,374	–	–	–	–
Federal Government securities - other	–	–	–	–	–	–	–	–	1,489,074	1,497,575	–
Brazilian foreign debt securities	–	93,562	7,500	5,648	107,803	211,419	214,513	–	23,921	22,332	–
Foreign government bonds	–	14,069	7,485	380,826	222,545	626,320	624,925	–	2,348	2,348	–
Others	4,741	621,071	119,641	–	158,858	879,429	904,311	–	–	–	–
Corporate bonds	1,386,767	285,553	815,806	169,004	2,934,643	5,594,772	5,591,773	–	2,042,471	2,637,908	–
Debentures	2,757	44,337	10,304	63,781	1,255,611	1,369,764	1,376,790	–	722,000	952,757	–
Promissory Notes	–	48,461	271,645	–	–	319,116	320,106	–	52,531	52,531	–
Shares in listed companies	696,545	–	–	–	–	582,190	696,545	–	261,650	259,176	–
Quotas in investment funds	431,669	56,888	–	–	61,584	550,141	550,141	–	109,251	109,719	–
Rural Product Bills - <i>Commodities</i>	72,648	23,833	34,039	9,512	53,062	192,056	193,094	–	–	–	–
Certificate of deposit	2,325	69,556	471,936	91,683	1,148,362	1,788,467	1,783,862	–	860,031	1,231,463	–
Eurobonds	–	1,844	1,114	2,420	8,046	13,317	13,424	–	36,978	32,253	–
Others	180,823	40,634	26,768	1,608	407,978	779,721	657,811	–	30	9	–
2 - Securities available for sale	285,307	88,908	5,714,939	4,609,714	51,461,924	62,035,094	62,160,792	125,698	38,206,421	38,373,876	167,455
Government bonds	39,973	13,468	4,075,806	4,122,607	41,835,787	49,758,712	50,087,641	328,929	33,251,289	33,446,268	194,979
Financial Treasury Bills	–	378	4,039,126	568,958	31,248,818	35,858,772	35,857,280	(1,492)	23,619,133	23,618,537	(596)
National Treasury Bills	–	11,260	–	2,987,377	1,571,340	4,528,295	4,569,977	41,682	2,539,276	2,530,939	(8,337)
National Treasury Notes	–	–	–	562,993	5,439,394	5,987,334	6,002,387	15,053	3,775,998	3,741,316	(34,682)
Agricultural debt securities	–	31	408	1,397	9,076	11,572	10,912	(660)	12,223	10,651	(1,572)
Brazilian foreign debt securities	–	–	36,272	1,882	2,784,248	2,545,937	2,822,402	276,465	2,509,144	2,757,639	248,495
Foreign government bonds	–	1,799	–	–	592,564	593,433	594,363	930	745,949	749,651	3,702
Others	39,973	–	–	–	190,347	233,369	230,320	(3,049)	49,566	37,535	(12,031)
Corporate bonds	245,334	75,440	1,639,133	487,107	9,626,137	12,276,382	12,073,151	(203,231)	4,955,132	4,927,608	(27,524)
Debentures	–	623	47,059	90,402	8,395,981	8,674,870	8,534,065	(140,805)	1,348,711	1,324,715	(23,996)
Promissory Notes - Commercial Papers	–	–	1,177,503	182,237	7,110	1,364,005	1,366,850	2,845	2,741,715	2,744,631	2,916
Credit Notes	–	–	–	–	29,674	30,385	29,674	(711)	30,561	29,365	(1,196)
Quotas of Credit Assignment Investment Funds (FIDC)	–	–	1,024	–	–	1,024	1,024	–	3,229	3,225	(4)
Quotas of participation funds	–	–	–	–	334,451	327,597	334,451	6,854	97,455	100,148	2,693
Quotas of Funds in Emerging Companies	–	–	–	–	12,004	14,480	12,004	(2,476)	3,400	2,012	(1,388)
Quotas of investment funds	26,279	–	–	–	–	27,229	26,279	(950)	35,926	42,414	6,488
Funds for Social Development	725	–	–	–	–	2,211	725	(1,486)	2,078	699	(1,379)
Shares in listed companies	85,023	–	–	–	–	43,096	85,023	41,927	11,650	18,305	6,655
Shares in close corporations	127,695	–	–	–	–	163,828	127,695	(36,133)	2,118	2,436	318
Quotas of a variable income fund is	1,771	–	–	–	–	8,508	1,771	(6,737)	8,509	1,723	(6,786)
Rural Product Bills - <i>Commodities</i>	–	70,883	283,784	155,703	–	508,429	510,370	1,941	556,297	561,664	5,367
Certificate of deposit	–	–	83,722	20,236	20,978	127,827	124,936	(2,891)	91,163	91,081	(82)
Eurobonds	–	–	–	5,970	32,985	38,955	38,955	–	–	–	–
Others	3,841	3,934	46,041	32,559	792,954	943,938	879,329	(64,609)	22,320	5,190	(17,130)
3 - Held to Maturity	–	5,790,998	178,652	3,348,668	12,961,363	22,438,805	22,279,681	–	20,122,856	20,101,912	–
Government bonds	–	5,790,998	178,652	3,348,668	12,876,018	22,161,519	22,194,336	–	20,122,856	20,101,912	–
Financial Treasury Bills	–	1,862	178,131	3,088,581	9,092,665	12,361,163	12,361,239	–	15,700,936	15,700,668	–
National Treasury Notes	–	958,283	–	165,353	3,559,183	4,670,990	4,682,819	–	3,900,406	3,873,828	–
National Treasury Bills	–	4,830,853	–	94,727	79,288	5,002,907	5,004,868	–	315,186	314,249	–
Títulos da Dívida Agrária	–	–	–	7	16	23	23	–	196	196	–
Brazilian foreign debt securities	–	–	521	–	144,866	126,436	145,387	–	172,661	179,500	–
Foreign government bonds	–	–	–	–	–	–	–	–	33,471	33,471	–
Corporate bonds	–	–	–	–	85,345	277,286	85,345	–	–	–	–
Others	–	–	–	–	85,345	277,286	85,345	–	–	–	–
Total	1,683,790	7,347,407	8,452,086	12,156,928	93,074,462	122,584,728	122,714,673	125,698	83,721,261	84,611,592	167,455

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R\$ Thousand

Maturity in days	12.31.2009						12.31.2008				
	Market Value					Cost	Total		Total		
	With no maturity	0-30	31-180	181-360	over 360		Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	1,683,790	7,347,407	8,452,086	12,156,928	93,074,462	122,584,728	122,714,673	125,698	83,721,261	84,611,592	167,455
Own portfolio	1,679,797	7,207,903	3,961,061	8,137,876	53,785,562	74,768,787	74,772,199	1,403	45,543,973	46,319,344	64,139
Subject to repurchase agreements	3,993	139,504	1,099,118	3,190,526	22,454,994	26,734,553	26,888,135	151,106	22,526,346	22,644,653	106,845
Deposits with the Brazilian Central Bank	–	–	3,271,686	441,967	14,693,720	18,413,608	18,407,373	(5,999)	14,009,611	14,006,719	(2,898)
Pledged in guarantee	–	–	120,221	386,559	2,140,186	2,667,780	2,646,966	(20,812)	1,641,331	1,640,876	(631)

R\$ Thousand

Maturity in years	12.31.2009					12.31.2008			
	Market Value					Total		Total	
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost	Market Value	Cost	Market Value
Total by category	1,683,790	27,956,421	70,530,851	15,720,486	6,823,125	122,584,728	122,714,673	83,721,261	84,611,592
1 - Trading securities	1,398,483	8,224,542	21,858,476	5,998,279	794,420	38,110,829	38,274,200	25,391,984	26,135,804
2 - Securities available for sale	285,307	10,413,561	38,654,609	9,499,196	3,308,119	62,035,094	62,160,792	38,206,421	38,373,876
3 - Securities held to maturity	–	9,318,318	10,017,766	223,011	2,720,586	22,438,805	22,279,681	20,122,856	20,101,912

R\$ Thousand

	12.31.2009			12.31.2008		
	Book value			Book Value		
	Current	Non Current	Total	Current	Non Current	Total
By Portfolio	58,215,628	64,658,169	122,873,797	40,355,844	44,276,692	84,632,536
Own portfolio	47,295,209	27,638,367	74,933,576	29,695,948	16,651,310	46,347,258
Subject to repurchase agreements	5,956,127	20,929,518	26,885,645	8,576,649	14,061,216	22,637,865
Deposits with the Brazilian Central Bank	3,817,049	14,590,558	18,407,607	1,810,537	12,196,175	14,006,712
Pledged in guarantee	1,147,243	1,499,726	2,646,969	272,710	1,367,991	1,640,701

R\$ Thousand

	12.31.2009		12.31.2008	
Total by category				
Trading Securities	38,274,200	31%	26,135,804	31%
Securities available for sale	62,160,792	51%	38,373,876	45%
Securities held to maturity	22,438,805	18%	20,122,856	24%
Carrying value of portfolio	122,873,797	100%	84,632,536	100%
Mark-to-market - Category 3	(159,124)		(20,944)	
Market value of portfolio	122,714,673		84,611,592	

b) Results from securities

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Applications of Interbank Liquidity	5,644,757	12,194,062	8,297,379	5,817,411	12,109,100	7,655,187
Fixed income securities	3,249,055	7,197,733	8,941,407	4,566,267	9,220,192	9,095,064
Variable income securities	1,158	1,044	3,927,187	20,973	20,332	3,942,004
Total	8,894,970	19,392,839	21,165,973	10,404,651	21,349,624	20,692,255

c) Reclassification of Securities

During 2009, with the intention to adjust to the management strategy of Banco do Brasil, were made the following reclassifications of securities in the “held to maturity” for the “Available for Sale”, with the aim of adapting the strategy of managing the Bank of Brazil, was made to reclassify 4,952,690 public securities and private securities 9,900,740, incorporated Banco Nossa Caixa, the book value of R\$ 6.080 thousand (market value of R\$ 6,138 thousand) and R\$ 410 thousand (market value of R\$ 386 thousand), respectively, no effect on the outcome. Moreover, considering the projections and scenarios outlined for the management of their assets and liabilities as well as the natural choice of products by customers in its portfolio and the impact of the crisis in international financial markets and the Brazilian economy, as the prerogative in the item 16.9 of Annex I to Circular Letter No. 379 of December 19, 2008, Brasilprev, affiliate of BB Insurance reclassified the bonds in investment funds amounting to R\$ 191,007 thousand (market value of R\$ 204,348 thousand), no effect on the outcome.

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 either Hedge (market risk) or Trading, both with limits of approval. This information is made available to the departments responsible for pricing, trading, controls and calculation of results, which are separate departments and within the Bank.

In the options market, asset or long positions have the Bank as holder, while liability or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and decisions are made in accordance with the best risk/return ratio, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, whether standardized or not, is subject to a formal risk analysis prior to any transaction.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by the Executive Board of Directors.

Risk analysis of the subsidiaries is undertaken on an individual basis and its management is undertaken at the consolidated level. The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using value at risk, sensitivity and *stress* analysis models.

Risks

The main risks inherent to derivative financial instruments resulting from the business dealings of the bank and its subsidiaries are credit, market and operating risks, all of which are similar to those related to other types of financial instruments.

Credit risk is reflected by the exposure to losses in the event of default by a counterparty to fulfill its part in the operation. Exposure to credit risk in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM & F are not subject to the same risk, given that the Bank operations in Brazil that have the same bag as guarantor.

Total credit exposure in swaps at December 31, 2009 is R\$ 1,664,115 thousand (R\$ 1,543,722 thousand at December 31, 2008).

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotation of goods, and prices quoted on markets for shares and other securities, and varies according to the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

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The operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and / or systems, or factors such as catastrophes or criminal activities.

Breakdown of the Portfolio of Derivatives for Trading by Index

R\$ Thousand

By index	Banco do Brasil						BB-Consolidated						
	12.31.2009			12.31.2008			12.31.2009			12.31.2008			
	Counter-party	Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value
Exchange trading													
Futures contracts													
Purchase commitments													
		9,455,522	(361,209)	(361,209)	5,144,305	369,608	369,608	14,730,585	(361,209)	(361,209)	5,144,305	369,608	369,608
Interbank deposit	B	266,247	(5,548)	(5,548)	1,747,851	(30,800)	(30,800)	2,180,381	(5,548)	(5,548)	1,747,851	(30,800)	(30,800)
Currencies	B	3,050,767	(363,111)	(363,111)	3,078,331	419,143	419,143	4,206,988	(363,111)	(363,111)	3,078,331	419,143	419,143
T-Note	B	—	—	—	—	—	—	197,354	—	—	—	—	—
Index	B	—	(314)	(314)	—	(6)	(6)	18,832	(314)	(314)	—	(6)	(6)
Foreign exchange coupon	B	167,933	(35,537)	(35,537)	80,545	30,057	30,057	1,299,024	(35,537)	(35,537)	80,545	30,057	30,057
Libor	IF	5,858,885	—	—	237,578	14,845	14,845	5,858,885	—	—	237,578	14,845	14,845
Commodities	B	—	(238)	(238)	—	(28)	(28)	—	(238)	(238)	—	(28)	(28)
SCC ⁽¹⁾	B	111,690	43,539	43,539	—	(63,603)	(63,603)	969,121	43,539	43,539	—	(63,603)	(63,603)
Sales commitments													
		9,787,449	(10,748)	(10,748)	9,062,708	(630,074)	(630,074)	33,571,644	—	—	9,062,708	(630,074)	(630,074)
Interbank deposit	B	2,271,052	8,518	8,518	8,077,289	(268,295)	(268,295)	20,956,312	—	—	8,077,289	(268,295)	(268,295)
Currencies	B	231,663	(37,847)	(37,847)	48,125	(292,183)	(292,183)	938,605	—	—	48,125	(292,183)	(292,183)
BGI	B	—	—	—	—	—	—	37	—	—	—	—	—
Index	B	—	(142)	(142)	—	(6)	(6)	—	—	—	—	(6)	(6)
Foreign exchange coupon	B	709,139	69,039	69,039	605,955	(52,843)	(52,843)	3,892,713	—	—	605,955	(52,843)	(52,843)
Libor	IF	6,571,602	—	—	325,673	(16,690)	(16,690)	6,571,602	—	—	325,673	(16,690)	(16,690)
Commodities	B	3,993	448	448	5,666	(57)	(57)	344,699	—	—	5,666	(57)	(57)
SCC ⁽¹⁾	B	—	(29,268)	(29,268)	—	—	—	867,676	—	—	—	—	—
Forward operations													
Asset position													
		3,288,699	185,408	130,195	1,323,982	654,491	752,428	3,340,965	185,805	130,591	1,323,982	654,491	752,428
Termo de títulos	B	37,760	37,760	37,760	86,170	86,170	86,170	37,760	37,760	37,760	86,170	86,170	86,170
Currencies	B	—	—	—	1,237,812	568,321	666,258	—	—	—	1,237,812	568,321	666,258
Currencies	C	3,250,939	147,648	92,435	—	—	—	3,250,939	147,648	92,434	—	—	—
Currencies	IF	—	—	—	—	—	—	52,266	397	397	—	—	—
Liability position													
		3,454,614	(365,811)	(237,453)	3,627,657	(163,174)	(155,875)	3,506,880	(366,030)	(237,673)	3,627,657	(163,174)	(155,875)
Termo de títulos	B	(37,762)	(37,762)	(37,762)	(86,182)	(86,182)	(86,182)	(37,762)	(37,762)	(37,762)	(86,182)	(86,182)	(86,182)
Currencies	B	—	—	—	3,713,839	(76,992)	(69,693)	—	—	—	3,713,839	(76,992)	(69,693)
Currencies	C	3,492,376	(328,049)	(199,691)	—	—	—	3,492,376	(328,049)	(199,692)	—	—	—
Currencies	IF	—	—	—	—	—	—	52,266	(219)	(219)	—	—	—
Options market													
Long position													
		348	4	5	3,335	106	1,190	8,471,551	222,805	194,375	7,260	364	1,787
Flexible Currency Options	B	—	—	—	3,335	106	1,190	5,197,702	157,327	126,083	3,335	106	1,190
Flexible Currency Options	C	348	4	5	—	—	—	348	4	5	—	—	—
Other financial assets	B	—	—	—	—	—	—	3,273,501	65,474	68,287	—	—	—
Other financial assets	C	—	—	—	—	—	—	—	—	—	3,925	258	597
Sales options													
		(1,346,844)	(1,287,324)	(1,357,383)	(1,134,671)	(1,064,528)	(1,075,655)	(14,612,454)	(3,077,020)	(3,118,028)	(1,130,746)	(1,064,786)	(1,076,252)
Flexible Currency Options	B	(39,246)	(1,056)	(695)	(1,134,671)	(1,064,528)	(1,075,655)	(6,897,303)	(114,192)	(81,892)	(1,134,671)	(1,064,528)	(1,075,655)
Flexible Currency Options	C	(1,307,598)	(1,286,268)	(1,356,688)	—	—	—	(2,152,406)	(589,620)	(660,039)	—	—	—
Other financial assets	B	—	—	—	—	—	—	(3,073,527)	(36,781)	(39,670)	—	—	—
Other financial assets	IF	—	—	—	—	—	—	—	—	—	3,925	(258)	(597)
Other financial assets	C	—	—	—	—	—	—	(2,489,218)	(2,336,427)	(2,336,427)	—	—	—

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R\$ Thousand

By index	Banco do Brasil									BB-Consolidated			
	12.31.2009			12.31.2008			12.31.2009			12.31.2008			
	Counter-party	Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value
Over-the-counter trading													
Swap contracts													
Asset position		5,789,647	495,928	493,185	5,652,791	1,287,659	1,289,961	10,490,970	776,937	880,677	5,602,939	1,286,881	1,288,469
Interbank deposit	C	1,966,082	105,134	104,885	817,992	10,573	13,171	2,481,497	182,948	178,016	817,992	10,560	13,171
Interbank deposit	IF	2,276,302	360,965	351,317	642,857	39,390	14,910	3,026,790	415,493	401,377	642,857	39,390	14,910
Foreign currency	C	131,561	3,007	4,072	797,379	165,429	164,164	286,634	2,274	7,639	797,379	165,429	164,164
Foreign currency	IF	759,687	22,960	27,356	3,168,128	1,071,492	1,095,533	862,666	25,303	30,210	3,168,128	1,071,492	1,095,533
Prefixed	C	639,565	2,804	3,350	207,583	189	1,048	2,342,053	18,305	75,888	176,583	10	691
Prefixed	IF	—	—	—	—	—	—	698,947	55,338	87,041	—	—	—
IPCA	C	16,450	1,058	2,205	18,852	586	1,135	9,842	347	1,375	—	—	—
IPCA	IF	—	—	—	—	—	—	501,862	10,150	20,556	—	—	—
IGPM	C	—	—	—	—	—	—	17,004	26,847	31,350	—	—	—
IGPM	IF	—	—	—	—	—	—	240,104	30,070	37,363	—	—	—
Commodities	C	—	—	—	—	—	—	23,571	9,862	9,862	—	—	—
Liability position		8,422,593	(486,871)	(501,247)	23,655,535	(2,194,280)	(2,205,395)	14,218,331	(1,031,067)	(1,108,800)	23,649,348	(2,189,790)	(2,200,895)
Interbank deposit	C	1,729,248	(70,099)	(69,775)	4,920,564	(177,961)	(177,360)	1,699,597	(12,705)	(12,803)	4,914,377	(177,961)	(177,350)
Interbank deposit	IF	2,738,406	(297,057)	(292,125)	96,446	(3,255)	(2,884)	4,423,418	(378,626)	(420,064)	96,446	(3,255)	(2,884)
Foreign currency	C	543,643	(33,544)	(33,722)	3,085,466	(1,130,262)	(1,133,925)	734,496	(59,626)	(60,036)	3,085,466	(1,130,262)	(1,133,925)
Foreign currency	IF	1,184,106	9,070	(21,787)	2,965,110	(767,582)	(776,051)	2,908,508	(457,795)	(488,041)	2,965,110	(767,582)	(776,051)
Prefixed	C	1,411,272	(78,305)	(65,734)	13,700	(59)	(14)	2,189,594	(84,298)	-74,850	13,700	(59)	(14)
Prefixed	IF	—	—	—	—	—	—	410,370	(4,340)	(24,466)	—	—	—
TMS	C	390,462	(5,253)	(6,421)	11,927,809	(104,410)	(104,410)	390,462	(5,253)	(6,421)	11,927,809	(104,410)	(104,410)
Referential rate	C	425,456	(11,683)	(11,683)	646,440	(10,751)	(10,751)	425,456	(11,683)	(11,683)	646,440	(6,261)	(6,261)
IGPM	IF	—	—	—	—	—	—	566,200	(15,738)	(7,707)	—	—	—
IPCA	IF	—	—	—	—	—	—	462,500	1,121	(516)	—	—	—
Commodities	C	—	—	—	—	—	—	7,730	(2,124)	(2,213)	—	—	—
Others Securities													
Asset position		8,089,892	150,715	144,252	2,220,305	220,971	234,000	9,053,091	245,071	238,952	2,194,066	220,541	233,354
Foreign currency	IF	8,089,892	150,715	144,252	2,220,305	220,971	234,000	7,909,507	149,892	143,773	2,194,066	220,541	233,354
Foreign currency	C	—	—	—	—	—	—	1,143,584	95,179	95,179	—	—	—
Liability position		7,297,615	(47,316)	(47,921)	3,766,287	(375,054)	(400,849)	8,496,336	(105,199)	(105,832)	3,765,836	(374,955)	(400,752)
Foreign currency	IF	7,210,342	(47,016)	(47,621)	3,003,380	(371,938)	(397,733)	7,215,124	(48,237)	(48,869)	3,002,929	(371,839)	(397,636)
Foreign currency	C	—	—	—	—	—	—	1,193,939	(56,662)	(56,663)	—	—	—
Others	IF	87,273	(300)	(300)	762,907	(3,116)	(3,116)	87,273	(300)	(300)	762,907	(3,116)	(3,116)
Others		—	—	—	—	—	—	—	—	—	—	—	—

Counterpart: (B) Stock Exchange, (IF) Financial Institution, (C) Client.

(1) Foreign exchange swap with regular adjustments.

Banco do Brasil S.A.
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Breakdown of the portfolio of derivative by maturity

R\$ Thousand

By Maturity	Banco do Brasil						BB-Consolidated					
	12.31.2009			12.31.2008			12.31.2009			12.31.2008		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
Futures contracts												
Purchase commitments	9,455,522	-	-	5,144,305	-	-	14,730,585	-	-	5,144,305	-	-
Up to 30 days	99,062	-	-	1,353,270	-	-	906,000	-	-	1,353,270	-	-
31 to 60 days	2,825,276	-	-	2,291,586	-	-	2,847,882	-	-	2,291,586	-	-
61 to 90 days	2,333,681	-	-	50,969	-	-	2,374,059	-	-	50,969	-	-
91 to 180 days	2,370,039	-	-	895,763	-	-	2,547,568	-	-	895,763	-	-
181 to 360 days	889,013	-	-	417,041	-	-	1,806,855	-	-	417,041	-	-
1 to 5 years	938,451	-	-	135,676	-	-	3,812,461	-	-	135,676	-	-
More than 5 years	-	-	-	-	-	-	435,760	-	-	-	-	-
Sales commitments	9,787,449	-	-	9,062,708	-	-	33,571,644	-	-	9,062,708	-	-
Up to 30 days	1,192,776	-	-	-	-	-	2,549,090	-	-	-	-	-
31 to 60 days	-	-	-	-	-	-	1,973,867	-	-	-	-	-
61 to 90 days	778,310	-	-	20,103	-	-	1,885,364	-	-	20,103	-	-
91 to 180 days	782,712	-	-	212,537	-	-	2,818,236	-	-	212,537	-	-
181 to 360 days	1,693,423	-	-	1,758,054	-	-	5,556,727	-	-	1,758,054	-	-
1 to 5 years	5,248,320	-	-	7,034,086	-	-	17,863,013	-	-	7,034,086	-	-
More than 5 years	91,908	-	-	37,928	-	-	925,347	-	-	37,928	-	-
Operações de Termo												
Termo de Títulos												
Asset position	37,760	37,760	37,760	86,170	86,170	86,170	90,026	38,158	38,158	86,170	86,170	86,170
Up to 30 days	37,760	37,760	37,760	86,170	86,170	86,170	37,760	37,760	37,760	86,170	86,170	86,170
31 to 60 days	-	-	-	-	-	-	52,266	397	397	-	-	-
Liability position	(37,762)	(37,762)	(37,762)	(86,182)	(86,182)	(86,182)	14,504	(37,981)	(37,981)	(86,182)	(86,182)	(86,182)
Up to 30 days	(37,762)	(37,762)	(37,762)	(86,182)	(86,182)	(86,182)	(37,762)	(37,762)	(37,762)	(86,182)	(86,182)	(86,182)
31 to 60 days	-	-	-	-	-	-	52,266	(219)	(219)	-	-	-
Currency futures												
Asset position	3,250,939	147,648	92,435	1,237,812	568,321	666,258	3,250,939	147,647	92,433	1,237,812	568,321	666,258
Up to 30 days	563,903	49,089	46,656	565,371	82,149	82,246	563,903	49,088	46,654	565,371	82,149	82,246
31 to 60 days	416,544	25,073	18,425	225,582	72,802	74,852	416,544	25,073	18,425	225,582	72,802	74,852
61 to 90 days	390,667	11,020	4,469	152,448	75,610	79,417	390,667	11,020	4,469	152,448	75,610	79,417
91 to 180 days	697,857	29,848	13,879	55,401	99,972	113,189	697,857	29,848	13,879	55,401	99,972	113,189
181 to 360 days	592,319	25,943	8,493	237,246	177,645	212,334	592,319	25,943	8,493	237,246	177,645	212,334
1 to 5 years	589,649	6,675	513	1,764	60,143	104,220	589,649	6,675	513	1,764	60,143	104,220
Liability position	3,492,376	(328,049)	(199,691)	3,713,839	(76,992)	(69,693)	3,492,376	(328,049)	(199,692)	3,713,839	(76,992)	(69,693)
Up to 30 days	1,035,288	(39,904)	(38,867)	659,542	(25,020)	(23,793)	1,035,288	(39,904)	(38,868)	659,542	(25,020)	(23,793)
31 to 60 days	792,696	(37,568)	(34,437)	376,961	(10,027)	(10,257)	792,696	(37,568)	(34,437)	376,961	(10,027)	(10,257)
61 to 90 days	449,921	(25,577)	(19,608)	415,269	(11,142)	(9,831)	449,921	(25,577)	(19,608)	415,269	(11,142)	(9,831)
91 to 180 days	789,453	(65,491)	(50,478)	617,835	(12,592)	(10,755)	789,453	(65,491)	(50,478)	617,835	(12,592)	(10,755)
181 to 360 days	356,863	(67,160)	(36,365)	1,029,508	(12,633)	(14,465)	356,863	(67,160)	(36,365)	1,029,508	(12,633)	(14,465)
1 to 5 years	68,155	(92,349)	(19,936)	614,724	(5,578)	(592)	68,155	(92,349)	(19,936)	614,724	(5,578)	(592)
Options market												
Sold position	348	4	5	3,335	106	1,190	8,471,551	222,805	194,375	7,260	364	1,787
Ações												
Up to 30 days	174	2	2	-	-	-	2,959,069	47,923	19,453	-	-	-
31 to 60 days	174	2	3	-	-	-	418,816	12,736	5,770	-	-	-
61 to 90 days	-	-	-	-	-	-	38,717	2,649	1,862	-	-	-
91 to 180 days	-	-	-	-	-	-	922,601	31,566	25,479	3,925	258	597
181 to 360 days	-	-	-	3,335	106	1,190	992,784	88,973	90,283	3,335	106	1,190
1 to 5 years	-	-	-	-	-	-	3,139,564	38,958	51,528	-	-	-
For sale position	(1,346,844)	(1,287,324)	(1,357,383)	(1,134,671)	(1,064,528)	(1,075,655)	(14,612,454)	(3,077,020)	(3,118,028)	(1,130,746)	(1,064,786)	(1,076,252)
Ações												
Up to 30 days	(187,614)	(169,306)	(176,673)	(399,746)	(372,479)	(373,017)	(3,974,802)	(209,574)	(190,403)	(399,746)	(372,479)	(373,017)
31 to 60 days	(202,190)	(200,699)	(209,968)	(455,404)	(454,103)	(459,844)	(693,525)	(205,018)	(212,523)	(455,404)	(454,103)	(459,844)
61 to 90 days	(395,547)	(370,200)	(390,442)	(246,163)	(216,204)	(218,634)	(465,958)	(370,976)	(390,884)	(246,163)	(216,204)	(218,634)

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R\$ Thousand

By Maturity	Banco do Brasil						BB-Consolidated					
	12.31.2009			12.31.2008			12.31.2009			12.31.2008		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
91 to 180 days	(185,246)	(173,850)	(185,940)	(10,190)	(136)	(15)	(1,719,300)	(475,673)	(486,597)	(6,265)	(394)	(612)
181 to 360 days	(368,828)	(366,226)	(385,434)	(1,668)	(106)	(64)	(1,541,899)	(452,624)	(463,897)	(1,668)	(106)	(64)
1 to 5 years	(7,419)	(7,043)	(8,926)	(21,500)	(21,500)	(24,081)	(6,216,970)	(1,363,155)	(1,373,724)	(21,500)	(21,500)	(24,081)
Swap contracts												
Assets	5,789,647	495,928	493,185	5,652,791	1,287,659	1,289,961	10,490,970	776,937	880,677	5,602,939	1,286,881	1,288,469
Up to 30 days	816,923	214,905	214,444	986,439	320,743	319,969	964,466	244,138	243,529	985,354	320,701	319,924
31 to 60 days	215,593	7,779	7,516	460,599	111,237	112,415	464,018	19,492	25,478	460,599	111,237	112,415
61 to 90 days	558,971	27,267	27,584	269,482	77,926	78,324	646,323	29,286	30,674	269,482	77,926	78,324
91 to 180 days	663,783	78,798	78,396	1,027,706	243,045	264,508	1,191,456	125,483	141,899	1,027,706	243,045	264,508
181 to 360 days	1,245,192	27,944	26,921	1,001,533	347,869	346,546	2,918,254	125,691	181,151	969,216	347,661	346,119
1 to 5 years	2,071,635	137,884	132,812	1,907,032	186,839	168,199	3,785,155	325,339	346,002	1,890,582	186,311	167,179
5 to 10 years	217,550	1,351	5,512	-	-	-	640,360	26,570	30,867	-	-	-
Liabilities	8,422,593	(486,871)	(501,249)	23,655,535	(2,194,280)	(2,205,395)	14,218,331	(1,031,067)	(1,108,800)	23,649,348	(2,189,790)	(2,200,895)
Up to 30 days	1,440,843	(203,263)	(203,127)	1,479,211	(353,813)	(353,575)	1,657,485	(167,572)	(174,522)	1,479,211	(349,323)	(349,085)
31 to 60 days	573,491	(42,821)	(41,817)	7,859,415	(235,624)	(237,966)	942,997	(55,939)	(56,458)	7,859,415	(235,624)	(237,966)
61 to 90 days	343,006	(15,017)	(13,925)	506,314	(83,172)	(83,537)	662,929	(19,996)	(19,477)	506,314	(83,172)	(83,537)
91 to 180 days	1,282,452	(54,090)	(50,605)	2,145,810	(435,811)	(440,736)	1,619,461	(93,790)	(90,800)	2,145,810	(435,811)	(440,736)
181 to 360 days	2,649,000	(82,720)	(82,039)	6,679,606	(445,252)	(449,560)	3,748,092	(181,053)	(185,531)	6,679,606	(445,252)	(449,560)
1 to 5 years	2,003,271	(89,325)	(105,868)	4,751,559	(629,955)	(628,846)	5,233,890	(506,755)	(556,297)	4,745,372	(629,955)	(628,836)
5 to 10 years	130,530	365	(3,868)	233,620	(10,653)	(11,175)	353,480	(5,962)	(25,715)	233,620	(10,653)	(11,175)
Others Securities												
Assets	8,089,892	150,715	144,252	2,220,305	220,971	234,000	9,053,091	245,071	238,952	2,194,066	220,541	233,354
Up to 30 days	2,258,411	28,867	25,878	1,188,886	26,567	34,168	2,483,818	37,581	34,936	1,162,647	26,137	33,522
31 to 60 days	951,439	25,822	24,574	243,400	15,985	18,751	1,410,188	56,634	55,386	243,400	15,985	18,751
61 a 90 dias	3,309,171	54,985	53,900	488,990	26,679	28,367	3,316,649	55,792	54,707	488,990	26,679	28,367
91 a 180 dias	570,194	29,634	28,650	80,003	127,725	127,913	655,529	31,990	31,006	80,003	127,725	127,913
181 to 360 days	390,176	2,741	2,584	81,085	9,757	10,650	451,178	4,466	4,309	81,085	9,757	10,650
1 to 5 years	540,683	8,387	8,387	137,941	14,258	14,151	665,911	58,329	58,329	137,941	14,258	14,151
5 to 10 years	69,818	279	279	-	-	-	69,818	279	279	-	-	-
Liabilities	7,297,615	(47,316)	(47,921)	3,766,287	(375,054)	(400,849)	8,496,336	(105,199)	(105,832)	3,765,836	(374,955)	(400,752)
Up to 30 days	951,444	(4,142)	(4,258)	476,257	(113,352)	(117,932)	1,515,405	(11,490)	(11,632)	475,864	(113,255)	(117,836)
31 to 60 days	49,361	(1,878)	(1,802)	631,655	(48,921)	(53,072)	134,164	(3,888)	(3,812)	631,655	(48,921)	(53,072)
61 to 90 days	842,354	(5,341)	(5,235)	893,507	(49,211)	(52,048)	1,030,640	(24,986)	(24,880)	893,507	(49,211)	(52,048)
91 to 180 days	1,534,281	(8,189)	(8,202)	1,260,195	(143,280)	(155,193)	1,651,684	(17,047)	(17,061)	1,260,195	(143,280)	(155,193)
181 to 360 days	1,281,570	(19,334)	(19,891)	266,617	(7,162)	(9,476)	1,457,563	(34,732)	(35,290)	266,559	(7,160)	(9,475)
1 to 5 years	2,638,605	(8,432)	(8,533)	237,244	(13,078)	(13,078)	2,706,880	(13,056)	(13,157)	237,244	(13,078)	(13,078)
5 to 10 years	-	-	-	812	(50)	(50)	-	-	-	812	(50)	(50)

Breakdown of the credit derivatives portfolio

R\$ Thousand

	Banco do Brasil				BB-Consolidado			
	12.31.2009		12.31.2008		12.31.2009		12.31.2008	
	Notional value	Market value	Notional value	Market value	Notional value	Market value	Notional value	Market value
Asset position - Transferred risk								
Credit swaps - Derivatives with Banks	-	-	-	-	4,460,954	18,489	-	-
Liability position - Received risk								
Credit swaps - Derivatives with Banks	-	-	-	-	4,775,870	(112,926)	-	-

Breakdown of margin given as guarantee for transactions with derivative financial instruments

R\$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Government bonds				
LFT	589,281	967,531	594,669	967,531
NTN	–	–	755,078	–
LTN	–	–	203,261	–
Foreign Government bonds	–	–	544,018	–
Outros	–	–	4,410	–
Total	589,281	967,531	2,101,436	967,531

Breakdown of the portfolio of derivatives designated as market risk hedge

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market in the amount R\$ 350 million, contracted derivative operations in the form of currency and interest rate swaps (Cross Currency Interest Rate Swaps), with the same volume, term and interest rates. The hedge was assessed as effective at December 31, 2009, in accordance with the provisions of Central Bank Circular 3082 dated January 30, 2002, which require evidence of hedge effectiveness between 80% and 125%. The breakdown of the portfolio is as follows:

R\$ Thousand

By index	Banco do Brasil						BB-Consolidated						
	12.31.2009			12.31.2008			12.31.2009			12.31.2008			
Counterparty	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	
Over-the-counter trading													
Swap contracts													
Liability position	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)	
Foreign currency and interest	IF	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)

Counterparty: (IF) Financial Institution.

R\$ Thousand

By maturity	Banco do Brasil						BB-Consolidated					
	12.31.2009			12.31.2008			12.31.2009			12.31.2008		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
Swap contracts												
Liabilities	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)
5 to 10 years	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)	350,000	28,441	(40,777)	350,000	(86,825)	(61,286)

Derivative financial instruments divided into current and long-term

R\$ Thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2009		12.31.2008		12.31.2009		12.31.2008	
	Current	Long-term	Current	Long-term	Current	Long-term	Current	Long-term
ASSETS								
Forward operations	129,682	513	648,208	104,220	130,078	513	648,208	104,220
Options market	5	–	1,190	–	142,847	51,528	1,787	–
Swap contracts	354,861	138,324	1,121,762	168,199	622,871	257,806	1,121,290	167,179
Forward contracts	135,586	8,666	219,849	14,151	180,344	58,608	219,203	14,151
Credit swaps	–	–	–	–	5,398	13,091	–	–
Total	620,134	147,503	1,991,009	286,570	1,081,538	381,546	1,990,488	285,550

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R\$ Thousand

	Banco do Brasil				BB-Consolidated.			
	12.31.2009		12.31.2008		12.31.2009		12.31.2008	
	Current	Long-term	Current	Long-term	Current	Long-term	Current	Long-term
LIABILITIES								
Forward operations	(217,517)	(19,936)	(155,283)	(592)	(217,737)	(19,936)	(155,283)	(592)
Options market	(1,348,457)	(8,926)	(1,051,574)	(24,081)	(1,744,304)	(1,373,724)	(1,052,171)	(24,081)
Swap contracts	(391,513)	(109,736)	(1,565,374)	(640,021)	(526,788)	(582,012)	(1,560,884)	(640,011)
Forward contracts	(39,388)	(8,533)	(387,721)	(13,128)	(92,675)	(13,157)	(387,624)	(13,128)
Credit swaps	-	-	-	-	(35,507)	(77,419)	-	-
Hedge Derivatives	-	(40,777)	-	(61,286)	-	(40,777)	-	(61,286)
Total	(1,996,875)	(187,908)	(3,159,952)	(739,108)	(2,617,011)	(2,107,025)	(3,155,962)	(739,098)

e) Results from Derivatives

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Swap	(156,468)	312,220	(1,534,085)	(211,023)	255,337	(1,535,054)
Forward	55,319	(307,275)	784,650	59,418	(303,176)	784,650
Options	(68,271)	(145,104)	(77,751)	(80,831)	(157,663)	(77,751)
Future	(327,480)	(777,459)	41,235	(263,957)	(713,936)	41,235
Derivatives	-	-	29	3,579	3,579	29
Others	(172,546)	(262,066)	(497,053)	(217,308)	(306,762)	(496,389)
Total	(669,446)	(1,179,684)	(1,282,975)	(710,122)	(1,222,621)	(1,283,280)

f) Equity Valuation Adjustment – Securities and Derivatives recognized in the Stockholders' equity

R\$ Thousand

Semester	2009			2008		
	06.30.2009 Balance	Net change in the semester	12.31.2009 Balance	06.30.2008 Balance	Net change in the semester	12.31.2008 Balance
Securities available for sale						
Bank	31,380	(89,281)	(57,901)	(128,143)	78,289	(49,854)
Affiliates and subsidiaries	180,529	125,729	306,258	130,714	86,752	217,466
Tax effects	4,338	17,469	21,807	55,420	(24,303)	31,117
Total	216,247	53,917	270,164	57,991	140,738	198,729

Period	2009			2008		
	12.31.2008 Balance	Net change in the period	12.31.2009 Balance	12.31.2007 Balance	Net change in the period	12.31.2008 Balance
Securities available for sale						
Bank	(49,854)	(8,047)	(57,901)	39,099	(88,953)	(49,854)
Affiliates and subsidiaries	217,466	88,792	306,258	399,395	(181,929)	217,466
Tax effects	31,117	(9,310)	21,807	(88,692)	119,809	31,117
Total	198,729	71,435	270,164	349,802	(151,073)	198,729

9 – Interbank - Credit Linked

a) Credit Linked

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Credit Linked				
Compulsory reserves – resources	11,878,270	12,435,864	11,919,022	12,439,265
Mandatory payment – savings account	11,941,112	8,285,370	11,941,112	8,285,370
Mandatory payment – funds from farm loans	204,008	–	204,008	–
SFH – Housing Finance System	1,635,416	61,217	1,635,416	61,217
Mandatory payment – funds from microfinance	143,711	81,472	215,625	136,633
National Treasury – Rural Credit	148,157	10,826	148,157	10,826
Mandatory payment – additional liabilities ⁽¹⁾	–	20,856	–	20,856
Total	25,950,674	20,895,605	26,063,340	20,954,167
Current assets	25,950,674	20,895,605	26,063,340	20,954,167
Non current assets	–	–	–	–

(1) As Bacen Circular 3426/2008, was amended in order to comply with the requirement for additional in-kind due to additional federal government securities.

b) Income on Compulsory Deposits

	R\$ mil					
	Banco Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Income Credit Linked to Central Bank ⁽¹⁾	306,040	628,865	1,906,576	368,164	730,210	1,906,576
Savings Bank gold Circular No. 3093/2002	–	–	1,163,981	–	–	1,163,981
Additional requirement CMN Resolution No. 3607/2008	2,668	27,216	–	2,668	27,216	–
Additional requirement Circular Letter No. 3144/2002	303,372	601,649	740,445	303,372	601,649	740,445
Other	–	–	2,150	62,124	101,345	2,150
Income Credit Linked	9,090	9,113	19	49,336	74,603	19
Income Credit Linked to Rural Credit	9,946	11,281	3,207	9,946	11,281	3,207
Devaluation Credit Linked	967	970	–	161	179	–
Total	326,043	650,229	1,909,802	427,607	816,273	1,909,802

(1) As of 12.01.2008, the additional chargeability became linked to the federal public as Circular No. 3419/2008.

10 – Loans

a) Breakdown of the Loan Portfolio, Leasing and Loans Classified as “Other Receivables”

	R\$ Thousand			
	Bando do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Loans	242,842,464	189,692,175	261,783,097	190,881,563
Loans and bills discounted	124,255,540	84,912,155	129,828,585	85,249,181
Financing	67,023,572	53,988,308	80,858,134	54,983,289
Rural and agribusiness financing	66,887,223	63,682,917	67,166,529	63,682,917
Real estate financing	1,610,578	145,261	1,610,578	145,261
Securities Financing	–	653	–	–
Financing of Infrastructure and development	3,930	–	3,930	–
(Allowance for loan losses)	(16,938,379)	(13,037,119)	(17,684,659)	(13,179,085)
Other receivables with loan characteristics	15,378,421	17,061,138	15,727,764	17,129,398
Advances on foreign exchange contracts	7,967,810	11,142,855	8,192,660	11,142,855
Credit card operations	7,747,968	6,022,594	7,747,968	6,022,594
Guarantees honored	88,322	71,173	90,972	71,173
Sundry	247,848	403,212	397,675	471,619
(Provision for other losses)	(673,528)	(578,696)	(701,511)	(578,843)
Lease operations	60,775	54,105	4,700,563	2,967,571
Lease operations	60,775	54,105	4,931,773	3,038,702
(Allowance for lease losses)	–	–	(231,210)	(71,131)
Total	<u>258,281,659</u>	<u>206,807,418</u>	<u>282,211,424</u>	<u>210,978,532</u>

b) Loan and lease operations income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Loan Income	19,178,139	36,425,296	33,031,551	22,050,178	40,515,241	33,220,577
Loans and bills discounted	11,612,368	21,838,644	19,716,324	13,663,735	25,024,527	19,843,626
Financing	3,298,882	6,393,804	5,385,169	3,928,203	7,027,890	5,381,054
Rural and agribusiness financing	2,330,238	4,614,922	4,602,191	2,363,679	4,662,144	4,602,191
Recovery of loans and lowered injury (Note 10.j)	1,443,921	2,576,780	1,703,866	1,533,294	2,691,780	1,714,384
Advances on foreign exchange contracts	173,957	350,157	313,415	198,146	374,347	313,415
Guarantees honored	4,009	8,700	7,753	4,105	8,796	7,753
Other	314,764	642,289	1,302,833	359,016	725,757	1,358,154
Lease Operations Income	25,359	50,880	54,241	1,321,716	2,310,112	1,165,857
Total	<u>19,203,498</u>	<u>36,476,176</u>	<u>33,085,792</u>	<u>23,371,894</u>	<u>42,825,353</u>	<u>34,386,434</u>

c) Breakdown of the Loan Portfolio by Sector, Including Operations with Loan Characteristics Classified as “Other Receivables”

R\$ Thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2009	%	12.31.2008	%	12.31.2009	%	12.31.2008	%
PUBLIC SECTOR	6,234,130	2.3	3,921,827	1.8	6,388,065	2.1	4,040,429	1.8
Government	2,716,210	1.0	2,736,429	1.2	2,716,210	0.9	2,753,911	1.2
Direct administration	2,556,027	0.9	2,672,853	1.2	2,556,027	0.8	2,690,335	1.2
Indirect administration	160,183	0.1	63,576	0.0	160,183	0.1	63,576	0.0
Business entities	3,517,920	1.3	1,185,398	0.6	3,671,855	1.2	1,286,518	0.6
BB Group	4,405	–	8,183	–	–	–	–	–
Industry	2,046,213	0.7	818,092	0.4	2,126,049	0.6	925,509	0.4
Commerce	185	–	9,758	–	185	–	9,758	–
Financial services	151,226	0.1	340,716	0.2	151,288	0.1	342,602	0.2
Other services	1,313,488	0.5	8,649	–	1,391,930	0.5	8,649	–
Housing Companies	2,403	–	–	–	2,403	–	–	–
PRIVATE SECTOR	269,659,436	97.7	216,501,406	98.2	294,440,739	97.9	220,767,162	98.2
Rural	54,489,403	19.8	51,009,253	23.1	54,768,700	18.3	51,009,253	22.7
Industry	79,466,709	28.8	70,557,500	32.0	84,798,895	28.2	71,909,303	32.0
Commerce	30,881,818	11.2	24,393,053	11.1	32,175,132	10.7	24,990,952	11.1
Financial services	1,044,364	0.4	732,671	0.3	1,010,506	0.3	742,646	0.3
Private Individuals	66,367,114	24.0	40,285,308	18.3	81,295,241	27.0	41,628,501	18.5
Housing	1,456,778	0.5	62,905	0.0	1,456,778	0.5	62,905	–
Other services	35,953,250	13.0	29,460,716	13.4	38,935,487	12.9	30,423,602	13.6
Total	275,893,566	100.0	220,423,233	100.0	300,828,804	100.0	224,807,591	100.0

d) Loan portfolio by risk level and maturity, including operations with loan characteristics classified as “Other receivables”

R\$ Thousand

	Banco do Brasil Performing loans									12.31.2009	12.31.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	4,940,857	11,179,163	3,918,003	1,400,495	475,774	93,498	26,126	13,108	99,224	22,146,248	19,463,634
31 to 60	4,582,235	6,674,969	3,341,031	1,010,521	351,167	45,515	19,353	15,101	130,549	16,170,441	11,745,619
61 to 90	5,387,406	3,701,123	3,147,673	741,745	247,657	32,147	11,273	6,613	43,522	13,319,159	9,643,234
91 to 180	9,358,054	9,817,904	8,684,700	3,051,470	771,026	128,077	42,276	27,068	172,355	32,052,930	27,102,936
181 to 360	8,276,747	14,963,224	15,269,775	5,796,120	1,595,967	225,601	77,294	48,199	374,271	46,627,198	41,546,532
Over 360	35,942,947	33,912,103	40,854,490	11,096,982	3,838,144	986,854	399,041	269,579	1,967,174	129,267,314	97,361,538
Installments overdue											
Up to 14 days	106,545	168,656	109,648	94,922	45,107	15,672	9,139	4,990	23,169	577,848	522,747
Others ⁽¹⁾	2,643,182	–	–	–	–	–	–	–	–	2,643,182	4,097,480
Subtotal	71,237,973	80,417,142	75,325,320	23,192,255	7,324,842	1,527,364	584,502	384,658	2,810,264	262,804,320	211,483,720

Banco do Brasil S.A.
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R\$ Thousand

Non-performing loans											
										12.31.2009	12.31.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	–	–	166,265	191,183	152,267	150,444	131,306	113,404	865,627	1,770,496	1,449,243
31 to 60	–	–	35,886	40,320	44,417	32,994	28,392	26,602	143,308	351,919	268,283
61 to 90	–	–	25,493	32,503	30,144	29,031	26,214	21,872	125,742	290,999	223,901
91 to 180	–	–	67,713	90,026	91,523	92,902	76,681	64,259	388,011	871,115	723,680
181 to 360	–	–	120,344	177,650	188,287	172,251	144,788	131,877	727,077	1,662,274	1,144,202
Over 360	–	–	176,938	516,682	483,078	409,635	315,493	270,610	1,580,550	3,752,986	2,462,591
Installments overdue											
01 to 14	–	–	9,942	14,762	13,751	12,804	9,529	8,063	46,296	115,147	98,594
15 to 30	–	73	105,728	55,865	68,155	38,809	21,637	19,089	113,118	422,474	407,421
31 to 60	–	–	6,500	113,787	73,471	64,967	44,798	37,050	196,385	536,958	445,785
61 to 90	–	–	115	7,200	94,932	62,210	49,073	39,458	212,105	465,093	369,180
91 to 180	–	–	165	2,621	14,112	120,211	163,672	176,668	768,354	1,245,803	749,479
181 to 360	–	–	30	–	–	21,526	1,301	1,844	1,563,809	1,588,510	568,448
Over 360	–	–	–	–	–	–	–	–	15,472	15,472	28,706
Subtotal	–	73	715,119	1,242,599	1,254,137	1,207,784	1,012,884	910,796	6,745,854	13,089,246	8,939,513
Total	71,237,973	80,417,215	76,040,439	24,434,854	8,578,979	2,735,148	1,597,386	1,295,454	9,556,118	275,893,566	220,423,233

R\$ Thousand

BB-Consolidated Performing loans											
										12.31.2009	12.31.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	5,182,708	11,932,372	4,145,532	1,480,850	494,084	94,547	26,520	21,587	108,701	23,486,901	19,610,006
31 to 60	4,816,427	7,265,280	3,492,871	1,072,458	364,873	46,628	19,614	15,303	131,756	17,225,210	11,868,669
61 to 90	5,522,058	4,241,845	3,282,567	779,839	261,923	33,171	11,496	6,791	44,861	14,184,551	9,796,709
91 to 180	9,719,264	11,395,020	8,949,859	3,121,802	801,362	131,029	42,925	27,568	175,441	34,364,270	27,473,144
181 to 360	8,816,843	17,693,672	15,793,768	5,910,012	1,643,794	230,758	78,407	48,999	379,617	50,595,870	42,152,931
Over 360	38,700,816	42,410,870	42,274,021	11,333,042	3,990,800	1,047,077	402,143	272,049	2,073,226	142,504,044	100,157,767
Installments overdue											
Up to 14 days	106,549	175,758	110,142	95,395	46,054	15,843	9,178	5,009	23,254	587,182	524,646
Other⁽¹⁾	2,643,182	–	–	–	–	–	–	–	–	2,643,182	4,097,480
Subtotal	75,507,847	95,114,817	78,048,760	23,793,398	7,602,890	1,599,053	590,283	397,306	2,936,856	285,591,210	215,681,352

(1) Operations with third party risk tied to Government Funds and Programs, mainly Pronaf, Procefa, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R\$ 165 million, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

Banco do Brasil S.A.
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For the years ended December 31, 2008 and 2009

R\$ Thousand

Non-performing loans											
										12.31.2009	12.31.2008
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
Installments falling due											
01 to 30	–	–	201,137	214,026	165,056	158,231	137,528	118,932	894,212	1,889,122	1,453,400
31 to 60	–	–	66,072	58,305	53,176	37,535	31,842	31,238	156,287	434,455	272,440
61 to 90	–	–	52,583	48,994	38,342	33,005	29,339	24,464	137,302	364,029	227,416
91 to 180	–	–	145,347	135,508	113,765	104,110	87,080	75,901	420,575	1,082,286	733,880
181 to 360	–	–	253,549	253,546	226,243	191,842	160,026	145,819	783,488	2,014,513	1,161,785
Over 360	–	–	495,091	694,808	575,417	461,655	358,736	345,535	1,700,912	4,632,154	2,595,579
Installments overdue											
01 to 14	–	–	12,958	23,189	17,836	14,585	10,846	9,107	51,567	140,088	99,854
15 to 30	–	73	138,799	65,881	72,519	41,368	23,487	25,969	120,932	489,028	410,007
31 to 60	–	–	13,807	144,895	82,899	69,421	48,255	40,028	209,912	609,217	448,407
61 to 90	–	–	115	11,874	105,488	66,855	55,799	47,802	225,377	513,310	370,989
91 to 180	–	–	165	4,163	19,154	128,339	172,639	200,925	810,813	1,336,198	752,798
181 to 360	–	–	30	–	–	37,152	8,662	17,294	1,640,310	1,703,448	570,955
Over 360	–	–	–	–	–	–	–	–	29,746	29,746	28,729
Subtotal	–	73	1,379,653	1,655,189	1,469,895	1,344,098	1,124,239	1,083,014	7,181,433	15,237,594	9,126,239
Total	75,507,847	95,114,890	79,428,413	25,448,587	9,072,785	2,943,151	1,714,522	1,480,320	10,118,289	300,828,804	224,807,591

e) Allowance for loan losses by risk level, including operations with loan characteristics classified as “Other receivables”

R\$ Thousand

Banco do Brasil							
12.31.2009				12.31.2008			
Level of Risk	% Provision	Value of loans	Value of allowance	Additional ⁽¹⁾ allowance	Total allowance	Value of loans	Value of allowance
AA	0	71,237,973	–	–	–	62,931,745	–
A	0.5	80,417,215	402,086	537,279	939,365	41,934,746	209,673
B	1	76,040,439	760,404	138,278	898,682	70,889,768	708,898
C	3	24,434,854	733,046	165,229	898,275	24,155,373	724,661
D	10	8,578,979	857,898	269,590	1,127,488	7,951,963	795,196
E	30	2,735,148	820,544	882,156	1,702,700	2,969,718	890,915
F	50	1,597,386	798,693	481,568	1,280,261	1,230,378	615,189
G	70	1,295,454	906,818	302,200	1,209,018	1,416,260	991,382
H	100	9,556,118	9,556,118	–	9,556,118	6,943,282	6,943,282
Subtotal		275,893,566	14,835,607	2,776,300	17,611,907	220,423,233	11,879,196
Additional allowance abroad		–	–	–	–	–	29,435
Additional allowance in Brazil		–	–	–	–	–	1,707,184
Total		275,893,566	14,835,607	2,776,300	17,611,907	220,423,233	13,615,815

R\$ Thousand

BB-Consolidated							
12.31.2009				12.31.2008			
Level of Risk	% Provision	Value of loans	Value of allowance	Additional ⁽¹⁾ allowance	Total allowance	Value of loans	Value of allowance
AA	0	75,507,847	–	–	–	63,857,947	–
A	0.5	95,114,890	475,574	543,045	1,018,619	42,669,500	213,347
B	1	79,428,413	794,284	138,278	932,562	72,996,665	729,966
C	3	25,448,587	763,458	165,229	928,687	24,403,040	732,091
D	10	9,072,785	907,279	269,590	1,176,869	8,151,466	815,147
E	30	2,943,151	882,945	882,156	1,765,101	2,988,363	896,509
F	50	1,714,522	857,261	481,568	1,338,829	1,237,927	618,964
G	70	1,480,320	1,036,225	302,199	1,338,424	1,421,482	995,037
H	100	10,118,289	10,118,289	–	10,118,289	7,081,201	7,081,201
Subtotal		300,828,804	15,835,315	2,782,065	18,617,380	224,807,591	12,082,262
Additional allowance abroad		–	–	–	–	–	39,497
Additional allowance in Brazil		–	–	–	–	–	1,707,300
Total		300,828,804	15,835,315	2,782,065	18,617,380	224,807,591	13,829,059

(1) Refers to the additional provision to the minimum required by CMN Resolution No. 2682/1999, up from the experience of management, by simulation on the loan portfolio, considering the history of default of operations in accordance with the good banking practice. It aims to cover variations in unexpected losses, due to the expectation of an increase in default rates due to reflections of the worsening global economic and financial crisis, as well as other events not fully captured by the model's risk classification.

f) Changes in the allowance for doubtful loans, doubtful lease receivable and other doubtful receivables, with loan characteristics

R\$ Thousand

Banco do Brasil							
	2S2009			2009			2008
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	13,499,424	2,753,355	16,252,779	11,879,197	1,736,618	13,615,815	10,167,306
Provision/(reversal)	5,600,117	(264,435)	5,335,682	10,575,447	752,302	11,327,749	8,463,646
Exchange variation on allowances - foreign	(10,232)	–	(10,232)	(28,397)	–	(28,397)	12,074
Compensation as losses	(5,225,749)	–	(5,225,749)	(8,562,687)	–	(8,562,687)	(5,027,211)
Added Values ⁽¹⁾	972,047	287,380	1,259,427	972,047	287,380	1,259,427	–
Closing balance	14,835,607	2,776,300	17,611,907	14,835,607	2,776,300	17,611,907	13,615,815

R\$ Thousand

BB-Consolidated							
	2S2009			2009			2008
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	14,891,673	2,867,342	17,759,015	12,082,262	1,746,797	13,829,059	10,313,369
Provision/(reversal)	6,049,591	(85,277)	5,964,314	11,381,078	927,629	12,308,707	8,519,170
Exchange variation on allowances - foreign	(22,945)	–	(22,945)	(61,045)	–	(61,045)	47,243
Compensation as losses	(5,779,183)	–	(5,779,183)	(9,273,388)	–	(9,273,388)	(5,050,723)
Added Values ⁽¹⁾	696,179	–	696,179	1,706,408	107,639	1,814,047	–
Closing balance	15,835,315	2,782,065	18,617,380	15,835,315	2,782,065	18,617,380	13,829,059

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa occurred in March 2009 and participation in Banco Votorantim occurred in September 2009.

g) Changes in the allowance for other doubtful receivables, without loan characteristics

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Opening balance	939,568	769,198	574,171	1,023,190	797,869	585,295
Provision/(reversal)	(85,666)	86,711	87,204	(86,972)	87,554	86,638
Exchange variation on allowances - foreign	(163)	(969)	1,094	(163)	(969)	1,094
Compensation as losses / Other settings	(470)	(1,671)	106,729	9,498	(1,732)	111,771
Added values ⁽¹⁾	56,361	56,361	–	34,718	97,549	13,071
Closing balance	909,630	909,630	769,198	980,271	980,271	797,869

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa occurred in March 2009, participation in Banco Votorantim occurred in September 2009 and the inclusion of non-financial enterprises consolidated in March 2008.

h) Leasing portfolio by maturity

R\$ Thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Up 1 year ⁽¹⁾	23,195	38,976	1,975,351	1,266,736
1 to 5 Years	37,580	15,129	2,939,741	1,729,174
Over 5 years	–	–	16,681	42,792
Total Present Value	60,775	54,105	4,931,773	3,038,702

(1) Includes amounts related to installments overdue.

i) Income from Leasing Operations

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Lease revenue	25,359	50,880	54,241	1,321,716	2,310,112	1,165,857
Leasing	25,359	50,880	54,228	1,321,192	2,308,530	1,163,336
Operating leases	–	–	13	524	1,582	2,521
Lease expenses	(22,015)	(44,342)	(46,577)	(961,050)	(1,663,342)	(852,352)
Leasing	(22,015)	(44,342)	(46,573)	(953,506)	(1,646,300)	(838,143)
Operating leases	–	–	(4)	(300)	(909)	(1,658)
Loss on disposal of leased assets	–	–	–	(6,964)	(15,542)	(11,597)
Other costs of leases	–	–	–	(280)	(591)	(954)
Total	3,344	6,538	7,664	360,666	646,770	313,505

j) Supplementary information

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Renegotiated loans	10,732,892	20,127,897	13,243,677	10,859,356	20,355,896	13,245,325
Recovery of loans written off as loss ⁽¹⁾	1,443,921	2,576,780	1,703,866	1,533,294	2,691,780	1,714,384

(1) Recorded in income in Revenue from Loans, pursuant to CMN Resolution 2836/2001. Of this total, in 2009, R\$ 57,571 thousand (book value - R\$ 39,011 thousand) refer to loans cession to individuals and corporate entities. In 2008, these amounts totaled R\$ 64,286 thousand (book value - R\$ 39,732 thousand).

11 – Other Receivables

a) Specific credits

These are credits from the Federal Treasury of R\$ 931,845 thousand (R\$845,887 thousand at December 31, 2008) for the extension of terms of rural financing as determined by Law 9138/1995.

b) Sundry

	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Tax credit (note 26.a)	20,206,935	16,071,248	21,909,801	16,499,482
Sundry debtors from escrow deposits ⁽¹⁾	20,076,982	17,004,869	21,209,340	18,006,940
Actuarial Assets CVM 371(Note 28.g)	12,655,345	7,793,671	12,655,345	7,793,671
Notes and credits receivable - credit card operations ⁽²⁾	7,911,276	6,130,646	7,911,276	6,130,646
Income tax and social contribution on net income to offset	6,802,424	3,529,824	7,407,346	3,972,656
Notes and credits receivable - other	4,413,235	2,216,543	7,084,658	2,911,852
Sundry debtors - Brazil	2,342,653	2,058,195	2,722,568	1,809,367
Parity Fund Assets (Note 28g)	1,778,366	2,195,802	1,778,366	2,195,802
Advances to Credit Guarante or Fund (FGC)	955,693	1,063,035	955,693	1,063,035
Notes and credits receivable - Federal Treasury	793,727	374,904	793,727	374,904
Advances on and prepayment of salaries	222,970	206,579	229,878	216,876
Purchase of assets receivable	223,576	293,352	223,577	293,355
Sundry debtors - foreign	30,938	41,685	32,383	41,983
Other	364,951	385,063	399,446	314,054
Total	78,779,071	59,365,416	85,313,404	61,624,623
Current Assets	27,747,561	19,854,665	31,167,511	20,799,150
Non Current Assets	51,031,510	39,510,751	54,145,893	40,825,473

(1) Includes value of R\$ 11,752,804 thousand (R\$ 10,998,898 thousand on 12.31.2008) in BB-bank and the BB-Consolidated, referring to judicial deposits related to the lawsuit of income tax and social contribution (Note 25.C). It also includes the value of R\$ 8,266,094 thousand (R\$ 5,807,327 thousand on 12.31.2008) on BB bank and R\$ 9,392,161 thousand (R\$ 6,804,880 thousand at 31.12.2008) in BB Consolidated, referring to security deposit requirements for labor, civil and tax (Note 31.c).

(2) Includes the installments falling due on credit card purchases in installments payable to shopkeepers, in the amount of R\$ 3,398,166 thousand (R\$ 2,661,833 thousand at December 31, 2008).

12 – Foreign exchange portfolio

a) Breakdown

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Assets				
Other Receivables	8,480,791	20,913,621	8,671,052	20,913,621
Forward foreign exchange purchases pending settlement	7,911,582	16,683,836	8,077,670	16,683,836
Bills of exchange and time drafts in foreign currency	79,758	104,101	79,758	104,101
Receivables from sales of foreign exchange	12,353,989	10,012,642	12,379,924	10,012,642
(Advances received in local currency)	(12,034,235)	(6,115,676)	(12,046,972)	(6,115,676)
Foreign currency receivables	5,629	7,348	5,629	7,348
Income receivable on advances granted and financed imports	164,068	221,370	175,043	221,370
Current Assets	8,480,791	20,913,621	8,671,052	20,913,621

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	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Liabilities				
Other liabilities	12,106,915	15,870,660	12,173,988	15,964,485
Forward foreign exchange sales pending settlement	11,372,666	12,317,084	11,398,606	12,317,084
Financed imports - contracted exchange	(11,026)	(14,623)	(23,585)	(14,623)
Foreign exchange purchase liabilities	8,465,559	14,388,411	8,658,303	14,388,411
(Advances on foreign exchange contracts)	(7,737,233)	(10,838,585)	(7,938,549)	(10,838,585)
Foreign currency payables	11,025	14,408	73,289	108,233
Unearned income on advances granted	5,924	3,965	5,924	3,965
Current Liabilities	12,106,915	15,870,660	12,173,988	15,964,485
Foreign exchange portfolio, net	(3,626,124)	5,042,961	(3,502,936)	4,949,136
Memorandum accounts				
Credit opened for imports	1,513,521	741,775	1,524,184	741,944
Confirmed export credit	351,645	266,261	353,947	267,676

b) Foreign exchange results

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Foreign exchange income	3,412,124	8,131,691	11,124,317	3,680,090	8,417,821	11,144,993
Foreign exchange expenses	(2,772,056)	(7,472,970)	(10,654,553)	(3,009,057)	(7,731,904)	(10,680,839)
Foreign exchange results	<u>640,068</u>	<u>658,721</u>	<u>469,764</u>	<u>671,033</u>	<u>685,917</u>	<u>464,154</u>

13 – Other Assets

a) Assets not for use / Others

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Assets in special regime	160,705	172,079	160,998	172,372
Buildings	80,073	51,619	80,507	51,301
Vehicles	612	765	51,281	20,743
Material in stock	19,217	19,319	40,705	47,579
Property	18,787	544	18,787	544
Machinery and Equipment	7,400	11,656	8,174	12,431
Others	3,416	3,249	3,537	3,359
Subtotal Other Assets	290,210	259,231	363,989	308,329
(Provision for devaluations)	(166,105)	(154,360)	(175,968)	(170,297)
Total	<u>124,105</u>	<u>104,871</u>	<u>188,021</u>	<u>138,032</u>
Current Assets	124,105	104,871	188,021	138,032

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b) Prepaid Expenses

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Contracts for providing banking services	1,501,834	731,102	1,409,162	731,102
Insurance selling expenses	–	–	307,048	42,112
Commissions for credit intermediation ⁽¹⁾	52,893	30,738	175,296	30,738
Personnel expenses ⁽²⁾	72,911	155,035	72,911	155,035
Others	158,433	32,382	205,692	159,143
Total	1,786,071	949,257	2,170,109	1,118,130
Current Assets	1,150,798	646,874	1,342,437	779,007
Non Current Assets	635,273	302,383	827,672	339,123

(1) Commissions paid to retailers - financing of vehicles.

(2) It basically refers to the benefits of the Workers' Meal Program.

13 – Other Assets

a) Assets not for use / Others

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Assets in special regime	160,705	172,079	160,998	172,372
Buildings	80,073	51,619	80,507	51,301
Vehicles	612	765	51,281	20,743
Material in stock	19,217	19,319	40,705	47,579
Property	18,787	544	18,787	544
Machinery and Equipment	7,400	11,656	8,174	12,431
Others	3,416	3,249	3,537	3,359
Subtotal Other Assets	290,210	259,231	363,989	308,329
(Provision for devaluations)	(166,105)	(154,360)	(175,968)	(170,297)
Total	124,105	104,871	188,021	138,032
Current Assets	124,105	104,871	188,021	138,032

b) Prepaid Expenses

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Contracts for providing banking services	1,501,834	731,102	1,409,162	731,102
Insurance selling expenses	–	–	307,048	42,112
Commissions for credit intermediation ⁽¹⁾	52,893	30,738	175,296	30,738
Personnel expenses ⁽²⁾	72,911	155,035	72,911	155,035
Others	158,433	32,382	205,692	159,143
Total	1,786,071	949,257	2,170,109	1,118,130
Current Assets	1,150,798	646,874	1,342,437	779,007
Non Current Assets	635,273	302,383	827,672	339,123

(1) Commissions paid to retailers – financing of vehicles.

(2) It basically refers to the benefits of the Workers' Meal Program.

14 – Investments

a) BB – Banco do Brasil

R\$ thousand

Discrimination	Capital Held	Net Equity	Number / Type of Shares (in thousands)	Participation %	Book Value		Income of Equity			
					12.31.2009	12.31.2008	Operational	Currency Change	2009	2008
Subsidiaries in Brazil										
Banco Nossa Caixa S.A. ⁽¹⁾	–	–	–	–	4,900,236	–	39,207	–	39,207	–
BB Administradora de Cartões de Crédito S.A.	9,300	21,325	398,158 ON	100,00	21,325	21,342	7,538	–	7,538	6,569
BB Administradora de Consórcios S.A.	14,100	16,920	14 ON	100,00	16,920	16,920	43,095	–	43,095	36,648
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	33,578	1,000 ON	100,00	33,578	33,573	94,660	–	94,660	72,786
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	103,142	130,143	100,000 ON	100,00	130,143	126,370	417,043	–	417,043	415,252
BB Banco de Investimento S.A. ⁽²⁾	46,455	396,509	3,249 ON	100,00	396,509	1,817,697	2,121,040	–	2,121,040	1,535,852
BB Leasing S.A. – Arrendamento Mercantil	61,860	25,842	3,000 ON	100,00	25,842	43,289	(17,447)	–	(17,447)	(10,706)
BB Banco Popular do Brasil S.A.	173,271	18,519	568 ON	100,00	18,519	22,834	(12,436)	–	(12,436)	2,082
BESC Financeira S.A.- Bescredi	15,473	18,874	296,797 ON	99,58	18,795	18,715	787	–	787	129
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	5,857	9,847	10,168,625 ON	99,62	9,810	7,903	76	–	76	(24)
BESC S.A. Arrendamento Mercantil – BESC Leasing	17,969	19,578	16,318 ON	99,00	19,382	19,343	252	–	252	181
Nossa Caixa Capitalização S.A. ⁽³⁾	5,400	5,476	5,400 ON	100,00	5,476	–	25	–	25	–
Nossa Caixa S.A. – Administradora de Cartões de Crédito ⁽³⁾	10,000	10,364	10,000 ON	100,00	10,364	–	51	–	51	–
Cobra Tecnologia S.A. ⁽⁴⁾	107,267	46,025	22,654 ON 22,680 PN	99,94	44,744	–	(61,250)	–	(61,250)	348
BB Seguros Participações S.A. ⁽⁵⁾	592,251	594,604	53,221 ON	100,00	594,604	–	40,752	–	40,752	–
BB Aliança Participações S.A. ⁽⁶⁾	964,493	1,031,928	102,513 ON	100,00	1,031,928	–	89,792	–	89,792	–
Jointly Affiliates in Brazil										
Banco Votorantim S.A. ⁽⁷⁾	3,544,909	7,120,412	33,356,791 ON 7,412,620 PN	50,00	3,774,777	–	46,999	–	46,999	–
BV Participações S.A. ⁽⁸⁾	60,423	80,311	15,105 ON 15,106 PN	50,00	32,029	–	1,818	–	1,818	–
Affiliates in Brazil										
Cadam S.A. ⁽⁴⁾	183,904	214,097	4,762 PN	21,64	46,331	53,181	(6,851)	–	(6,851)	(12,567)
Cia. Hidromineral Piratuba ⁽⁹⁾	2,047	12,355	63,931 ON	16,19	2,087	1,975	109	–	109	(10)
Cia. Catarinense de Assessoria e Serviços – CCA ⁽¹⁰⁾	780	474	260 ON 520 PN	48,13	228	228	–	–	–	–
Santa Catarina Seguros e Previdência ⁽¹¹⁾	–	–	–	–	–	2,483	637	–	637	75
Mapfre Nossa Caixa Vida e Previdência S.A. ⁽³⁾⁽⁴⁾	50,000	89,549	20,000 ON	49,00	43,879	–	4,798	–	4,798	–
Subtotal Subsidiaries / Affiliates in Brazil					11,177,506	2,185,853	2,810,695	–	2,810,695	2,046,615
Subsidiaries Abroad										
BAMB-Brasillian American Merchant Bank	419,476	656,043	241,023 ON	100,00	656,043	790,995	55,855	(193,284)	(137,429)	210,803
Banco do Brasil AG. Viena (Áustria) ⁽¹²⁾	83,122	218,620	188 ON	100,00	218,620	120,096	7,708	(61,261)	(53,553)	32,643
BB Leasing Company Ltd.	–	74,781	1,000 ON	100,00	74,781	98,003	1,872	(25,095)	(23,222)	27,057
BB Securities LLC	8,702	16,652	5,000 ON	100,00	16,652	3,120	15,183	–	15,183	(2,615)
Ganhos / (perdas) cambiais nas agências	–	–	–	–	–	–	–	(762,200)	(762,200)	708,177
Increase / decrease in PL from other movements	–	–	–	–	–	–	78	–	78	5,962
Subtotal – Subsidiaries abroad					966,096	1,012,214	80,696	(1,041,840)	(961,143)	982,027
Total Investments in the country and abroad					12,143,602	3,198,067	2,891,391	(1,041,840)	1,849,552	3,028,642
Others Investments										
Investments for tax incentives					18,742	17,800				
Title property					58	447				
Shares and Quotes					57,962	57,045				
Others Investments					21,895	3,195				
Others participations Abroad					10,436	10,601				
Total of other investments					109,093	89,088				
Provision for losses					(69,828)	(54,236)				
Total of Investments					12,182,867	3,232,919				

(1) Goodwill on acquisition of Banco Nossa Caixa, built on 11.30.2009. The result of equivalence refers to the period from April to November/2009 (Note 5).

(2) On 30.09.2009, the capital of BB Investment Bank has been reduced from \$ 1,542,944 thousand, due to spin off its holdings in Alliance in Brazil, Brasilcap Brasilprev, and Brasilveículos Brasíliaúde to BB and Insurance BB Alliance (see items 5 and 6 below).

(3) Company of Banco Nossa Caixa, built on 11.30.2009.

(4) The information relates to the period of December/2008 the November/2009.

(5) Company of the developer portion of the spun BB Banco de Investimento, represented by the shares in Brasilcap Brasilprev, and Brasilveículos Brasíliaúde.

(6) Enterprise developer portion of the spun BB Banco de Investimento, represented by the participation in the Alliance of Brazil.

(7) includes in the book value of 12.31.2009, the amount of R\$ 214,571 thousand relating to goodwill in the acquisition on 09.28.2009.

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(8) Includes, in the book value of 12.31. 2009, the amount of R\$ 8,127 thousand, relating to negative goodwill on the acquisition on 09.28.2009.

(9) The information relates to the period of november/2008 to October/2009.

(10) Company in liquidation court, not assessed by MEP.

(11) The Bank of Brazil has sold shares of Santa Catarina Insurance and Pensions for the Alliance of Brazil, in May/2009.

(12) On 01.01.2009, was made an investment of R\$ 149.7 million (EUR 46.3 million) in Bank of Brazil AG. Vienna, due to absorption of the subsidiary Lisbon.

b) BB – Consolidated

Discrimination	Capital Held	Net Equity thousands	Number / Type of Shares (in thousands)	Participation %	Book Value		Income of Equity				
					09.30.2009	09.30.2008	Operational	Change Currency	3Q2009	3Q2008	
R\$ thousand											
Shares of BB Bank Multiple											
Subsidiaries in Brazil											
Goodwill on acquisition of Banco Nossa Caixa	—	—	—	—	4,900,236	—	—	—	—	—	—
Increase /decrease in PL from other movements ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	240,818
Jointly Subsidiaries in Brazil											
Ágio na aquisição do Banco Votorantim S.A.	—	—	—	—	214,571	—	—	—	—	—	—
Deságio na aquisição da BV Participações S.A.	—	—	—	—	(8,127)	—	—	—	—	—	—
Affiliates in Brazil											
Cadam S.A. ⁽²⁾	183,904	214,097	4,762 PN	21,64	46,331	53,181	(6,851)	—	(6,851)	(12,567)	—
Cia, Hidromineral Piratuba ⁽³⁾	2,047	12,355	63,931 ON	16,19	2,087	1,975	109	—	—	109	(10)
Cia, Catarinense de Assessoria e Serviços – CCA ⁽⁴⁾	780	474	260 ON 520 PN	48,13	228	228	—	—	—	—	—
Santa Catarina Seguros e Previdência ⁽⁵⁾	—	—	—	—	—	2,483	637	—	—	637	75
Mapfre Nossa Caixa Vida e Previdência S.A. ^{(2),(6)}	50,000	89,549	20,000 ON	49,00	43,879	—	4,798	—	—	4,798	—
Subtotal – Shares of BB Bank Multiple					5,199,205	57,867	(1,307)	—	(1,307)	228,316	
Shares of BB Investment Bank											
Affiliates in Brazil											
Goodwill / losses on acquisition of investments ⁽⁷⁾	—	—	—	—	485,095	557,603	—	—	—	—	—
Itapebi ⁽²⁾	105,000	287,481	19,950 ON	19,00	54,621	38,917	24,138	—	—	24,138	21,662
Estruturadora Brasileira de Projetos – EBP	20,970	16,054	2,330 ON	11,11	1,784	805	(462)	—	—	(462)	(84)
BAF S.A. ⁽⁸⁾	—	—	—	—	—	4,369	—	—	—	—	5,050
Others participations ⁽⁹⁾	—	—	—	—	9,750	41,294	24,606	—	—	24,606	202,218
Subtotal – Shares of BB Investment Bank					551,250	642,988	48,282	—	—	48,282	228,846
Participation of BB Resource Management – Distribuidora de Títulos e Valores Mobiliários S.A.											
Affiliates in Brazil											
Pronor ⁽²⁾	154,686	212,130	5,542 ON	12,02	25,498	20,024	5,474	—	—	5,474	(1,505)
Subtotal – Participation of BB Resource Management – DTVM S.A.					25,498	20,024	5,474	—	—	5,474	(1,505)
Subtotal Subsidiaries / Affiliates in Brazil					5,775,953	720,879	52,449	—	—	52,449	455,657
Subsidiaries Abroad											
Gains / (losses) on foreign exchange agencies	—	—	—	—	—	—	—	(762,200)	(762,200)	708,177	—
Gains / (losses) on foreign exchange subsidiaries	—	—	—	—	—	—	—	(279,640)	(279,640)	224,437	—
Increase / decrease in PL from other movements	—	—	—	—	—	—	41	—	—	41	5,962
Subtotal – Subsidiaries Abroad					—	—	41	(1,041,840)	(1,041,799)	938,576	
Total shares in the Country and Abroad					5,775,953	720,879	52,490	(1,041,840)	(989,350)	1,394,233	
Other Investments											
Investments for tax incentives	—	—	—	—	59,081	29,268	—	—	—	—	—
Title property	—	—	—	—	146	1,474	—	—	—	—	—
Shares and quotes	—	—	—	—	61,868	58,306	—	—	—	—	—
Others Investments ⁽¹⁰⁾	—	—	—	—	814,893	770,257	—	—	—	—	—
Others participations abroad	—	—	—	—	11,237	11,402	—	—	—	—	—
Total – Other Investments					947,225	870,707	—	—	—	—	—
Provision for losses					(77,839)	(67,746)	—	—	—	—	—
Total of Investments					6,645,339	1,523,840	—	—	—	—	—

(1) Increase in equity of BB Banco de Investimento, following the change of criteria for evaluating the investment in this subsidiary Neoenergia in 1Q 2008. The information relates to the period of December/2008 to november/2009.

(2) The information relates to the period of November/2008 to October/2009.

(3) Company in liquidation court, not carried at equity method.

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- (4) The Banco do Brasil sold the common shares of Santa Catarina Insurance and Pensions for the Alliance of Brazil in may/2009.
(5) Related undertaking of Nossa Caixa Bank, which was acquired by Banco do Brasil on 11.30.2009.
(6) It is the goodwill for the acquisition of the Alliance of Brazil, R\$ 486,767 thousand and discount on investments in Brasilprev, R\$ 1,561 thousand and Brasilsaúde, R\$ 111 thousand.
(7) Company incorporated by BB Investment Bank on 05.20.2009.
(8) Refer to the holdings of non-financial related companies.
(9) It is mainly related to other investments of Neoenergia, R\$ 732,687 thousand (R\$ 761,070 thousand at 12.31.2008).

c) Expected Goodwill Amortization

The figures below, as the expected amortization of goodwill, supports on the projection of justifying the business, prepared by a specialized firm.

Goodwill for acquisitions of Banco Nossa Caixa and Banco Votorantim are depreciated according to Central Bank Circular No. 1273/1987.

R\$ thousand

	BB-Banco Múltiplo				BB-Consolidated		
	Banco Nossa Caixa	Banco Votorantim	Total Bruto	Total net of tax effects ⁽¹⁾	Aliança do Brasil ⁽²⁾	Total Bruto	Total net of tax effects ⁽³⁾
Em 2010	151,211	20,809	172,020	103,212	142,068	314,088	196,977
Em 2011	232,491	23,036	255,527	153,316	184,247	439,774	274,919
Em 2012	473,923	24,696	498,619	299,171	160,452	659,071	405,070
Em 2013	617,846	27,397	645,243	387,146	–	645,243	387,146
Em 2014	709,394	28,477	737,871	442,723	–	737,871	442,723
Em 2015	807,756	29,109	836,865	502,119	–	836,865	502,119
Em 2016	900,156	30,357	930,513	558,308	–	930,513	558,308
Em 2017	1,007,459	30,690	1,038,149	622,889	–	1,038,149	622,889
Total	4,900,236	214,571	5,114,807	3,068,884	486,767	5,601,574	3,390,151

- (1) Amount of depreciation to be held in the period, net of tax (25% of income tax and social contribution of 15%).
(2) The premium for the acquisition of the Alliance of Brazil is registered with controlled non-financial BB-Alliance Holdings SA and will be amortized in the consolidation for harmonization of accounting practices with the conglomerate Bank of Brazil.
(3) Amount of repayments to be made in the period, net of tax (25% income tax and social contribution of 15% for the bank and 25% of income tax and social contribution of 9% for the BB-Alliance Holdings SA).

15 – Premises and equipment and leased assets

R\$ Thousand

Banco do Brasil							
	Annual rate of depreciation (by group)	12.31.2008 Residual Cost	Added Values ⁽¹⁾	2009		Final Balance	
				Movements	Depreciation	Impairment ⁽³⁾	12.31.2009
Premises and equipment		3,178,471	303,174	1,180,324	(650,726)	(4,498)	4,006,745
Buildings	4%	1,051,725	30,543	472,065	(117,515)	(3,104)	1,433,714
Data processing systems	20 a 50%	1,007,486	76,944	537,614	(375,107)	(1,394)	1,245,543
Furniture and equipment for	10%	393,630	28,359	97,782	(75,743)	–	444,028
Land	–	167,284	76,193	(11,507)	–	–	231,970
Facilities	10%	171,745	3,227	54,503	(39,568)	–	189,907
Furniture and equipment in stock	–	52,053	67,233	31,718	–	–	151,004
Communication systems	10%	90,354	2,828	36,430	(19,986)	–	109,626
Fixed assets under	–	151,169	7,649	(56,112)	–	–	102,706
Security systems	10%	92,752	10,198	17,869	(22,701)	–	98,118
Transport systems	20%	273	–	(38)	(106)	–	129
Leased fixed assets		45,603	–	15,172	–	–	60,775
Total		3,224,074	303,174	1,195,496	(650,726)	(4,498)	4,067,520

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R\$ Thousand

BB-Consolidated							
	Annual rate of depreciation (by group)	Residual Cost 12.31.2008	Added Values ⁽²⁾	2009		Final Balance	
				Movements	Depreciation	Impairment ⁽³⁾	12.31.2009
Premises and equipment		3,338,94	332,239	1,254,598	(706,123)	(5,171)	4,214,484
Buildings	4%	1,095,37	30,543	473,810	(122,198)	(3,104)	1,474,422
Data processing systems	20 a 50%	1,045,740	86,310	578,849	(405,706)	(1,394)	1,303,799
Furniture and equipment for use	10%	459,494	43,507	123,644	(92,663)	(673)	533,309
Land	–	171,172	76,192	(12,244)	–	–	235,120
Facilities	10%	176,664	3,991	54,546	(40,737)	–	194,464
Furniture and equipment in stock	–	52,053	67,233	31,718	–	–	151,004
Communication systems	10%	91,507	5,937	37,205	(20,678)	–	113,971
Fixed assets under construction	–	152,786	7,704	(53,394)	–	–	107,096
Security systems	10%	92,751	10,664	19,174	(23,911)	–	98,678
Transport systems	20%	1,403	158	1,290	(230)	–	2,621
Leased fixed assets		3,869	–	(2,646)	–	–	1,223
Total		<u>3,342,810</u>	<u>332,239</u>	<u>1,251,952</u>	<u>(706,123)</u>	<u>(5,171)</u>	<u>4,215,707</u>

(1) Amounts resulting from the merger of Banco Nossa Caixa.

(2) Amounts resulting from the consolidation of the balances of Banco Nossa Caixa, Banco Votorantim and BV Holdings SA pursuant to the acquisition of equity during the accounting year 2009.

(3) Amounts mainly due to the effects of impairment test of property and self-service terminals (Note 3j).

16 – Intangible Assets

a) Changes in Intangible Assets by Class

R\$ Thousand

Banco do Brasil						
	Balance at 12.31.2008	Acquisitions	Added Values ⁽¹⁾	Accumulated amortization	Impairment ⁽³⁾	Balance at 12.31.2009
Rights due to payroll acquisition	3,920,849	1,297,779	1,185,766	(1,099,631)	435	5,305,198
Acquisition/development of <i>software</i>	119,796	202,899	36,705	(38,753)	–	320,647
Total	<u>4,040,645</u>	<u>1,500,678</u>	<u>1,222,471</u>	<u>(1,138,384)</u>	<u>435</u>	<u>5,625,845</u>

R\$ Thousand

BB-Consolidated						
	Balance at 12.31.2008	Acquisitions	Added Values ⁽¹⁾	Accumulated amortization	Impairment ⁽³⁾	Balance at 12.31.2009
Rights due to payroll acquisition	3,920,849	1,414,832	1,376,935	(1,407,853)	435	5,305,198
Acquisition/development of <i>software</i>	119,796	275,613	18,875	(42,603)	–	371,681
Total	<u>4,040,645</u>	<u>1,690,445</u>	<u>1,395,810</u>	<u>(1,450,456)</u>	<u>435</u>	<u>5,676,879</u>

(1) Amounts resulting from the merger of Banco Nossa Caixa.

(2) Amounts resulting from the consolidation of the balances of Banco Nossa Caixa, Banco Votorantim and BV Holdings SA pursuant to the acquisition of equity during the accounting year 2009.

(3) Reversal of provision for impairment losses resulting from the impairment test of intangible assets.

b) Breakdown of the carrying value of intangible assets

R\$ Thousand						
Banco do Brasil						
	Rate of Amortization	Cost value	Accumulated amortization	Accumulated Impairment	Balance at 12.31.2009	Balance at 12.31.2008
Rights due to payroll acquisition	contrato	7,283,229	(1,936,182)	(41,849)	5,305,198	3,920,849
Acquisition/development of <i>software</i>	20%	365,859	(45,212)	–	320,647	119,796
Total		<u>7,649,088</u>	<u>(1,981,394)</u>	<u>(41,849)</u>	<u>5,625,845</u>	<u>4,040,645</u>

R\$ Thousand						
BB-Consolidated						
	Rate of Amortization	Cost value	Accumulated amortization	Accumulated Impairment	Balance at 12.31.2009	Balance at 12.31.2008
Rights due to payroll acquisition	contrato	7,283,229	(1,936,182)	(41,849)	5,305,198	3,920,849
Acquisition/development of <i>software</i>	20%	417,941	(46,260)	–	371,681	119,796
Total		<u>7,701,170</u>	<u>(1,982,442)</u>	<u>(41,849)</u>	<u>5,676,879</u>	<u>4,040,645</u>

c) Estimate for Amortization of Intangible Assets

R\$ Thousand						
Banco do Brasil						
For the year ending:	2010	2011	2012	2013	2014	Total
Amounts to be amortized	1,461,272	1,447,065	1,373,367	1,005,199	338,942	<u>5,625,845</u>

R\$ Thousand						
BB-Consolidated						
For the year ending:	2010	2011	2012	2013	2014	Total
Amounts to be amortized	1,471,478	1,457,271	1,383,573	1,015,405	349,152	<u>5,676,879</u>

17 – Deposits and Money Market Borrowing

a) Deposits

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Demand deposits	56,211,678	51,865,142	56,458,787	51,949,022
Corporate entities	22,351,731	19,123,206	22,563,646	19,199,985
Individuals	22,455,365	17,272,282	22,499,124	17,280,150
Restricted	5,213,954	6,997,602	5,214,026	6,997,672
Government	3,858,059	3,854,447	3,858,059	3,854,447
Special from Federal Treasury	567,598	434,602	567,598	434,602
Related companies	505,424	792,014	505,424	792,014
In foreign currencies	442,299	2,545,663	442,299	2,545,663
Institutions of the financial system	378,812	330,230	370,394	329,511
Domiciled abroad	19,811	57,873	19,591	57,755
Others	418,625	457,223	418,626	457,223
Savings deposits	75,741,590	54,965,370	75,741,590	54,965,370
Individuals	71,159,163	51,485,000	71,159,163	51,485,000
Corporate entities	4,318,971	3,182,343	4,318,971	3,182,343
Related companies	255,963	290,638	255,963	290,638
Institutions of the financial system	7,493	7,389	7,493	7,389
Interbank deposits	15,556,143	19,606,585	11,618,573	14,064,945
Time deposits	182,366,877	149,762,035	193,515,574	149,618,491
Local currency	111,039,706	100,331,988	122,188,161	100,188,444
Remunerated deposits in court	57,479,585	33,325,979	57,479,827	33,325,979
Funds and programs – FAT (Note 17e)	12,667,714	14,882,588	12,667,714	14,882,588
Foreign currency	594,890	557,115	594,890	557,115
Obligations for special – Poupeix/Funprogrer	510,834	574,813	510,834	574,813
Others	74,148	89,552	74,148	89,552
Deposits for investments	228,468	243,268	229,303	243,268
Total	<u>330,104,756</u>	<u>276,442,400</u>	<u>337,563,827</u>	<u>270,841,096</u>
Current Liabilities	252,490,505	224,785,452	258,676,108	212,058,474
Non Current Liabilities	77,614,251	51,656,948	78,887,719	58,782,622

b) Segregation of Deposits by deadline Chargeability

	R\$ Thousand								
	Banco do Brasil							12.31.2009	12.31.2008
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years			
Time deposits ⁽¹⁾	72,343,935	13,746,169	20,675,117	23,976,864	51,624,651	141	182,366,877	149,762,035	
Savings deposits	75,741,590	–	–	–	–	–	75,741,590	54,965,370	
Demand deposits	56,211,678	–	–	–	–	–	56,211,678	51,865,142	
Interbank deposits	–	9,312,640	4,230,908	1,917,971	86,052	8,572	15,556,143	19,606,585	
Investment deposits	228,468	–	–	–	–	–	228,468	243,268	
Total	<u>204,525,671</u>	<u>23,058,809</u>	<u>24,906,025</u>	<u>25,894,835</u>	<u>51,710,703</u>	<u>8,713</u>	<u>330,104,756</u>	<u>276,442,400</u>	

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	BB-Consolidated						12.31.2009	12.31.2008
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
Time deposits ⁽¹⁾	72,343,935	15,427,008	28,038,045	25,959,126	51,739,682	7,778	193,515,574	149,618,491
Savings deposits	75,741,590	–	–	–	–	–	75,741,590	54,965,370
Demand deposits	56,458,787	–	–	–	–	–	56,458,787	51,949,022
Interbank deposits	–	6,089,248	4,348,192	1,079,142	92,109	9,882	11,618,573	14,064,945
Investment deposits	229,303	–	–	–	–	–	229,303	243,268
Total	204,773,615	21,516,256	32,386,237	27,038,268	51,831,791	17,660	337,563,827	270,841,096

(1) It includes the amount of R\$ 41,102,468 thousand (R\$ 39,253,517 thousand on December 31, 2008) at BB-Multiple Bank and R\$ 54,735,133 thousand (R\$ 39,253,517 thousand on December 31, 2008) at BB Consolidated, related to term deposits with clause of anticipated repurchase (liquidity commitment), considering the terms established in funding.

c) Money market repurchase commitments

R\$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
	25,545,392	22,278,245	31,901,701	21,926,896
Financial Treasury Bills	23,503,150	17,916,364	22,467,046	17,565,015
National Treasury Bills	–	–	22,897	–
National Treasury Notes	–	–	147,744	–
Debentures	858,162	411,927	7,946,156	411,927
Securities abroad	1,184,080	1,986,863	1,304,041	1,986,863
Other	–	1,963,091	13,817	1,963,091
Third-party portfolio	123,975,419	69,801,410	128,745,194	69,203,468
National Treasury Bills	111,805,277	61,521,332	112,555,277	60,923,632
National Treasury Bills	8,305,309	1,147,509	9,469,372	1,147,509
National Treasury Notes	466,563	1,080,036	3,322,275	1,079,794
Securities abroad	3,398,270	6,052,533	3,398,270	6,052,533
Free movement of Portfolio	–	–	174,292	–
Total	149,520,811	92,079,655	160,821,187	91,130,364
Current Liabilities	142,412,717	87,448,258	153,699,462	86,501,235
Non Current Liabilities	7,108,094	4,631,397	7,121,725	4,629,129

d) Expenses with money market repurchase commitments

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Expenses borrowings with deposits	(8,552,545)	(17,646,964)	(15,655,076)	(9,808,034)	(19,507,059)	(15,706,826)
Time deposits	(4,625,933)	(9,724,960)	(8,224,898)	(4,975,283)	(10,165,988)	(8,212,451)
Savings deposits	(2,152,011)	(4,302,756)	(4,199,032)	(2,455,783)	(4,793,347)	(4,199,032)
Demand deposits	(1,253,367)	(2,487,302)	(2,369,919)	(1,762,219)	(3,286,474)	(2,369,919)
Interbank deposits	(328,679)	(771,081)	(469,968)	(343,049)	(788,114)	(432,353)
Others	(192,555)	(360,865)	(391,259)	(271,700)	(473,136)	(493,071)
Expenses with money market repurchase commitments	(4,765,772)	(9,736,736)	(9,887,443)	(5,509,725)	(10,638,869)	(9,824,899)
Third-party portfolio	(3,789,510)	(7,736,749)	(6,739,057)	(3,988,119)	(7,954,791)	(6,739,057)
Own portfolio	(972,733)	(1,980,323)	(3,102,575)	(1,465,720)	(2,612,057)	(3,040,031)
Subject to repurchase agreements with free movement	(3,529)	(19,664)	(45,811)	(55,886)	(72,021)	(45,811)
Expenses with money market	(13,318,317)	(27,383,700)	(25,542,519)	(15,317,759)	(30,145,928)	(25,531,725)

e) Fund for Workers' Assistance (FAT) and Guarantee Fund for Generation of Employment and Earnings (FUNPROGER)

Shown below are the deposits of the Fund for workers assistance (FAT) in Banco do Brasil:

R\$ Thousand

Programa	Resolution/ TADE	Type ⁽¹⁾	Return of FAT funds		12.31.2009			12.31.2008		
			Opening Date	Closing Date	Available TMS ⁽²⁾	Invested TJLP ⁽³⁾	Total	Available TMS ⁽²⁾	Invested TJLP ⁽³⁾	Total
Proger Rural and Pronaf					254,282	5,603,916	5,858,198	814,659	6,939,835	7,754,494
Pronaf Custeio	04/2005	RA	11/2005	-	148,895	186,654	335,549	438,381	224,832	663,213
Pronaf Investimento	05/2005	RA	11/2005	-	-	3,205,371	3,205,371	-	3,847,313	3,847,313
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	-	1,241,887	1,241,887	-	1,658,249	1,658,249
Giro Rural Fornecedores	14/2006	RA	08/2006	-	35,856	520,301	556,157	2,945	664,754	667,699
Rural Custeio	02/2006	RA	11/2005	-	21,387	43,317	64,704	350,250	7,498	357,748
Rural Investimento	13/2005	RA	11/2005	-	48,144	406,386	454,530	23,083	537,189	560,272
Proger Urbano					82,925	6,120,472	6,203,397	888,040	5,238,618	6,126,658
Urbano Investimento	18/2005	RA	11/2005	-	74,258	5,434,647	5,508,905	876,195	4,390,247	5,266,442
Urbano Capital de Giro	15/2005	RA	11/2005	-	-	630,527	630,527	1	755,501	755,502
Empreendedor Popular	01/2006	RA	11/2005	-	8,667	55,298	63,965	11,844	92,870	104,714
Others					282,976	323,143	606,119	242,179	759,257	1,001,436
Exportação	27/2005	RA	11/2005	-	89	2,647	2,736	1,095	3,690	4,785
Integrar Área Rural	26/2005	RA	11/2005	-	40	38	78	-	13,831	13,831
Integrar Área Urbana	25/2005	RA	11/2005	-	20	10,299	10,319	-	12,177	12,177
Inclusão Digital	09/2005	RA	11/2005	-	15	23	38	259	542	801
FAT Giro Setorial Micro e Peq. Empresas	08/2006	RA	09/2007	-	14,755	6,959	21,714	60,373	172,230	232,603
FAT Giro Setorial Médias e Grandes Empresas	09/2006	RA	09/2007	-	30,654	5,627	36,281	167,145	327,825	494,970
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	-	-	11,217	11,217	-	-	-
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	-	80,358	97,160	177,518	-	-	-
FAT Giro Cooperativo Agropecuário	10/2006	RA	07/2006	-	11	73	84	809	1,229	2,038
FAT Fomentar Micro e Peq. Empresas	11/2006	RA	08/2006	-	1,114	16,632	17,746	747	20,627	21,374
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	-	-	113,165	113,165	-	135,818	135,818
FAT Taxista	02/2009	RA	09/2009	-	150,000	-	150,000	-	-	-
FAT Encargos a capitalizar	-	-	-	-	5,920	59,303	65,223	11,751	71,288	83,039
Total					620,183	12,047,531	12,667,714	1,944,878	12,937,710	14,882,588

(1) RA – Auto Return (monthly, 2% on the balance) and SD – Available Balance.

(2) Funds remunerated by the Average Selic Rate (TMS).

(3) Funds remunerated by the long-term interest rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Workers' Assistance Fund (Codefat), CODEFAT is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, which acts as the manager of FAT.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (PROGER), whose resources are allocated through special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, PROGER in the urban program – Investment and Working Capital – and rural program, the National Program for

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Strengthening Family Farming – Pronaf, the program that allocates resources for the purchase of construction materials – FAT Housing, in addition to the special lines such as FAT Rural and Urban Integration, FAT Giro Setorial – Micro and Small-Sized Companies, FAT Giro Setorial – Medium and Large-Sized Companies, FAT Fomentar – Micro and Small-Sized Companies, FAT Fomentar – Medium and Large-Sized Companies, FAT Giro Agropecuário, FAT Digital Inclusion and FAT Taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily pro rata basis using the Average Selic Rate (TMS), As they are applied on loans, the interest rate is changed to the Long-term Interest Rate (TJLP) during the effective period of the loans, The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in CODEFAT Resolution 439/2005 and 489/2006.

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004, It is managed by Banco do Brasil under the supervision of Codefat/MTE, and the balance is R\$ 225,565 thousand (R\$ 321,522 thousand at December 31, 2008).

The purpose of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano and PNMPO financing, through payment of a fee, The net assets of FUNPROGER are accumulated through funds arising from the difference between the average SELIC Rate and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in FAT, Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the Fund manager.

18 – Borrowings

a) Borrowings

R\$ Thousand							
Banco do Brasil							
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2009	Total 12.31.2008
In Brazil							
Exports	–	–	–	–	–	–	2,750,087
Abroad							
Borrowings from BB Group companies abroad	2,214,054	110,299	3,459,426	–	–	5,783,779	6,675,750
Borrowings by BB branches abroad	978,442	2,286,977	137,619	6,991	–	3,410,029	1,976,764
Public sector repass borrowing	–	234,344	418,514	418,514	104,628	1,176,000	1,885,271
Imports	92,554	80,065	124,444	70,762	35,136	402,961	721,041
Exports	7,168	20,178	–	–	–	27,346	78,627
Others	250,530	–	–	–	–	250,530	430,361
Total	3,542,748	2,731,863	4,140,003	496,267	139,764	11,050,645	14,517,901
Current Liabilities						6,274,611	9,223,333
Non Current Liabilities						4,776,034	5,294,568

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R\$ Thousand

	BB-Consolidated					Total 12.31.2009	Total 12.31.2008
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years		
In Brazil							
Borrowing by non financial companies	74,785	–	82,976	–	–	157,761	109,115
Exports	–	70,976	–	–	–	70,976	2,750,087
Others	5,995	5,441	10,883	–	–	22,319	–
Abroad							
Borrowings by BB Group companies abroad	993,631	2,551,062	382,537	12,119	–	3,939,349	1,976,780
Public sector repass borrowing	–	234,344	418,514	418,514	104,628	1,176,000	1,885,271
Imports	79,202	44,867	61,500	42,678	20,412	248,659	475,199
Exports	122,085	60,694	4,587	–	–	187,366	–
Others	250,531	317,302	–	–	–	567,833	430,361
Total	<u>1,526,229</u>	<u>3,284,686</u>	<u>960,997</u>	<u>473,311</u>	<u>125,040</u>	<u>6,370,263</u>	<u>7,626,813</u>
Current Liabilities						4,810,915	5,845,958
Non Current Liabilities						1,559,348	1,780,855

b) Repass Borrowings from Public Sector

		R\$ Thousand			
Programs	Financial Charges	Banco do Brasil		BB-Consolidated	
		12.31.2009	12.31.2008	12.31.2009	12.31.2008
National Treasury - Rural credit					
		2,100,693	3,485,066	2,100,693	3,485,066
Pronaf	TMS (Available) ou 0.5% p.a. a 5.5% p.a. (Allocated)	1,840,672	3,201,636	1,840,672	3,201,636
Recoop	5.75% p.a. to 7.25% p.a.	150,041	175,843	150,041	175,843
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	67,668	65,597	67,668	65,597
Farming/livestock breeding	TR or 9% p.a.	40,957	40,635	40,957	40,635
Others	–	1,355	1,355	1,355	1,355
BNDES		17,877,865	11,167,753	19,629,502	11,167,753
Banco do Brasil	0.6305%p.a. to 15.35%p.a. or TJLP/fx. variation + 0.50%p.a to 8.55%p.a.	17,877,865	11,167,753	16,126,227	11,167,753
Banco Votorantim	1.50%p.a. to 16.50%p.a or TJLP/fx. variation + 1.30%p.a. to 10.50%p.a.	–	–	3,503,275	–
Repass borrowings - CEF					
		146,232	–	146,232	–
Finame		7,637,163	6,557,872	8,381,169	6,584,776
Banco do Brasil	1.50%p.a to 11.00%p.a or TJLP/fx. variation + 0.5%p.a to 5.50%p.a. 4.55%a.a to 11.00%a.a or	7,637,163	6,557,872	6,931,615	6,584,776
Banco Votorantim	TJLP/ fx. variation + 0.50%p.a to 5.50%p.a.	–	–	1,449,554	–
Other		1,132,572	1,198,637	1,132,572	1,198,829
Funcafé	TMS (available) or 9.5%p.a. (before 06.30.07), 7.5%p.a. (between 07.01.07 and 06.30.09) and 6.75%p.a. (after 07.01.09)	1,132,409	1,198,178	1,132,409	1,198,178
Other	–	163	459	163	651
Total		<u>28,894,525</u>	<u>22,409,328</u>	<u>31,390,168</u>	<u>22,436,424</u>
Current Liabilities		11,472,080	13,738,050	12,405,660	13,749,287
Non Current Liabilities		17,422,445	8,671,278	18,984,508	8,687,137

c) Cost of Borrowings and Transfers (official institutions)

		R\$ Thousand				
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Cost of Borrowings	(78,875)	(169,021)	(1,757,377)	(110,569)	(199,882)	(1,664,567)
Expenses Onlendings	(894,668)	(1,712,578)	(2,851,508)	(949,427)	(1,771,166)	(2,787,307)
BNDES	(471,789)	(919,387)	(642,906)	(497,057)	(945,006)	(642,906)
Finame	(308,785)	(553,236)	(388,592)	(336,076)	(582,326)	(390,637)
Treasury	(75,030)	(165,932)	(181,553)	(75,030)	(165,932)	(181,553)
CEF	(463)	(473)	(38)	(2,655)	(4,336)	(38)
Foreign	–	–	(1,571,577)	–	–	(1,505,311)
Other	(38,601)	(73,550)	(66,842)	(38,609)	(73,566)	(66,862)
Expenditure obligations with foreign banks	–	–	(3,757,099)	(8,050)	(8,640)	(3,745,396)
Expenses for Financial and Development liabilities	(198,904)	(459,089)	(487,281)	(243,071)	(530,281)	(487,281)
Total	<u>(1,172,447)</u>	<u>(2,340,688)</u>	<u>(8,853,265)</u>	<u>(1,311,117)</u>	<u>(2,509,969)</u>	<u>(8,684,551)</u>

19 – Resources from securities issues

Resources	Amount Issued	Remuneration	Data Capture	Maturity	R\$ Thousand	
					12.31.2009 R\$ thous	12.31.2008 R\$ thous
Banco do Brasil						
Global Medium - Term Note Program	R\$ 350,000	9.75% p.a.	07/2007	07/2017	316,244	330,318
Global Medium - Term Note Program	US\$ 100,000	Libor 6 m + 2.55%p.a.	07/2009	07/2014	171,160	–
Certificates of deposits - Long Term						–
	US\$ 4,000	3.80% p.a.	11/2009	12/2012	6,962	–
	US\$ 1,000	3.67% p.a.	12/2009	12/2012	1,740	–
	US\$ 199,889	3.88% p.a.	06/2009	06/2012	347,886	–
	US\$ 98,105	3.08% p.a.	07/2009	07/2012	170,742	–
	US\$ 4,908	2.92% p.a.	07/2009	06/2012	8,542	–
	US\$ 98,100	3.00% p.a.	08/2009	07/2012	170,734	–
	US\$ 98,127	2.85% p.a.	09/2009	08/2012	170,780	–
	US\$ 9,920	3.46% p.a.	08/2009	08/2016	17,265	–
	US\$ 99,941	3.36% p.a.	10/2009	10/2012	173,938	–
	US\$ 97,975	2.53% p.a.	10/2009	10/2012	170,516	–
	US\$ 48,986	2.53% p.a.	10/2009	10/2012	85,255	–
Certificates of deposits – Short Term ⁽¹⁾						
	R\$ 8,000	–	–	–	–	7,240
	US\$ 423,543	–	–	–	754,753	849,422
	EUR 1,991	–	–	–	4,979	13,546
Total Banco do Brasil					2,571,497	1,200,526
Special purpose entities – EPE Abroad⁽²⁾						
Securitization of future flow of payment orders from abroad						
	US\$ 300,000	Libor 3m + 0.60% p.a.	07/2002	06/2009	–	67,007
	US\$ 40,000	7.890% p.a.	09/2002	09/2009	–	13,397
	US\$ 120,000	7.26% p.a.	03/2003	03/2010	12,362	80,040
	US\$ 250,000	6.55% p.a.	12/2003	12/2013	273,289	444,603
	US\$ 250,000	Libor 3m + 0.55% p.a.	03/2008	03/2014	435,265	584,979
	US\$ 200,000	Libor 3m + 1.20% p.a.	09/2008	09/2015	348,319	467,925
	US\$ 150,000	5.25% p.a.	04/2008	06/2018	261,707	351,248
Total Special purpose entities – EPE Abroad					1,330,942	2,009,199
Banco Votorantim						
Debentures						–
Foreign Exchange	R\$	PTAX + 12.0436%p.a.	12/2006	07/2012	818,833	–
Pós-fixFloating rateado	R\$	DI + 0.35% p.a.	12/2006	07/2012	656,726	–
Resources letters of credit real estate ⁽³⁾			02/2009	01/2012	53,156	–
Resources letters of credit agribusiness ⁽³⁾			07/2007	03/2020	909,132	–

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						R\$ Thousand	
Resources	Amount Issued	Remuneration	Data Capture	Maturity	12.31.2009 R\$ thous	12.31.2008 R\$ thous	
Liabilities for securities abroad – Program <i>Global Medium – Term Notes</i>							–
	R\$ 111,000	16.2% p.a.	11/2005	11/2010	37,548		–
	R\$ 200,000	9.5% p.a.	12/2005	12/2012	79,806		–
	R\$ 200,000	10.625% p.a.	04/2007	04/2014	89,888		–
	US\$ 100,000	Libor 3m+2.0% p.a.	08/2005	08/2010	75,767		–
	US\$ 200,000	6.875% p.a.	10/2005	10/2015	1,858		–
	US\$ 200,000	6.75% p.a.	09/2006	09/2016	84,007		–
	US\$ 42,810	1.25% p.a.	10/2009	01/2010	37,379		–
	US\$ 7,770	1.1% p.a.	10/2009	01/2010	6,781		–
	US\$ 5,000	1.1% p.a.	10/2009	01/2010	4,363		–
	US\$ 23,070	4.184% p.a.	02/2008	01/2010	1,338		–
	US\$ 4,510	1.0% p.a.	10/2009	01/2010	3,933		–
	US\$ 28,640	1.0% p.a.	11/2009	02/2010	24,905		–
	US\$ 7,600	1.0% p.a.	11/2009	02/2010	6,609		–
	US\$ 1,100	1.0% p.a.	11/2009	02/2010	957		–
	US\$ 5,000	0.9% p.a.	11/2009	02/2010	4,358		–
	US\$ 37,000	1.2% p.a.	12/2009	03/2010	32,244		–
	US\$ 116,500	1,1% p.a.	12/2009	03/2010	13,231		–
	US\$ 32,150	1.15% p.a.	12/2009	03/2010	28,014		–
	US\$ 7,000	1.1% p.a.	12/2009	03/2010	6,098		–
	US\$ 7,170	0.95% p.a.	12/2009	03/2010	6,243		–
	US\$ 1,000	0.95% p.a.	12/2009	03/2010	871		–
	US\$ 9,240	0.95% p.a.	12/2009	03/2010	8,045		–
	US\$ 30,000	0.95% p.a.	12/2009	03/2010	26,120		–
	US\$ 10,000	1.0% p.a.	12/2009	04/2010	8,680		–
	US\$ 24,000	3.76% p.a.	07/2009	05/2010	102		–
	US\$ 19,500	3.70% p.a.	07/2009	05/2010	78		–
	US\$ 24,000	3.76% p.a.	07/2009	05/2010	102		–
	US\$ 14,500	3.79% p.a.	07/2009	06/2010	64		–
	US\$ 9,990	4.0% p.a.	07/2008	07/2010	379		–
	US\$ 2,900	5.08% p.a.	04/2008	03/2011	–		–
	US\$ 4,000	3.98% p.a.	07/2009	04/2012	21		–
	US\$ 15,500	3.9088% p.a.	07/2009	04/2012	76		–
	US\$ 1,500	4.0538% p.a.	07/2009	05/2012	9		–
	US\$ 5,000	8.9% p.a.	07/2009	07/2014	134		–
	US\$ 120,000	5.1% p.a.	06/2008	06/2015	104,679		–
	EUR 250	1.0% p.a.	08/2009	12/2011	135		–
	EUR 1,000	5.2648% p.a.	05/2007	03/2012	5		–
	EUR 10,000	4.0538% p.a.	07/2009	05/2012	55		–
	EUR 9,000	4.0538% p.a.	07/2009	05/2012	49		–
Total Banco Votorantim					3,132,778		–
Non-Financial Corporations							
Real Estate Receivables Certificates ⁽⁴⁾	R\$				306,463	248,155	
Debentures	R\$	TJLP + 3.8% p.a.	09/2007	09/2020	20,794	21,020	
Total Non-Financial Corporations					327,257	269,175	

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R\$ Thousand						
Resources	Amount Issued	Remuneration	Data Capture	Maturity	12.31.2009 R\$ thous	12.31.2008 R\$ thous
Eliminated amount on consolidation ⁽⁵⁾					(155)	–
Total—BB Consolidated					<u>7,362,319</u>	<u>3,478,900</u>
Current Asset					1,406,912	1,167,593
Non Current Asset					5,955,407	2,311,307

(1) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars (U.S.\$ 423,543 thousand) between 0.33% and 3.80% p.a. and issued in euros (EUR 1,992 thousand) of 0.86% p.a.

(2) The Special Purpose Entity – EPE “Dollar Diversified Payment Rights Finance Company” was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market, (b) use of resources obtained by issuing securities to pay for the purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for an agency for BB Brazil (“Rights in Russia”) and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. EPE did not claim to have no assets or liabilities other than the relevant rights and obligations from the contracts issue of securities. The BB has no control, is not a shareholder, it owns and participates in either the results of EPE. The obligations of the securities issued by EPE are paid with funds accumulated in your account.

(3) Refresh rates are substantially to 90% of DI.

(4) Debt with the average maturity of 132 months, average effective rate of 9.7% per year, with the indices Reference Rate – TR General Price Index-Market – IGP-M Index and Consumer Price Index – IPCA .

(5) Refers to securities issued by Banco do Brasil S.A., in possession of controlled company abroad.

20 – Other liabilities

a) Financial and development funds

R\$ Thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
PIS/Pasep	1,916,461	1,706,439	1,916,461	1,706,439
Judicial Deposit Reserve Fund ⁽¹⁾	755,281	–	755,281	–
Merchant Navy	750,151	269,843	750,151	269,843
Funds from the State Government of Sao Paulo	475,925	–	475,925	–
Special Lending Program for Agrarian Reform – Procera	181,594	322,502	181,594	322,502
Consolidation of Family Farming (CAF)	4,049	68,742	4,049	68,742
Land and Agrarian Reform – BB Banco da Terra	2,218	2,178	2,218	2,178
Combating Rural Poverty/Our First Plot of Land (CPR/NPT)	1,674	22,585	1,674	22,585
Other	47,261	65,510	47,261	65,510
Total	<u>4,134,614</u>	<u>2,457,799</u>	<u>4,134,614</u>	<u>2,457,799</u>
Current Liabilities	2,050,776	428,517	2,050,776	428,517
Non Current Liabilities	2,083,838	2,029,282	2,083,838	2,029,282

(1) It refers to funds specific for guarantee of judicial deposits transferred by Banco Nossa Caixa, incorporated on 11/30/2009, to the State Treasury of São Paulo and to the City Councils of such State.

b) Taxes and social security

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Taxes and contributions on net income payable ⁽¹⁾	10,249,606	8,109,469	10,609,674	8,448,055
Provision for deferred taxes and contributions ⁽²⁾	4,576,390	2,673,217	5,429,405	2,866,020
Provision for correction of legal process ⁽³⁾	4,964,805	4,124,963	4,955,905	4,124,963
Taxes payable	661,898	539,365	1,509,752	870,783
Provision for tax litigation (note 31.a)	174,696	122,456	1,138,706	1,004,031
Provision for taxes and contributions on profits	64,335	88,814	653,257	256,476
Total	20,691,730	15,658,284	24,296,699	17,570,328
Current Liabilities	16,568,631	13,342,332	18,315,213	14,345,530
Non Current Liabilities	4,123,099	2,315,952	5,981,486	3,224,798

(1) Includes the amount of R\$ 6,571,673 thousand (R\$ 6,541,553 thousand at 12.31.2008), related to the legal process for full offsetting of accumulated income tax loss carry forwards and negative bases of Social Contribution (Note 31.e).

(2) Includes the amount of R\$ 4,123,099 thousand (R\$ 2,315,952 thousand at 12.31.2008), referring to the deferral of taxes on the actuarial gain of the Previ retirement and pension plan.

(3) to the restatement of the legal process for full offsetting of accumulated income tax loss carry forwards and negative bases of Social Contribution (Note 31.e).

c) Special Operations

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Government, Special procurement ⁽¹⁾	204,007	-	204,007	-
Investment fund sector	2,138	2,195	2,138	2,195
Other special operations	140	140	140	140
Total	206,285	2,335	206,285	2,335
Current liabilities	204,007	-	204,007	-
Long Term Liabilities	2,278	2,335	2,278	2,335

(1) Refers to the transfer of funds, according to Resolution No. 3.607/2008 Bank, for use in rural credit.

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d) Subordinated debt

						R\$ Thousand	
Resources		Amount Issued ⁽¹⁾	Remuneration ⁽¹⁾	Data Capture ⁽¹⁾	Maturity ⁽¹⁾	12.31.2009	12.31.2008
Banco do Brasil							
FCO – Recursos do Fundo							
Constitucional do Centro-Oeste ⁽¹⁾	R\$	–	–	–	–	12.422.046	11.057.272
Subordinated CDB issued in the country ⁽²⁾						3.432.247	–
	R\$	500,000	113,8% do CDI	03/2009	09/2014	541.187	–
	R\$	100,000	113,8% do CDI	03/2009	09/2014	108.237	–
	R\$	172,000	113,8% do CDI	03/2009	09/2014	186.168	–
	R\$	38,000	113,8% do CDI	03/2009	09/2014	41.131	–
	R\$	14,000	113,8% do CDI	03/2009	09/2014	15.153	–
	R\$	76,000	113,8% do CDI	03/2009	09/2014	82.261	–
	R\$	851,400	115% do CDI	03/2009	03/2015	921.860	–
	R\$	9,790	115% do CDI	03/2009	03/2015	10.600	–
	R\$	1,550	115% do CDI	03/2009	03/2015	1.678	–
	R\$	8,630	115% do CDI	03/2009	03/2015	9.344	–
	R\$	63,180	115% do CDI	03/2009	03/2015	68.409	–
	R\$	450	115% do CDI	03/2009	03/2015	487	–
	R\$	360,000	115% do CDI	03/2009	03/2015	388.668	–
	R\$	40,000	115% do CDI	03/2009	03/2015	43.185	–
	R\$	1,000,000,000	105% do CDI	11/2009	11/2015	1.013.879	–
Subordinated debt Abroad ⁽²⁾	US\$	300,000	8,5% a, a,	09/2004	09/2014	533.276	714.905
Total Subordinated debt Banco do Brasil						16,387,569	11,772,177
Banco Votorantim							
Subordinated CDB issued in the country						1.463.908	–
		312,500	CDI+0,491417% a, a,	11/2007	11/2012	393.717	–
		8,500	CDI+0,491417% a, a,	12/2007	12/2012	10.690	–
		193,150	CDI+0,540556% a, a,	12/2007	12/2012	243.172	–
		32,500	IGPM+7,219701% a, a,	12/2007	12/2012	41.352	–
		6,850	CDI+0,540556% a, a,	12/2007	12/2012	8.620	–
		57,500	IPCA+7,934241% a, a,	03/2008	03/2013	72.052	–
		260,000	CDI+1,670229% a, a,	08/2009	08/2014	270.585	–
		7,500	IPCA+7,855736% a, a,	08/2009	08/2014	7.814	–
		5,250	IPCA+7,924428% a, a,	08/2009	08/2014	5.471	–
		19,500	IPCA+8,002932% a, a,	08/2009	08/2014	20.326	–
		2,500,000	IPCA+7,953867% a, a,	08/2009	08/2014	2.605	–
		250,000,000	CDI+1,635268% a, a,	12/2009	12/2014	251.670	–
		50,000,000	CDI+1,674668% a, a,	12/2009	12/2014	50.335	–
		75,000,000	CDI+1,674668% a, a,	12/2009	12/2014	75.475	–
		10,000,000	CDI+1,674668% a, a,	12/2009	12/2014	10.024	–
Debentures		693,575	CDI+0,5% a, a,	04/2006	04/2016	703.621	–
Total Subordinated debt Banco Votorantim						703,904	–
Eliminated amount on consolidation⁽³⁾						(1.858)	–
Total Subordinated debt BB Consolidated						16,558,197	11,772,177

(1) classified as Subordinated Debt Capital Base Level II (Note 32), due to low chargeability and long-term permanence of these resources in the Bank (Vote CMN n° 067/2001 and Official Bank – Diret n° 1.602 / 2001)

(2) The full value of the Subordinated CDB issued in the country and the amount of R\$ 500,403 thousand of subordinated debt abroad make up the Capital (PR), level II, in accordance with CMN Resolution No. 3,444 / 2007, 02.28.2007 (Note 32g).

(3) refers to securities issued by BB-Commercial Bank, in possession of controlled abroad.

e) Hybrid capital and debt instruments

					R\$/US\$ Thousand	
Banco do Brasil and Consolidated						
Funding		Issued value	Remuneration	Date of funding	12.31.2009 R\$ thous	12.31.2008 R\$ thous
Perpetual Bonuses		2,000,000			3,515,804	1,185,278
	US\$	1,500,000	8.50% p.a.	10/2009	2,646,319	—
	US\$	500,000	7.95% p.a.	01/2006	869,485	1,185,278
Current Liabilities					13,260	16,817
Long term Liabilities					3,502,544	1,168,461

The amount of R\$ 2,523,580 thousand of the perpetual bonuses comprise the Referential Shareholders' Equity (PR), level II, in conformity with CMN Resolution 3.444, of February 28, 2007, and authorization of Central Bank of Brazil (Note 32f).

The amount of R\$ 852,796 thousand of the perpetual bonuses comprise the Referential Shareholders' Equity (PR), level II, in conformity with CMN Resolution 3.444, of February 28, 2007 (Note 32f).

The operation of US\$ 500,000 thousand, issued in January 2006, has a redemption option by initiative of the Bank as from 2011 or in each subsequent quarterly payment of interest, providing it is authorized beforehand by the Central Bank of Brazil. The terms of these Perpetual Bonuses allow the Bank to suspend quarterly payments of interest and/or accessory payments on the aforesaid securities issued (which will neither be due or accumulated) if: (i) the Bank determines that it is incapable or the payment of these charges does not allow the Bank to be in conformity with the capital adequacy levels then required by the Central Bank of Brazil or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) the Central Bank of Brazil or the Regulatory Authorities determine the suspension of payments of the aforesaid charges; (iii) some insolvency or bankruptcy event occurs; (iv) some default occurs; or (v) the Bank decides to suspend these payments for any other reason. If the Bank decides to suspend the payment of interest and accessories due to the Perpetual Bonuses on account of the contents of item (v) above, the terms of the Perpetual Bonuses provide that, until such payments have been resumed for a period equivalent to 12 months, the Bank (a) cannot recommend to its stockholders and, and as established by the applicable legislation, will act in order to avoid the statement, payment or distribution of dividends or interest on own capital on its common stock and (b) will suffer restrictions on its capacity to redeem or otherwise acquire its common stock.

The transaction of US\$ 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 and on each monthly payment of interest thereafter, provided that prior authorization by the Central Bank of Brazil. If the Bank does not exercise the option to redeem in October 2020, interest on the bonds will be corrected by this date and every 10 years, taking into account the trading price of the Treasury of the U.S. 10 years. The terms of Perpetual determine that the Bank has suspended payments of monthly interest and / or accessories on those securities issued (which shall not be paid or accrued) if: (i) the Bank is not framed or such charges do not allow the Bank is in accordance with the levels of capital adequacy and operational limits expressed in Resolution 3444 and / or Resolution 2099, the Central Bank of Brazil, or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks, (ii) The Central Bank of Brazil or the Regulatory Authorities to determine the suspension of payments of these costs, (iii) any event of insolvency occurs, (iv) any default occurs, or (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and / or accessories.

Banco do Brasil S.A.
Notes to Financial Statements

For the years ended December 31, 2008 and 2009

f) Sundry

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Credit card operations ⁽¹⁾	7,982,813	5,426,068	7,982,813	5,426,068
Liabilities for purchase of goods and rights ⁽²⁾	4,529,979	294,964	4,530,311	294,975
Cassi Actuarial Liability (Note 28.g).	4,357,455	4,096,062	4,357,455	4,096,062
Provisions for payments	3,475,940	3,453,380	3,900,020	3,721,067
Provisions for labor grievances (Note 31.a)	3,242,209	2,456,461	3,300,749	2,475,231
Provisions for civil claims (Note 31.a)	3,036,381	1,719,947	3,131,472	1,760,175
Sundry creditors – Brazil	1,878,724	1,748,973	3,093,899	2,655,751
Previ Actuarial Liability (Note 28.g).	1,569,047	1,565,632	1,569,047	1,565,632
Liabilities for official agreements	1,191,354	716,897	1,191,354	716,897
Obligations for premiums paid by the customer loyalty	1,170,060	677,665	1,170,060	677,665
Funds subject to loans	627,782	157,678	1,056,660	757,642
Obligations for the sale / transfer of financial assets ⁽³⁾	–	–	565,784	–
Other provisions ⁽⁴⁾	281,720	–	281,720	–
Accounts payable for payment services provided	280,874	425,744	280,874	425,744
Assumption of obligations – Securitization (Note 20.g)	109,288	420,029	109,288	237,756
Provisions for guarantees provided	70,191	40,442	70,204	40,479
Sundry creditors – abroad	61,661	63,634	70,098	67,897
Other	93,757	24,587	436,523	273,259
Total	33,959,234	23,288,163	37,098,330	25,192,300
Current Liabilities	26,499,585	16,373,880	26,464,456	16,534,493
Long term Liabilities	7,459,649	6,914,283	10,633,874	8,657,807

(1) Includes the value of the installments of shopping with credit cards by retailers installments in the amount of R\$ 3,398,166 thousand (R\$ 2,661,833 thousand on 12.31.2008).

(2) Includes, on 12.31.2009, the value of the bonds for the acquisition of Banco Nossa Caixa, R\$ 2,657,611 thousand to be paid to the State of Sao Paulo (the acquisition occurred on 03.16.2009) and R\$ 1,016,713 thousand to be paid to shareholders (at the IPO, which occurred on 09.04.2009). It also includes the amount to be paid to Banco Votorantim on the subscription of preferred shares, R\$ 450,000 thousand (Note 5).

(3) refers to obligations to the other shareholders of the financial funds of Banco Votorantim, consolidated from 2009 (Note 2).

(4) Includes the value of R\$ 269,309 thousand, relating to provisions of Banco Nossa Caixa to cover, especially loss with FCVS (book loans), recognized based on estimates of losses due to negative coverage of all or part of operations transferred.

g) Securitization

	R\$/US\$/EUR Thousand						
Bando do Brasil and Consolidated							
Funding		Issued value	Remuneration	Date of funding	Maturity	12.31.2009 R\$ thous	12.31.2008 R\$ thous
Future flow of credit card invoice receivables							
	US\$	178,474	5.911% p.a.	07/2003	06/2011	88,418	192,202
	US\$	44,618	4.777% p.a.	07/2003	06/2011	20,870	45,554
Total		223,092				109,288	237,756

The Special Purpose Company – SPC “Brazilian Merchant Voucher Receivables” was created under the laws of the Cayman Islands with the following purposes: (a) issue and sell securities in the international market; (b) to use funds raised with the issue of securities to pay for the purchase of current and future rights of Companhia Brasileira de Meios de Pagamento (“Visanet”) against Visa International Service Association over the Receivables arising from: (i) credit or charge purchases made in Brazilian territory, in any currency processed by Visanet, with Visa cards issued by financial institutions located outside of Brazil; or (ii) credit or charge purchases processed by Visanet in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and (c) to make payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities. BB is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Visanet, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Visanet. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. BB does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPC using the funds accumulated in its account.

21 – Insurance, pension and capitalization operations

a) Claims Operations

	R\$ Thousand	
BB-Consolidated	12.31.2009	12.31.2008
Direct insurance premiums receivable	612,282	421,475
Credit insurance business with insurers	9,447	6,544
Credit insurance transactions with reinsurers	286,481	12,604
Total	908,210	440,623
Current assets	885,945	440,611
Non current assets	22,265	12

b) Technical Provisions

	R\$ Thousand							
	12.31.2009				12.31.2008			
BB-Consolidated	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Mathematical provision for future benefits	8,984	12,271,198	–	12,280,182	625	8,763,423	–	8,764,048
Mathematical provision for vested benefits	222	358,872	–	359,094	265	327,651	–	327,916
Mathematical provision for redemptions	–	14,862	1,743,419	1,758,281	–	943	1,447,841	1,448,784
Mathematical provision for unearned premiums	1,041,045	–	–	1,041,045	644,799	–	–	644,799
Provision for unsettled claims	858,902	–	–	858,902	658,628	–	–	658,628
Provision for financial surplus	–	255,445	–	255,445	–	281,853	–	281,853
Provision for insufficiency of contributions	–	154,005	–	154,005	–	142,659	–	142,659
Provision for financial fluctuation	–	151,937	–	151,937	–	130,813	–	130,813
Provision for IBNR	232,495	3,441	–	235,936	127,543	3,380	–	130,923
Provision for premiums deficiency	92,689	26,777	–	119,466	36,494	15,225	–	51,719
Provision for draws for prizes and redemptions	–	–	56,430	56,430	–	–	50,722	50,722
Other provisions	33,913	24,669	9,871	68,453	23,602	17,588	1,173	42,363
Total	2,268,250	13,261,206	1,809,720	17,339,176	1,491,956	9,683,535	1,499,736	12,675,227
Short-Term	1,940,475	372,969	1,809,720	4,123,164	1,478,585	343,588	1,499,736	3,321,909
Long-Term	327,775	12,888,237	–	13,216,012	13,371	9,339,947	–	9,353,318

c) Technical Provisions by product

R\$ Thousand

BB-Consolidated	12.31. 2009				12.31.2008			
	Insurance	Pension Capitalization		Total	Insurance	Pension	Capitalization	Total
Automotive	654,000	–	–	654,000	497,188	–	–	497,188
Life	755,536	–	–	755,536	613,005	–	–	613,005
Property/casualty	781,925	–	–	781,925	319,985	–	–	319,985
DPVAT	59,879	–	–	59,879	45,898	–	–	45,898
Health	16,910	–	–	16,910	15,880	–	–	15,880
Capitalization	–	–	1,809,720	1,809,720	–	–	1,499,736	1,499,736
PGBL Free benefit generating plan	–	5,391,560	–	5,391,560	–	3,620,813	–	3,620,813
VGBL Living benefits life insurance	–	5,091,497	–	5,091,497	–	2,916,245	–	2,916,245
Traditional plans	–	2,778,149	–	2,778,149	–	3,146,477	–	3,146,477
Total	2,268,250	13,261,206	1,809,720	17,339,176	1,491,956	9,683,535	1,499,736	12,675,227

d) Guarantee of Technical Provisions

R\$ Thousand

BB-Consolidated	12.31. 2009				12.31.2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	–	10,331,995	–	10,331,995	–	6,441,433	–	6,441,433
Shares in Investment Funds (except VGBL and PGBL)	886,671	2,021,878	1,250,781	4,159,330	806,055	2,336,692	1,013,549	4,156,296
Government bonds	665,987	1,087,281	241,904	1,995,172	439,073	1,129,650	319,210	1,887,933
Corporate bonds	197,670	33,337	410,494	641,501	244,507	28	250,347	494,882
Credit rights	364,346	–	–	364,346	242,951	–	–	242,951
Real estate properties	1,338	–	–	1,338	3,225	–	–	3,225
Deposits held at IRB and deposits in court	416	–	–	416	626	–	–	626
Total	2,116,428	13,474,491	1,903,179	17,494,098	1,736,437	9,907,803	1,583,106	13,227,346

e) Results of Insurance, Pension Plan and Capitalization Operations

R\$ Thousand

BB Consolidated	2S2009				2009				2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Financial results	95,185	368,605	86,212	550,002	224,870	827,474	222,248	1,274,592	144,901	645,080	156,367	946,348
Financial income	122,591	575,193	92,482	790,266	292,220	1,273,783	230,208	1,796,211	188,406	754,307	157,347	1,100,060
Financial expenses	(27,406)	(206,588)	(6,270)	(240,264)	(67,350)	(446,309)	(7,960)	(521,619)	(43,505)	(109,227)	(980)	(153,712)
Restatement and interest on technical reserves	1,745	(272,090)	(53,041)	(323,386)	(14,127)	(649,346)	(117,306)	(780,779)	(31,524)	(496,285)	(94,075)	(621,884)
Operating results	784,589	(13,973)	28,949	799,565	1,537,251	(19,309)	56,181	1,574,123	863,658	(22,726)	51,483	892,415
Retained premiums and contributions	1,610,636	1,755,208	586,140	3,951,984	3,150,833	3,350,226	1,220,654	7,721,713	1,865,622	1,750,529	943,119	4,559,270
Change in technical provisions	(190,881)	(1,745,428)	(7,318)	(1,943,627)	(269,295)	(3,323,021)	(13,200)	(3,605,516)	(143,171)	(1,711,679)	(1,694)	(1,856,544)
Retained claims	(619,931)	–	–	(619,931)	(1,266,711)	–	–	(1,266,711)	(788,730)	–	–	(788,730)
Selling expenses	(15,235)	(14,972)	(34,736)	(64,943)	(77,576)	(30,722)	(82,163)	(190,461)	(70,063)	(18,404)	(55,580)	(144,047)
Expenses with draws for prize & redemptions of capitalization certificates	–	–	(515,137)	(515,137)	–	–	(1,069,110)	(1,069,110)	–	–	(834,362)	(834,362)
Expenses with pension plans benefits and redemptions	–	(8,781)	–	(8,781)	–	(15,792)	–	(15,792)	–	(43,172)	–	(43,172)
Total	881,519	82,542	62,120	1,026,181	1,747,994	158,819	161,123	2,067,936	977,035	126,069	113,775	1,216,879

f) Retained insurance premiums, pension plan contributions and capitalization certificates

R\$ Thousand

BB Consolidated	2S2009				2009				2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Premiums issued (VGBL retirement)	1,881,461	1,224,711	–	3,106,172	3,583,473	2,243,955	–	5,827,428	2,125,084	1,006,849	–	3,131,933
Supplementary pension contributions (includes VGBL risk portion)	–	535,329	–	535,329	–	1,118,239	–	1,118,239	–	747,742	–	747,742
Revenues from capitalization certificates	–	–	586,140	586,140	–	–	1,220,654	1,220,654	–	–	943,119	943,119
Coinsurance premiums ceded	(10,851)	–	–	(10,851)	(21,074)	–	–	(21,074)	(11,514)	–	–	(11,514)
Reimbursed premiums (return of VGBL contribution)	(6,266)	(4,832)	–	(11,098)	(16,388)	(11,968)	–	(28,356)	(14,653)	(4,062)	–	(18,715)
Premiums issued net (premium issued – premium reimbursed)	1,864,344	1,755,208	586,140	4,205,692	3,546,011	3,350,226	1,220,654	8,116,891	2,098,917	1,750,529	943,119	4,792,565
Reinsurance premiums ceded, consortiums and funds	(253,708)	–	–	(253,708)	(395,178)	–	–	(395,178)	(233,295)	–	–	(233,295)
Retained insurance premiums, pension plans and capitalization	1,610,636	1,755,208	586,140	3,951,984	3,150,833	3,350,226	1,220,654	7,721,713	1,865,622	1,750,529	943,119	4,559,270

22 – Other Income / Expenses

a) Service fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Income from cards ⁽¹⁾	907,249	1,668,034	1,329,568	1,310,272	2,483,296	2,042,804
Fund Management	611,755	1,177,042	1,237,133	1,071,615	2,023,542	1,979,196
Collections	577,848	1,106,376	1,043,240	597,328	1,138,111	1,043,934
Current Account	384,008	753,460	698,186	394,634	772,421	698,586
Loans and guarantees provided	307,380	610,348	626,621	345,708	660,940	626,645
Interbank	249,761	491,011	555,285	267,482	519,780	555,285
Collection	255,195	485,531	438,144	272,203	512,470	438,144
Services provided by non-financial associated companies	–	–	–	179,205	435,625	608,584
Insurance, pension and capitalization	116,108	206,755	151,739	215,028	401,805	262,692
Official services ⁽²⁾	144,732	290,560	265,001	144,732	290,560	265,001
Provided to the related	156,600	298,623	223,663	123,270	163,865	69,333
Consortium administration fees	–	–	–	42,010	80,300	73,597
Brokerage and custody	19,270	38,512	37,448	42,359	77,825	77,040
Other services	154,054	239,590	200,049	354,549	611,177	347,951
Total	3,883,960	7,365,842	6,806,077	5,360,395	10,171,717	9,088,792

(1) Includes, in BB-Consolidated at 2009, the amount of R\$ 726,241 thousand (R\$347,337 thousand at second semester of 2008 and R\$713,237 in 2008), referring to results (proportional to the interest of BB BI) of the operations of Cia. Cielo - Visanet.
(2) Refers mainly to services provided by the National Treasury and Management of official Funds.

b) Bank fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Service package	995,525	1,922,398	1,883,180	1,192,645	2,237,880	1,883,180
Loans and registration file	233,245	550,067	447,560	365,331	716,407	447,560
Deposit account	133,586	240,427	257,068	143,140	257,252	257,183
Transfer of funds	63,562	116,924	134,078	70,515	127,925	134,078
Total	1,425,918	2,829,816	2,721,886	1,771,631	3,339,464	2,722,001

c) Personnel expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Salaries	(2,373,040)	(4,530,941)	(3,960,151)	(2,832,874)	(5,238,800)	(4,128,529)
Payroll charges	(813,072)	(1,527,870)	(1,355,197)	(1,079,980)	(1,911,433)	(1,420,255)
Benefits	(653,880)	(1,252,487)	(1,083,978)	(805,638)	(1,486,053)	(1,117,552)
Personnel administrative provisions	(662,371)	(1,301,106)	(1,228,276)	(800,398)	(1,472,570)	(1,228,276)
Provision for labor grievances	(319,200)	(1,191,920)	(758,512)	(427,086)	(1,374,700)	(758,512)
Supplementary welfare	(80,192)	(137,242)	(105,600)	(158,024)	(231,865)	(109,023)
Training	(41,622)	(63,154)	(72,485)	(47,591)	(73,324)	(78,173)
Directors' and officers' honoraries	(10,462)	(20,223)	(16,043)	(28,202)	(49,689)	(29,749)
Total	(4,953,839)	(10,024,943)	(8,580,242)	(6,179,793)	(11,838,434)	(8,870,069)

d) Other Administrative Expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Amortization ⁽¹⁾	(704,685)	(1,342,380)	(224,500)	(931,252)	(1,699,718)	(233,155)
Communications	(534,367)	(1,016,040)	(984,843)	(586,999)	(1,107,054)	(1,020,894)
Data processing	(416,066)	(769,997)	(702,690)	(544,808)	(969,344)	(713,289)
Third party services	(428,708)	(793,347)	(774,499)	(507,448)	(960,148)	(901,679)
Litigation	(42,383)	(899,525)	(629,035)	(42,383)	(899,525)	(629,035)
Financial system services	(230,799)	(444,561)	(434,802)	(368,679)	(706,601)	(430,414)
Depreciation	(341,535)	(650,726)	(566,203)	(373,904)	(706,123)	(581,689)
Security services	(300,802)	(585,981)	(524,040)	(336,189)	(641,906)	(524,506)
Transport	(330,381)	(604,483)	(539,439)	(349,535)	(637,815)	(570,499)
Rent	(214,255)	(401,446)	(329,403)	(281,582)	(509,728)	(362,829)
Specialized technical services	(86,124)	(154,401)	(149,506)	(221,796)	(387,812)	(247,440)
Maintenance and upkeep	(159,548)	(306,001)	(263,212)	(185,741)	(351,256)	(270,978)
Advertising and publicity	(132,928)	(229,320)	(249,269)	(196,331)	(336,254)	(299,204)
Water, electricity and gas	(144,377)	(289,546)	(269,390)	(155,062)	(307,462)	(272,614)
Advertising and public relations	(89,684)	(162,152)	(165,397)	(116,596)	(198,112)	(183,118)
Domestic travel	(58,046)	(111,533)	(113,044)	(73,673)	(133,478)	(120,786)
Materials	(56,681)	(106,273)	(101,103)	(60,785)	(114,502)	(114,981)
Other	(215,583)	(377,823)	(355,126)	(316,925)	(545,115)	(440,150)
Total	(4,486,952)	(9,245,535)	(7,375,501)	(5,649,688)	(11,211,953)	(7,917,260)

(1) Includes in 2009, the amount of R\$ 1,099,631 thousand (R\$ 1,407,853 thousand on 2008) for expenses derived of payroll rights acquisitions, previously reported in Other operating expenses, which began to be recorded in this group as from December 2008, in accordance with BACEN Resolution 3357/2008.

e) Tax Expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Cofins	(964,668)	(1,791,777)	(1,512,986)	(1,247,995)	(2,287,683)	(1,715,376)
ISSQN	(215,218)	(418,016)	(406,338)	(295,094)	(560,696)	(494,464)
PIS/Pasep	(156,757)	(291,162)	(245,736)	(206,949)	(379,455)	(283,935)
Other	(31,345)	(59,678)	(57,684)	(54,741)	(104,844)	(141,097)
Total	(1,367,988)	(2,560,633)	(2,222,744)	(1,804,779)	(3,332,678)	(2,634,872)

f) Other Operating Income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Foreign exchange gains ⁽¹⁾	1,521,522	5,158,306	1,012,206	1,530,549	5,177,825	1,012,206
Previ – Adjustment by CVM 371	3,626,722	4,223,294	5,412,367	3,626,722	4,223,294	5,412,367
Equalization of rates – Law 8427	883,082	1,773,404	1,351,649	883,082	1,773,404	1,351,649
Labor, civil and tax claims – Reversal of provisions	1,674,881	1,705,481	218,534	1,674,881	1,705,481	218,534
Income from guarantee deposits	518,682	1,079,437	1,192,476	556,700	1,143,105	1,192,476
Recovery of charges and expenses	550,799	1,066,621	920,081	632,827	1,061,330	752,131
Equipment Rental – POS (Cielo)	–	–	–	129,148	279,425	284,679
Previ – Parity agreement contributions	96,587	220,755	221,273	96,587	220,755	221,273
Gain on Equity Pickup (Neoenergia)	–	–	–	101,335	181,625	102,744
Revenue Receive Credit – Securitization (Ativos S.A.)	–	–	–	109,022	173,048	101,266
Credit card transactions	81,785	157,130	244,260	85,538	162,970	244,260
Administrative expenses – Reversal of provisions	64,231	142,994	127,415	64,231	142,994	127,415
Cards emission income (Visavale)	–	–	–	63,710	110,280	88,829
Income from specific credits	43,708	87,659	87,666	43,708	87,659	87,666
Income from Special Operations	20,756	44,878	51,713	20,756	44,878	51,713
Dividends received	22,113	43,166	46,070	22,113	43,166	46,070
Personnel expenses – Reversal of provisions	5,736	8,141	34,178	5,736	8,141	34,178
Others	133,538	159,081	326,034	309,758	433,574	450,558
Total	9,244,142	15,870,347	11,245,922	9,956,403	16,972,954	11,780,014

(1) Refers to the revenue obtained with the liabilities in foreign currencies, due to the appreciation of the Real in the period, which offset the costs generated by assets in foreign currencies, mainly, the group highlighted in other operating expenses – Negative foreign exchange adjustment (Note 22.g) and exchange variation on investments abroad (Note 14.b).

g) Other operating expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Foreign exchange losses	(958,709)	(2,717,098)	(759,444)	(963,866)	(2,726,357)	(759,444)
Other operating expenses from non-financial associated companies	–	–	–	(518,042)	(1,016,952)	(815,590)
Credit card transactions	(401,148)	(733,999)	(495,825)	(422,944)	(759,711)	(495,825)
Restatement of guarantee deposits	(263,896)	(552,634)	(653,963)	(263,896)	(552,634)	(653,963)
CASSI – Expense with provision (CVM Resolution 371)	(270,984)	(541,968)	(1,830,769)	(270,984)	(541,968)	(1,830,769)
Premiums paid to clients – Loyalty Program ⁽¹⁾	(266,406)	(490,347)	(1,199,771)	(266,406)	(490,347)	(1,199,771)
Sundry losses	(243,953)	(369,875)	(129,420)	(278,298)	(411,693)	(129,420)
Updating of the pension liability	(171,839)	(299,790)	(359,684)	(171,839)	(299,790)	(359,684)
Updating the acquisition of investment	(150,046)	(291,426)	–	(150,046)	(291,426)	–
Payroll guaranteed loans acquired	(147,042)	(251,497)	(96,416)	(147,042)	(251,497)	(96,416)
Discounts granted on renegotiations	(66,588)	(115,907)	(81,828)	(94,494)	(145,779)	(84,720)
Hybrid capital and debt instruments	(80,855)	(115,938)	(94,724)	(80,855)	(115,938)	(94,724)
Expenses of BB – ATM	(43,411)	(80,102)	(80,628)	(43,411)	(80,102)	(80,628)
Amortization of goodwill	(24,799)	(65,055)	–	(24,799)	(65,055)	–
Law 9138/95 – Restatement of funds to be returned to the Federal Treasury	(21,121)	(43,941)	(50,857)	(21,121)	(43,941)	(50,857)
Update interest own capital / Dividends	(13,376)	(37,070)	(21,895)	(13,376)	(37,070)	(21,895)
INSS	(13,465)	(27,032)	(47,137)	(13,465)	(27,032)	(47,137)
Fees for the use of Sisbacen – Central Bank of Brazil System	(6,477)	(13,571)	(13,532)	(6,477)	(13,571)	(13,532)
Securitization SWIFT MT100 – liabilities with the SPE ⁽²⁾	(24,610)	(56,835)	(106,762)	–	–	–
Previ- Actuarial Asset Amortization – CVM Resolution 371	–	–	(353,503)	–	–	(353,503)
Other ⁽³⁾	(297,530)	(542,538)	(479,343)	(987,281)	(1,456,038)	(517,295)
Total	(3,466,255)	(7,346,623)	(6,855,501)	(4,738,642)	(9,326,901)	(7,605,173)

(1) The decrease on 2009, totaling R\$ 832,887 thousand, refers to the reclassification of expenditure from the budget negotiating relationship (Note 22.d). The reclassification is being made since December 2008, in accordance with Bacen Circular Letter 3357/2008.

(2) In BB-Consolidated, these expense are classified as “Expense for marketable securities abroad”.

(3) Includes, on 2009 the BB-Consolidated, the value of R\$ 407,913 thousand (R\$ 206,782 thousand on 2008) on other operating expenses of the Banco Nossa Caixa.

23 – Non operating income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Non-operating income	182,696	246,452	191,448	482,033	1,971,297	561,088
Profit on the sale of investments ⁽¹⁾	76,696	76,696	–	350,541	1,765,663	17,704
Capital gains	27,781	34,226	20,291	44,874	52,100	48,779
Reversal of provision for devaluation of other assets	21,731	44,593	45,489	22,572	45,768	45,584
Profit on the sale of assets	24,946	34,514	37,918	26,683	40,246	127,220
Sale of real estate	17,784	30,416	62,139	17,784	30,416	62,139
Rental income	6,772	14,322	15,284	6,925	14,902	18,168
Provision for/(reversal of) loss with shares and quotas	1,728	4,421	7,141	1,728	4,421	13,296
Other non-operating income ⁽²⁾	5,258	7,264	3,186	10,926	17,781	228,198
Non-operating expenses	(34,490)	(70,140)	(90,457)	(80,649)	(127,669)	(148,544)
Devaluation of other assets	(24,863)	(47,272)	(48,316)	(25,166)	(47,842)	(48,420)
Capital losses	(7,911)	(17,040)	(24,506)	(27,939)	(37,301)	(29,166)
Loss on sale of assets	(1,155)	(2,386)	(3,999)	(20,880)	(23,042)	(41,561)
Other non-operating expenses ⁽³⁾	(561)	(3,442)	(13,636)	(6,664)	(19,484)	(29,397)
Total	<u>148,206</u>	<u>176,312</u>	<u>100,991</u>	<u>401,384</u>	<u>1,843,628</u>	<u>412,544</u>

(1) Refers mainly to the profit made by Banco do Brasil on the sale of shares of Visa Incorporated (R\$ 76,696 thousand) and BB Banco de Investimento with the sale of shares in Visanet (R\$ 1,624,575 thousand) and Visa Incorporated (R\$ 64,287 thousand).

(2) Includes on 2009 at BB-Consolidated, the value of R\$ 224,752 thousand relating to Other non-operating income of non-financial associated companies.

24 – Stockholder's Equity

a) Capital

The capital of R\$ 18,566,919 thousand (R\$ 13,779,905 thousand at 12.31.2008) is represented by 2,569,860,512 book-entry common shares with no par value. The Federal Union is the controlling stockholder.

The R\$ 4,787,014 thousand capital increase in the 2009 fiscal year arose from the capitalization of the Expansion Reserve (R\$ 4,768,706 thousand) without issuing new shares, as approved by the General Shareholders' Meeting dated April 23, 2009, and the issue of 1,674,027 common registered shares (R\$ 18,308 thousand) with no par value, resulting from the merger of Banco Nossa Caixa on November 30, 2009. In 2008, the R\$ 568,261 thousand capital increase was a result of the takeovers of Besc S.A. and Besc S.A. – Crédito Imobiliário (Bescrí), and of BEP S.A. – Banco do Estado do Piauí.

The stockholders' equity of R\$ 36,119,265 thousand (R\$ 29,937,250 thousand at December 31, 2008) corresponds to an equity value of R\$ 14,05 per share (R\$ 11,66 at December 31, 2008). The market value of per common share at December 31, 2009 was R\$ 29,70 (R\$ 14,68 at December 31, 2008).

b) Revaluation reserves

The revaluation reserves, totaling R\$ 6,746 thousand (R\$ 7,286 thousand in 12.31.2008), refer to revaluations of assets made by the companies Kepler Weber S.A., Pronor, and Cobra Tecnologia S.A. The realizations of the reserves in the period, totaling R\$ 557 thousand (R\$ 285 thousand 2008 and R\$ 219 thousand at the second half of 2008), were transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until to the date of its effective realization, in conformity with CMN Resolution 3565, of 5.29.2008.

c) Capital and profit reserves

	R\$ Thousand	
	12.31.2009	12.31.2008
Capital reserves	5,188	5,188
Profit reserves	17,301,439	15,977,333
Legal Reserve	2,296,291	1,788,916
Statutory Reserves	15,005,148	9,419,711
Operating margin ⁽¹⁾	12,308,413	7,412,899
Equalization of dividends ⁽²⁾	2,696,735	2,006,813
Expansion Reserve ⁽³⁾	-	4,768,706

(1) The purpose is to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

(2) Guarantees financial resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

(3) Reserve capitalized in the 1st half of 2009 without issuing new shares, after approval by the General Assembly of Shareholders 04.23.2009.

d) Interest on own capital / Dividends

	R\$ Thousand		
	2S2009	2009	2008
1 – Net income for the period	6,133,959	10,147,522	8,802,869
2 – Interest on own capital allocated to stockholders	954,012	1,857,866	1,548,227
3 – Dividends allocated to stockholders	1,499,572	2,201,143	1,972,921
Total allocated to stockholders (Item 2 + Item 3)	2,453,584	4,059,009	3,521,148

In accordance with Laws 9249/1995 and 9430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on Own Capital to its stockholders, imputed to the value of the dividends, plus additional dividends, equivalent to 40% of net income.

During the year of 2009 R\$ 533,956 were allocated (R\$ 910,852 thousand during 2008), of which R\$ 218,474 thousand during the first half of 2009 and R\$ 315,482 during the second half as interim dividends for account of the Statutory Reserve for Dividend Equalization, and R\$ 1,667,187 thousand (R\$ 1,062,069 thousand for the 2008 fiscal year) for account of the income for the year.

The total amount of Interest on Own Capital on 2009 totaled R\$ 1,857,866 thousand. The amount of Interest on Own Capital permitted a decrease on tax charges in the amount of R\$ 743,146 thousand.

The Interest on Own Capital and Dividends on 2009 will be based on the shareholding position of 12.21.2009 and will be paid on 03.10.2010.

To comply with the Income Tax legislation, the amount of interest on capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of the financial statements, reclassified to "Retained earnings".

e) Payments of/Provisions for Interest on Own Capital and Dividends

R\$ Thousand

	2009 Per share	Gross amount	Income tax	Net amount
Interest on own capital/Dividends allocated	1.580	4,059,009	(278,680)	3,780,329
Interest on own capital	0.723	1,857,866	(278,680)	1,579,186
Paid	0.537	1,379,776	(206,966)	1,172,810
Payable	0.186	478,090	(71,714)	406,376
Dividends	0.857	2,201,143	–	2,201,143
Paid	0.857	2,201,143	–	2,201,143
Payable	0.396	1,017,053	–	1,017,053

	2008 Per share	Gross amount	Income tax	Net amount
Interest on own capital/Dividends allocated	1.372	3,521,148	(232,234)	3,288,914
Interest on own capital paid	0.603	1,548,227	(232,234)	1,315,993
Dividends paid	0.769	1,972,921	–	1,972,921

f) Stockholdings (Number of shares)

Stockholdings at December 31, 2009 of all those who hold, directly or indirectly, more than 5% of the Bank's capital:

Stockholders	Total shares	% Total
Federal Government	1,677,309,058	65.27%
Ministério da Fazenda	1,378,734,058	53.65%
Fundo de Garantia a Exportação	229,400,000	8.93%
Fundo Garantidor de Parcerias Público-Privadas – FGP ⁽¹⁾	60,000,000	2.33%
Fundo Garantidor de Habitação Popular – FGHab	1,675,000	0.07%
Fundo Garantidor para Investimentos	7,500,000	0.29%
Banco do Brasil Employees Retirement Fund (PREVI)	266,446,187	10.37%
BNDES Participações S.A. – BNDESPar ⁽²⁾	62,409,779	2.43%
Treasury Stock	1,150,369	0.05%
Other shareholders	562,545,119	21.89%
Total	2,569,860,512	100.00%

(1) Shares transferred by the Union to pay up the capital of FGP, as authorized by Ordinance No. 413/2005 of the Ministry of Finance.

(2) Connected to the Controller.

Evolution of the quantity of shares issued by the Bank's shareholders hold, directly or indirectly, of more than 5% of the shares and the directors and members of the Fiscal Council and Audit Committee:

Controlling Group	12.31.2009	12.31.2008
Federal Government	1,677,309,058	1,684,809,058
Ministério da Fazenda	1,378,734,058	1,395,409,058
Fundo de Garantia a Exportação	229,400,000	229,400,000
Fundo Garantidor de Parcerias Público-Privadas – FGP	60,000,000	60,000,000
Fundo Garantidor de Habitação Popular – FGHab	1,675,000	–
Fundo Garantidor para Investimentos	7,500,000	–
Previ	266,446,187	266,253,012
BNDESPar	62,409,779	64,005,679
Total	2,006,165,024	2,015,067,749

Banco do Brasil S.A.
Notes to Financial Statements

For the years ended December 31, 2008 and 2009

	Common shares (ON) ⁽¹⁾	
	12.31.2009	12.31.2008
Board of Directors (Except for the shares of the President that are included in the Board of Directors)	14	33
Steering committee ⁽²⁾	7,665	7,017
Executive Committee	9,686	14,753
Fiscal Council	–	–
Audit Committee	823	1,729

(1) The shareholding interest of the Board of Directors, Steering Committee, Executive Committee, Fiscal Council and Audit Committee represents approximately 0,001%, at 12.31.2009 (0,001% at 12.31.2008), of the Bank's capital stock.

g) Number of Shares being Traded on the Market (Free Float)

BB Shares	Number	Percentage
Being traded (Free Float) ⁽¹⁾	562,527,754	21.89%
Total issued	2,569,860,512	100.00%

(1) Pursuant Law 6404/1976 and Pursuant to the regulations of the Bovespa New Market.

h) “C” subscription bonuses

From the subscription bonuses issued by the Bank in 1996, remains the balance of 5,880,483 “C” Bonuses on 12.31.2009, which provides the holder of the document the right to subscribe shares of the capital by issuing the deadlines originally – 03.31.2011 to 6.30.2011. The market value from these bonuses on 12.31.2009 was R\$58,50 (R\$17,93 on 12.31.2008).

25 – Income and Social Contribution Taxes

a) Breakdown of income tax and social contribution expenses

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Present values	(1,362,195)	(3,745,029)	(2,110,886)	(2,344,468)	(5,895,124)	(2,952,054)
Income and social contribution taxes in Brazil	(1,350,925)	(3,725,621)	(2,077,247)	(2,327,485)	(5,868,228)	(2,914,792)
Income tax abroad	(11,270)	(19,408)	(33,639)	(16,983)	(26,896)	(37,262)
Deferred tax liabilities	(1,411,981)	(1,810,119)	(2,626,150)	(1,584,070)	(2,135,317)	(2,737,813)
Leasing Operations – Portfolio adjustment and encouraged depreciation	–	–	–	(125,561)	(260,847)	(106,220)
MTM gains	84,305	49,286	(155,494)	32,110	(16,870)	(155,208)
Actuarial gains	(1,383,232)	(1,610,764)	(2,064,277)	(1,383,231)	(1,610,764)	(2,064,277)
Restatement of litigation deposits	(126,284)	(248,607)	(413,175)	(126,285)	(248,607)	(413,175)
Income abroad	13,195	–	–	13,195	–	–
Transactions carried out on the futures market	35	(34)	6,796	(3,177)	(7,108)	7,091
Time investments disposal	–	–	–	8,879	8,879	(6,024)
Provision	(2,774,176)	(5,555,148)	(4,737,036)	(3,928,538)	(8,030,441)	(5,689,867)
Income tax	(1,710,171)	(3,441,524)	(2,926,234)	(2,497,831)	(5,116,348)	(3,608,692)
Social Contribution	(1,064,005)	(2,113,624)	(1,810,802)	(1,430,707)	(2,914,093)	(2,081,175)
Deferred tax credits	(200,104)	3,268,726	3,438,797	403,595	4,127,654	3,544,751
Temporary differences	(227,443)	3,131,118	3,718,423	279,876	3,781,893	3,739,461
Income tax and social contribution losses	42,819	42,819	38,149	138,386	251,305	119,578
MTM losses	49,493	175,308	(317,874)	50,306	174,975	(314,250)
Transactions Carried out on the Futures Market	(64,973)	(80,519)	99	(64,973)	(80,519)	99
Others	–	–	–	–	–	(137)
Total income tax and social contribution expense	<u>(2,974,280)</u>	<u>(2,286,422)</u>	<u>(1,298,239)</u>	<u>(3,524,943)</u>	<u>(3,902,787)</u>	<u>(2,145,116)</u>

b) Reconciliation of income tax and social contribution expense

R\$ Thousand						
	Banco do Brasil			BB – Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Earnings before taxation and profit sharing	9,890,848	13,729,226	11,224,675	10,516,493	15,435,429	12,082,018
Total charges of IR (25%) and CSLL (15%) ⁽¹⁾	(3,956,339)	(5,491,690)	(3,816,390)	(4,206,597)	(6,174,172)	(4,107,886)
Interest on Own Capital	381,605	743,146	619,291	381,605	743,146	619,291
Equity in subsidiaries and associated	332,527	739,821	1,211,457	(129,758)	(396,277)	557,693
Profit sharing	313,045	518,114	449,427	343,045	553,812	453,627
Activation of Tax Credits (CSLL previous years)	–	1,213,177	–	–	1,213,177	–
Other amounts	(45,118)	(8,990)	237,976	86,762	157,527	332,159
Social contribution expense	<u>(2,974,280)</u>	<u>(2,286,422)</u>	<u>(1,298,239)</u>	<u>(3,524,943)</u>	<u>(3,902,787)</u>	<u>(2,145,116)</u>

(1) From 1.1.2003 to 4.30.2008, the prevailing rate for CSLL was 9%, pursuant to Law 10637, of 12.30.2002. As of May 2008, the rate for CSLL was increased to 15%, pursuant to Law 11727/2008.

c) Lawsuit: Interest on Own Capital Tax Benefit

c.1) In February 1998, the Bank filed a request for full offsetting of accumulated income tax loss carry forwards and negative basis of social contribution against taxable income. Since then, the Bank has been fully offsetting tax loss carry forwards and negative basis of social contribution against income tax and social contribution and has made judicial deposits in the full amount due (70% of the amount offset). These deposits prompted the Federal District 16th Court to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Tax Code. Since 10.1.2002, the proceedings have been awaiting hearing of an extraordinary appeal by the Federal Supreme Court.

c.2) The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

c.3) In compliance with the prohibition contained in CMN Resolution 3535/2008, judicial deposits of the amount of R\$ 11,752,804 thousand (principal plus interest) were not deducted from the corresponding provisions in the manner established in item 53 of CVM Resolution 489/2005, with a negative impact on the Basel Index.

c.4) Deferred taxes (including corporate income tax (IRPJ) and social contribution on net income (CSLL)) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 1, item II, article 1 of CMN Resolution 3059/2002, with no impact on income.

c.5) The hypothesis of a successful outcome to its lawsuit, we verified that in September 2005 and January 2009 the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of Income Tax and Social Contribution are being paid in full.

Additionally, there would be the transfer of funds from the account used to record judicial deposits to cash and cash equivalents, The tax credits related to judicial deposits (principal) would be written off against the provision for IRPJ and CSLL and the provision for tax risks related to the restatement of deposits, in the amount of R\$ 3,414,002 thousand.

c.6) If the Bank were unsuccessful in its lawsuit the amounts deposited judicially would be converted into income in favor of the National Treasury. The portions of IRPJ tax credits on tax loss carry forward that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%, would be reclassified to the account representing "recoverable IRPJ" and "recoverable CSLL" assets. The recoverable IRPJ and CSLL that would result from the adjustments to the Economic-Tax Information Returns for Corporate Entities, corresponds to R\$ 2,693,864 thousand as of December 2009 and its restatement using the Selic rate corresponds to R\$ 356,231 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits (see item 25c.5) so that it will be sufficient to fully cancel the risk of a likely loss.

c.7) The amounts related to this matter are as follows:

	R\$ Thousand	
	12.31.2009	12.31.2008
Judicial Deposits	11,752,804	10,998,898
Amount realized	7,817,011	6,525,020
Restatement	3,935,793	4,473,878
70% thereof	6,585,045	6,555,657
Income tax losses	3,002,033	3,002,033
Negative basis of CSLL / Recoverable CSLL	3,583,012	3,553,624

26 – Tax credits

a) Tax credits recorded as assets

	R\$ Thousand			
	BB-Banco Múltiplo		BB-Consolidado	
	12.31.2009	12.31.2008	12.31.2009	12.31. 2008
Total income tax and social contribution credits recorded	20,184,814	16,044,556	21,882,803	16,470,207
Fiscal losses/ negative bases	42,819	–	558,221	158,311
Temporary differences	16,028,657	10,768,426	17,170,069	11,017,836
Mark-to-market losses	150,764	84,719	190,908	102,555
Recoverable social contribution	–	134,805	–	134,805
Futures market transaction losses	30,452	113,222	30,452	113,222
Tax credits – writ of security	3,917,634	4,932,165	3,917,634	4,932,165
Tax credits abroad	14,488	11,219	15,519	11,313
Total PASEP and COFINS credits recorded	22,121	26,692	26,998	29,275
Mark-to-market losses	18,424	10,525	23,301	13,108
Adjustments of futures market transactions	3,697	16,167	3,697	16,167
Total tax credits recorded	<u>20,206,935</u>	<u>16,071,248</u>	<u>21,909,801</u>	<u>16,499,482</u>
Income Tax	10,886,269	9,047,753	12,127,634	9,398,169
Social Contribution	9,298,545	6,996,803	9,755,169	7,072,038
Pasep	3,092	3,731	3,475	4,092
Cofins	19,029	22,961	23,523	25,183

The tax credits recorded include Recoverable Social Contribution related to tax credits calculated at the rate of 18% on tax losses and temporary differences existing at December 31, 1998, Article 8 of Provisional Measure (MP) 2158-35/2001 reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables – Other.

From January 1, 2003 to April 30, 2008, the rate of CSLL in force was 9%, pursuant to Law 10637/2002. Provisional Measure 413/2008, converted into Law 11727/2008, raised the financial industry's Social Contribution rate from 9% to 15% as of May 1, 2008, giving rise to an increase in the Social Contribution expenses, as well as in the corresponding tax credits.

Considering that some financial institutions have been going to court with individual lawsuits challenging the increase of the rate of CSLL and that the National Confederation of the Financial System – Consif filed a Direct Unconstitutionality Lawsuit – ADIN, the Multiple Bank has been recognizing tax credits in a sum sufficient to annul, exclusively, the impact on income resulting from the increase of the rate (6%) on the CSLL tax liabilities (current and deferred). Banco do Brasil performed an assessment of the arguments employed by ADIN, concluding on the remote likelihood of success by Consif, for which reason the Bank posted an additional sum of CSLL tax credits in order to complete the increased 15% tax rate, totaling R\$ 1,213,177 thousand.

b) Tax credits not recorded

	R\$ Thousand			
	BB-Banco Múltiplo		BB-Consolidado	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Nature and origin				
Total income tax and social contribution credits not Recorded	108,345	1,252,473	188,429	1,357,362
Fiscal losses/ negative bases	–	–	60,302	48,264
Temporary differences	–	1,251,195	19,782	1,255,923
Mark-to-market losses	–	1,278	–	3,490
Tax credit abroad	108,345	–	108,345	49,685

c) Entries and write-offs for the period

	R\$ Thousand			
	BB-Banco Múltiplo		BB-Consolidado	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Opening balance	16,071,342	13,680,433	16,571,106	13,825,929
Total income tax and social contribution tax recorded	6,892,786	3,492,765	8,218,251	3,839,285
Income tax and social contribution losses	42,819	–	413,625	82,013
On timing differences	6,613,608	2,830,198	7,532,315	2,860,093
On mark-to-market losses	144,032	5,270	179,984	69,661
Tax credits abroad	14,613	3,700	14,613	4,155
Futures market adjustment losses	49,927	113,222	49,927	113,222
Tax credits – writ of security	27,787	540,375	27,787	540,375
Added Values	–	–	–	169,766
Total Pasep and Cofins tax credits recorded	23,012	16,167	26,754	25,122
Mark-to-market losses	17,564	–	21,306	8,955
Futures market transaction losses	5,448	16,167	5,448	16,167
Total tax credits recorded	<u>6,915,798</u>	<u>3,508,932</u>	<u>8,245,005</u>	<u>3,864,407</u>
Total IRPJ and CSLL tax credit write-offs	(2,752,622)	(1,114,648)	(2,877,280)	(1,179,877)
Income tax and social contribution losses	–	(21,950)	(13,715)	(23,196)
Temporary differences	(1,353,376)	–	(1,451,708)	(7,416)
Relating recoverable social contribution (MP 1858/1999)	(134,805)	(598,187)	(134,805)	(598,187)
On mark-to-market losses	(77,988)	(17,867)	(91,631)	(72,463)
Tax credits abroad	(11,438)	–	(10,406)	(1,971)
Futures market adjustment losses	(132,697)	–	(132,697)	–
Tax credits – writ of security	(1,042,318)	(476,644)	(1,042,318)	(476,644)
Total PASEP and COFINS credits reversed	<u>(27,583)</u>	<u>(3,469)</u>	<u>(29,030)</u>	<u>(10,977)</u>
Mark-to-market losses	(9,665)	(3,469)	(11,112)	(10,977)
Futures market transaction losses	(17,918)	–	(17,918)	–
Total tax credits reversed	<u>(2,780,205)</u>	<u>(1,118,117)</u>	<u>(2,906,310)</u>	<u>(1,190,854)</u>
Closing balance	20,206,935	16,071,248	21,909,801	16,499,482

d) Deferred tax liabilities

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Total deferred income tax and social contribution liabilities	3,925,500	2,246,518	4,756,058	2,286,671
Arising from mark-to-market adjustments	159,765	180,384	171,063	278,273
Arising from leasing portfolio adjustments	–	–	635,040	256,435
Foreign branches	–	–	3,834	3,480
Arising from restatement of judicial deposits	(26,835)	–	(26,835)	–
Arising from foreign profits	–	–	–	11,845
Arising from futures market transactions	113,702	–	113,950	31,399
Arising from unrecognized actuarial gains ⁽¹⁾	3,675,041	2,064,277	3,675,041	2,064,277
Others	3,827	1,857	183,965	(359,038)
Total amount of deferred Pasep and Cofins tax liabilities	650,890	426,699	673,347	579,349
Arising from mark-to-market adjustments	19,478	21,991	20,853	33,906
Arising from restatement of judicial deposits	183,343	153,033	183,343	287,876
Arising from futures market transactions	–	–	–	1,670
Arising from unrecognized actuarial gains ⁽¹⁾	448,058	251,675	448,058	251,675
Others	11	–	21,093	4,222
Total deferred tax liabilities	<u>4,576,390</u>	<u>2,673,217</u>	<u>5,429,405</u>	<u>2,866,020</u>

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial (Note 28.a)

e) Estimates for the realization of tax credits recorded

The value indicated below on the expectation of implementation of tax credits is based on technical study was prepared in 12.31.2009, and the present value determined based on the average rate of funding of Banco do Brasil.

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	Face Value	Present Value	Face Value	Present Value
In 2010	3,599,072	3,487,744	4,309,231	4,144,897
In 2011	3,691,862	3,426,080	3,927,365	3,609,999
In 2012	4,471,155	3,962,659	4,679,543	4,103,863
In 2013	4,321,715	3,671,803	4,334,061	3,671,495
In 2014	3,666,788	2,994,811	3,701,628	3,005,591
From 2015	456,343	361,063	957,973	400,727
Total tax credits	<u>20,206,935</u>	<u>17,904,160</u>	<u>21,909,801</u>	<u>18,936,572</u>

During the period of 2009, the realization of tax credits in Banco do Brasil was observed in the amount of R\$ 5,134,762 thousand, corresponding to 143,51% of the forecast for use reported in a technical study prepared as of 12.31.2008 (R\$ 3,578,000 thousand).

f) Realization of Face Values of Credits

The realization of face values of recorded tax credits, considering the re-composition of those written off over the course of the lawsuit (70%), based on a technical study carried out by the Banco do Brasil (as of 12.31.2008), is projected for 5,5 years, in the following proportions:

	R\$ Thousand			
	Banco Brasil		BB-Consolidated	
	Tax loss /CSLL recoverable ⁽¹⁾	Intertemporal Differences ⁽²⁾	Tax loss /CSLL recoverable ⁽¹⁾	Intertemporal Differences ⁽²⁾
In 2010	39%	14%	34%	16%
In 2011	24%	17%	23%	16%
In 2012	29%	20%	27%	20%
In 2013	8%	24%	7%	23%
In 2014	–	22%	1%	21%
From 2015	–	3%	8%	4%

(1) Projection of consumption associated with the capacity to generate taxable bases of IRPJ and CSLL in subsequent periods,

(2) The consumption capacity results from the changes in the provisions (expectation of reversals, write-offs and uses),

27 – Related-party Transactions

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Board of Directors, Executive Directors, Audit Committee and Fiscal Council) are listed as follows:

	R\$ Thousand	
	2009	2008
Short-term benefits	23,546	20,446
Benefits for termination of employment	9,311	2,313
Total	<u>32,857</u>	<u>22,759</u>

Banco do Brasil has no variable remuneration based on shares and other long-term benefits and does not offer post-employment benefits to its key management personnel. The post employment benefits are restricted to the staff of Banco do Brasil.

The balances referring to transactions between the consolidated companies of Banco do Brasil are eliminated in the Consolidated Financial Statements. With respect to the majority shareholder, transactions with the National Treasury and with the agencies of the direct administration of the Federal government that maintain banking operations with the Bank, are included.

The Bank has only normal banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions. There are also service provision and guarantee agreements.

These transactions with related parties are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve payment risks.

The Bank does not grant loans to its officers or members of its Board of Directors, Audit Committee and Fiscal Council, because this practice is prohibited in all the financial institutions regulated by Banco Central do Brasil.

The funds invested in federal government bonds, and those earmarked for funds and programs for onlending from public institutions are listed in conformity with Note 8 and 18, respectively.

The information related to onlending and other transactions with entities linked to employees are disclosed in Note 28.

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Summary of transactions with related parties

The balances of the assets and liabilities of Banco do Brasil from transactions with related at 12.31.2009 and 12.31.2008 and their results in the year 2009 and 2008 are as follows:

R\$ Thousand							
12.31.2009							
	Parent company ⁽¹⁾	Affiliated companies ⁽²⁾	Subsidiaries ⁽³⁾	Jointly controlled subsidiaries ⁽⁴⁾	Key management Personnel ⁽⁵⁾	Other Related Parties ⁽⁶⁾	Total
Assets							
Interbank deposits	–	–	16,559,827	–	–	–	16,559,827
Securities	–	–	3,930	41,139	–	–	45,069
Loans	1,218,927	–	234,136	44,223	–	262,227	1,759,513
Receivables	–	–	29,329	–	–	–	29,329
Other Assets	–	110,536	1,001,087	47,478	–	–	1,159,101
Total	<u>1,218,927</u>	<u>110,536</u>	<u>17,828,309</u>	<u>132,840</u>	<u>–</u>	<u>262,227</u>	<u>19,552,839</u>
Liabilities							
Demand deposits	582,578	6,310	30,129	6,973	809	890,960	1,517,759
Saving deposits	–	–	–	–	994	–	994
Remunerated time deposits	–	119,969	5,082,990	101,504	5,136	4,903,586	10,213,185
Obligations related to Committed Operations	–	–	1,036,103	47,256	–	1,174,283	2,257,642
Borrowings and transfers – BNDES	–	–	–	–	–	19,629,502	19,629,502
Borrowings and transfers – FINAME	–	–	–	–	–	8,381,169	8,381,169
Borrowings	2,100,693	–	7,328,589	–	–	1,278,804	10,708,086
Other Liabilities	–	15,881	1,381,220	28,545	–	17,531	1,443,177
Total	<u>2,683,271</u>	<u>142,160</u>	<u>14,859,031</u>	<u>184,278</u>	<u>6,939</u>	<u>36,275,835</u>	<u>54,151,514</u>
STATEMENT OF INCOME							
Income from interest and	111,541	31,639	666,311	210,313	–	402,309	1,422,113
Expenses from raising funds	(75,030)	(3,379)	(129,289)	(109,983)	(613)	(1,455,911)	(1,774,205)
Total Net	<u>36,511</u>	<u>28,260</u>	<u>537,022</u>	<u>100,330</u>	<u>(613)</u>	<u>(1,053,602)</u>	<u>(352,092)</u>

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	12.31.2008						Total
	Parent company ⁽¹⁾	Affiliated companies ⁽²⁾	Subsidiaries ⁽³⁾	Jointly controlled subsidiaries ⁽⁴⁾	Key management Personnel ⁽⁵⁾	Other Related Parties ⁽⁶⁾	
Assets							
Interbank deposits	–	–	20,131,285	–	–	–	20,131,285
Securities	–	–	1,492	–	–	–	1,492
Loans	1,953,790	–	61,720	–	–	290,874	2,306,384
Receivables from related companies	–	–	34,150	–	–	–	34,150
Other Assets	–	2,268	1,234,008	10,600	–	–	1,246,876
Total	<u>1,953,790</u>	<u>2,268</u>	<u>21,462,655</u>	<u>10,600</u>	<u>–</u>	<u>290,874</u>	<u>23,720,187</u>
Liabilities							
Demand deposits	–	14,898	77,516	2,555	833	2,211,130	2,306,932
Savings deposits	–	–	–	–	935	–	935
Remunerated time deposits	–	101,673	5,952,798	31,625	3,992	3,655,130	9,745,218
Obligations related to Committed Operations	–	–	949,292	–	–	1,640,551	2,589,843
Borrowings and transfers – BNDES	–	–	–	–	–	11,167,753	11,167,753
Borrowings and transfers – FINAME	–	–	–	–	–	6,584,776	6,584,776
Borrowings	3,485,006	–	10,348,434	–	–	2,132,992	15,966,432
Other Liabilities	–	–	2,270,840	–	–	–	2,270,840
Total	<u>3,485,006</u>	<u>116,571</u>	<u>19,598,880</u>	<u>34,180</u>	<u>5,760</u>	<u>27,392,332</u>	<u>50,632,729</u>

STATEMENT OF INCOME

Income from interest and services	176,810	17,527	463,507	23,979	–	212,720	894,543
Expenses from raising funds	(98,096)	(7,346)	(551,751)	(1,778)	(447)	(1,094,432)	(1,753,850)
Total Net	<u>78,714</u>	<u>10,181</u>	<u>(88,244)</u>	<u>22,201</u>	<u>(447)</u>	<u>(881,712)</u>	<u>(859,307)</u>

(1) National Treasury and agencies of the direct administration of the Federal Government.

(2) They include related companies Note as identified in item (6).

(3) They include related companies Note 4 as identified in item (1), (4), (5), (7) e (9).

(4) They include related companies Note as identified in item (3), (8) e (10).

(5) Key Personnel Administration – Audit Committee, Audit Committee, Board of Directors, Executive Directors and Auditor General.

(6) They include private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil – Previ, Fundação Codesc de Seguridade Social – Fuscsc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil – FBB.

28 – Employee Benefits

a) Caixa de Previdência dos Funcionários do Banco do Brasil – Previ

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are supplementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI include both defined contribution (Plano Previ Futuro) and defined benefit (Plan 1) plans. Plan 1 has adopted the capitalization method for actuarial calculations. On December 31, 2009 Previ had 149,740 participants, with 33,814 active and 63,930 retirees participants of Plan 1, 51,923 active and 73 retirees participants of Plano Previ Futuro, (At December 31, 2008 there were 147,229 participants, of which: 34,897 were active and 63,929 retirees participants of Benefit Plan 1, 48,354 were active and 49 retirees participants of Plano Previ Futuro).

a.1) The funding of the vested and unvested benefits is summarized as follows:

Participants hired before April 14, 1967, who were not retired and who were not in a position on that date to request their retirement, included in the contract signed on December 24, 1997 between the Bank and PREVI (Plan n,° 1): the sponsor assumes the commitment for the payment of pensions for this group; mathematical reserves ensuring benefits corresponding to this group are fully paid-up at Previ. The retirement benefit for this group is defined as a defined benefit.

Participants hired between April 15, 1967 and December 23, 1997 (Plan n,°1): Due to the accumulated surplus, in June 2007, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, retroactive to January 2007. This measure will be evaluated every twelve months, with its maintenance depending on the existence of the Special Reserve of Benefit Plan 1, resulting from the surplus in the Plan. The suspension continues to be maintained until December 2009.

Participants hired as from December 24, 1997 (Plano Previ Futuro): active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants, The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants. The retirement benefit for this group is characterized as a defined contribution.

a.2) Effects of Plan 1, based on actuarial valuations as of December 31, 2008 and 2009 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2009	12.31.2008
	Plan 1	Plan 1
1) Present value of actuarial liabilities with coverage	80,270,786	76,109,636
2) Present value of unsecured actuarial liabilities	–	–
3) Present value of actuarial liabilities (1 + 2)	80,270,786	76,109,636
4) Fair value of the plan's assets	(137,814,150)	(104,778,828)
5) Present value of liabilities in excess of (less than) the fair value of the assets (3 + 4)	(57,543,364)	(28,669,192)
6) Unrecognized actuarial (gains) or losses	(16,116,336)	(6,540,925)
7) Amount not recognized as (assets) / liabilities ⁽¹⁾	(28,771,682)	(14,334,596)
8) Net actuarial liability/(asset) recorded (5 – 6-7)	(12,655,346)	(7,793,671)

(1) Value calculated in accordance with paragraph 49,g of CVM Deliberation 371/2000,

The actuarial assets of R\$ 12,655,346 thousand (R\$ 7,793,671 thousand, on 12.31.2008) the present value is recorded as actuarial calculations required by CVM Deliberation No, 371/2000. Their implementation must take place by the end of the plan. The term end of the plan is the date that the final compromise will be paid (pension) of the Plan 1. Achievements that may be partial actuarial assets, subject to fulfilling the requirements laid down in Complementary Law No, 109/2001 and CGPC Resolution No, 26 of 09.29.2008.

The Previ Futuro Plan, as it is a defined contribution plan, is not required to record actuarial assets or liabilities.

Amounts paid to Previ:

Specification	2009			2008		
	Plan 1 ⁽¹⁾	Previ Futuro Plan	Total	Plan 1 ⁽¹⁾	Previ Futuro Plan	Total
Sponsors' contributions	189	144,127	144,316	(489)	118,354	117,865

Refers to adjustments to the sponsors' contribution for the periods prior to January/2007.

Effects on the results for the period:

Specification	12.31.2009			12.31.2008		
	Plano 1	Plano Previ Futuro	Total	Plano 1	Plano Previ Futuro	Total
1) Cost of current service (with interest)	(204,672)	(281,251)	(485,923)	(335,702)	(230,908)	(566,610)
2) Interest on actuarial liabilities	(4,038,035)	–	(4,038,035)	(7,420,834)	–	(7,420,834)
3) Expected earnings on the plan's assets	5,435,852	–	5,435,852	13,841,349	–	13,841,349
4) Amortization of gains or (losses) actuarial	3,030,149	–	3,030,149	5,058,864	–	5,058,864
5) Suspension of the net earnings from assets and liabilities	–	–	–	(6,084,813)	–	(6,084,813)
6) Total (expenses)/ gross income (1+2+3+4+5)	4,223,294	(281,251)	3,942,043	5,058,864	(230,908)	4,827,956
7) Expected contributions from participants	–	144,330	144,330	–	118,472	118,472
8) Previ management fee (5% of the employers' union dues)	–	(7,206)	(7,206)	–	(5,918)	(5,918)
9) Effect of (expenses)/ net income (8 + 9)	4,223,294	(144,127)	4,079,167	5,058,864	(118,354)	4,940,510

As noted in the material fact of 02.01.2010, the Bank adopted from the year 2009, faster recognition of gains (losses) actuarial, as permitted by paragraph 55 of CVM Instruction 371/00.

a.3) Main economic assumptions adopted for the actuarial calculations:

Specification	12.31.2009	12.31.2008
Real interest rate used for discounting actuarial liabilities to present value	6,3% p.a.	6,3% p.a.
Real expected yield on plans' assets	6,3% p.a.	6,3% p.a.
Estimated salary increases:		
Benefit Plan 1	1,2619% p.a.	0,5881% p.a.
Plano Previ Futuro	2,7783% p.a.	3,4337% p.a.

b) Benefits of sole responsibility of the Bank

Banco do Brasil is responsible for: (a) retirement pensions to founder participants and pension payments to survivors of participants deceased up to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the Benefit Plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank. This plan is of the defined benefit type, and adopts the capitalization regime in actuarial valuations, and had 7,703 retirees and pensioners participating as of December 31, 2009 (7,942 retirees and pensioners participating as of December 31, 2008).

b.1) Effects on the financial statements of the Benefit Plan, based on actuarial valuations as of December 31, 2008 and 2009 carried out by an independent actuary, and of the Previ Futuro Plan as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2009	12.31.2008
1) Present value of actuarial liabilities with coverage	–	–
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	1,743,386	1,739,592
3) Present value of actuarial liabilities (1 + 2)	1,743,386	1,739,592
4) Fair value of the plan's assets	–	–
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,743,386	1,739,592
6) Unrecognized actuarial (gains) or losses	174,339	173,960
7) Net actuarial liability/(asset) to be recorded (5 – 6) ⁽¹⁾	1,569,047	1,565,632

(1) Recorded in Other Liabilities – Sundry (Note 20.f).

Amounts paid to Previ:

Specification	2009	2008
Total benefits paid to Previ	296,759	294,231

Effects on the results:

Specification	2009	2008
1) Cost of current service	-	-
2) Expected contributions from participants	-	-
3) Interest on actuarial liabilities	(194,472)	(167,978)
4) Amortization of gains or (losses) actuarial	(105,318)	(191,707)
5) Expected earnings on assets	-	-
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	(299,790)	(359,685)

b.2) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 1 (item a.3.), except regarding the adoption of mortality table AT-83, since a transitory table between modified GAM-71 and GAM-83 is used for the Informal Plan.

c) Fundação Codesc de Seguridade Social – Fusesc

Following the merger of Besc S.A. and Besc S.A. – Crédito Imobiliário (Bescr) by Banco do Brasil on December 31, 2009, the Bank became a successor to the sponsorship obligations for the following Private Pension Plans administered by the Fundação Codesc de Seguridade Social – Fusesc.

Multifuturo I, a Defined Contribution Plan (CD) – maintained by Fusesc, set up in June 2002 through the migration of participants from the Defined Benefit Plan. This plan at 09.30.2009 covers 6,170 employees, of which 3,469 are retired, 49 beneficiaries and 2,652 active employees (6.204 employees, of which 3.081 are retired, 46 beneficiaries and 3.077 active employees at 12.31.2008).

The Defined Benefit Plan (BD) – maintained by Fusesc since 1978, structured under a joint contribution plan with other companies, intended for their employees and dependents. This plan at 12.31.2009 covers 1,368 employees, of which 1,000 retired, 365 beneficiaries and 3 active employees. At 12.31.2008 covers 1,373 employees, of which 1,014 retired, 354 beneficiaries e 05 active employees. On December 31, 2009 this plan had an actuarial surplus of R\$ 126,799 thousand.

The AT-83 mortality table was used for the actuarial calculation of the Defined Benefit Plan (BD), for the December 31, 2009 base date.

The key assumptions employed in the actuarial appraisal are:

Specification	2009	2008
Real interest rate used to discount actuarial obligations to present value	6,3%p.a.	6,3%p.a.
Real rate of return expected from the retirement and pension plans' assets	6,3%p.a.	6,3%p.a.
Future Nominal Growth of Salaries	2,13%p.a.	2,83%p.a.
Annual Inflation	4,11%p.a.	6,48%p.a.

To determine the present value of liabilities and costs, we used the method of projected unit credit.

During 2009, the contributions made which amounted to R\$6,004 thousand.

The normal contribution by the sponsors as of December 2000 was defined as being the sum of the contributions owed by active and assisted participants, in compliance with the contributing parity between the sponsors' and participants' normal contributions, as provided for in article 5 of Constitutional Amendment 20/1998.

d) Economus – Instituto de Seguridade Social

Banco Nossa Caixa, incorporated on November 30, 2009 by Banco do Brasil, was the sponsor of Private Pension and Medical Assistance Plans managed by Economus – Instituto de Seguridade Social, a closed-end supplementary pension plan with its own assets and management independence. As a natural result of the merger, the Bank of Brazil has provided the successor of the obligations (Note 5a), including pension plans.

d.1) Private Pension Plans:

Defined benefit plan – general regulations: organized on January 1, 1978, it provides supplementary retirement benefits, pensions owing to death, illness assistance, and benefits owing to death and disability. On August 1, 2006 the plan was satisfied, i.e.: participants were assured a benefit in proportion to their contribution to the plan, to be updated pursuant to the INPC index up to the date of eligibility to receive payments, which was also defined. This plan at 12.31.2009 includes 4,779 assisted persons, 395 pensions, and 6,761 participants who concluded their contributions (6,713 active participants paid up, and 48 self-sponsored participants), 33 participants with proportional deferred benefits, and 71 participants with uncompleted contributions (70 active, and 01 self-sponsored participants). At 12.31.2008 includes 4,754 assisted persons, 378 pensions e 6.883 participants who concluded their contributions (6,830 active and 53 self-sponsored participants), 49 participants with proportional deferred benefits and 79 participants with uncompleted contributions. The cost of the plan is the responsibility of the sponsor, participants and assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Defined benefit plan – supplementary regulation no, 1: organized on January 1, 1978, it provides supplementary illness assistance benefits and benefits owing to death and disability, 9 assisted persons are enrolled, 2 pensions, and 1,273 participants (9 assisted persons, 2 pensions and 1,261 participants at 12.31.2008) . The cost of the plan is the responsibility of the sponsor, participants and assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Defined benefit plan – supplementary regulation no, 2: organized on January 1, 1978, it provides benefits owing to death and disability, 7 pensions are enrolled and 1,488 participants (7 pensions and 1,544 participants at 12.31.2008) . The cost of the plan is the responsibility of participants and retirees.

Variable contribution plan – PREVMAIS: organized on August 1, 2006, it provides supplementary income benefits supplementary disability retirement, pensions owing to death, illness assistance, and funeral subsidies. The plan in its contribution stage is a defined contribution arrangement, and in its receiving stage there is the likelihood of the participant opting for income in quotas or for life. At 12.31.2009 includes 10,551 participants are enrolled (10,485 active and 53 self-sponsored, 13 self-sponsored settled), of which 6,713 are also paid-up participants under the defined benefit plan – general regulations. At 12.31.2008 included 10,338 participants (10,295 active and 43 self-sponsored), of which 6,830 are also paid-up participants under the defined benefit plan – general regulations. The plan is structured in the form of variable contribution to the cost and benefits of the joint venture between the sponsor and participants. The cost for the benefits of joint income is limited to 8% of the wages of participants.

Plans for funding are evaluated annually to determine the rates of contributions necessary for the constitution of guarantors of benefits, funds, supplies and cover other expenses the responsibility of sponsors and participants attended.

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According to actuarial valuations, pension plans from defined benefit administered by Economus had actuarial assets, on 31.12.2009, amounting to R\$ 339,251 thousand, as shown below:

Specification	2009	2008
(1) Fair value of the assets of the plans	(3,508,139)	(3,194,089)
(2) Present value of actuarial liabilities	3,895,845	2,843,603
(3) Present value of actuarial liabilities	387,706	(350,486)
(4) (gains) or losses, not recognized	(636,858)	248,878
(5) Amount not recognized as (assets) / liabilities (paragraph 49g) ⁽¹⁾	90,099	(269,772)
(6) Liabilities / (Assets), net (3 +4-5) ⁽²⁾	(339,251)	168,164
(7) Current service cost	(97,048)	(83,915)
(8) Cost amortization technical deficit equated	(12,603)	(12,165)
(9) Return on assets	512,874	508,920
(10) Interest on actuarial liabilities	(415,709)	(400,745)
(11) Return on net assets of interest on the actuarial	97,165	106,724

(1) Calculated in accordance with the provisions of the Supplementary Law No 109/2001 and 26/2008 CGPC resolution, noting the contributions of current and future sponsors and participants, including assisted, according to the rules of the plan current funding.

(2) In case of active, can only be recognized by the sponsor if the regulation allows a reduction in future contributions or may be reimbursed to the sponsor.

Main economic assumptions adopted for the actuarial calculations:

Specification	2009	2008
Discount rate at beginning of year (interest cost)	14,71%	14,38%
Expected gross return on assets	15,42%	17,15%
Survival table	AT83M	AT83M
Disabled mortality table	IAPB-57	IAPB-57
Invalidity entrance table	ZIMMER (D)26	ÁLVARO VINDAS
Retirement funding system	Capitalização, pelo método de crédito unitário projetado	Capitalização, pelo método de crédito unitário projetado

The calculation system above, based on the assumptions found in CVM Resolution no, 371/2000, are applicable to the treatment afforded by the sponsor in its Financial Statements, with the purpose of confirming the need or absence thereof, of additional provisioning.

During 2009 contributions made by Banco Nossa Caixa to PREVMAIS and to the defined benefit plan totaled R\$ 72,995 thousand (R\$ 65,902 thousand during 2008), of which R\$ 12,603 thousand (R\$ 12,165 thousand during 2008) refer to extra contributions intended to cover the technical deficit found.

d.2) Medical Assistance Plans:

Unified health plan – PLUS: participation in this plan takes place by means of a 1,5% (one and one-half percent) contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% (ten percent) as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Unified Health Plan – PLUS II: participation in this plan takes place by means of a 1,5% (one and one-half percent) contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% (ten percent) as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

PAMC – Supplementary Medical Assistance Plan: Intended for employees in the State and the Capital City of the state of São Paulo, Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs inasmuch as they use it, and according to the salary range progressive table.

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A 1,5% contribution will be charged on the benefits of ex-statutory retirees and their pensioners who have opted for the CLT labor system, which according to studies begun and assumptions by the new controller, is insufficient to cover expenses with this group's medical assistance.

The above-described plans are seeking their sustainability between contributions and expenses incurred, with the exception of retirees and pensioners, who are subject to a 1,5% contribution.

e) CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. At December 31, 2009 this plan had 172,723 participants, with 91,364 active and 81,359 retired participants and pensioners (at December 31, 2008 the plan had 172,456 participants, of which 91,508 were active and 80,948 were retired participants and pensioners).

A contract was executed between the Bank and CASSI on 11.13.2007 aiming at reformulating the By-laws of Plano de Associados da Caixa de Assistência dos Funcionários do Banco do Brasil (Plan of Members of the Banco do Brasil Employee Welfare Fund).

On account of this, each month the Bank contributed a sum equivalent to 4.5p. p. of the total payroll or of the total retirement or pension plan benefit, Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

e.1) Effects of the Plan Cassis in the financial statements, based on actuarial revaluations made as of 12.31.2009 and 12.31.2008, by an external actuary, in accordance with CVM Resolution, 371,12.13.2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2009	12.31.2008
1) Present value of actuarial liabilities with coverage	-	-
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	4,943,220	4,677,766
3) Present value of actuarial liabilities (1 + 2)	4,943,220	4,677,766
4) Fair value of the plan's assets	-	-
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	4,943,220	4,677,766
6) Unrecognized actuarial (gains) or losses	481,750	467,777
7) Unrecognized past service cost- Indirect Dependents	22,656	27,408
8) Unrecognized past service cost—Change in Plan	81,359	86,519
9) Net actuarial liability/(asset) recorded (5-6-7-8) ⁽¹⁾	4,357,455	4,096,062

(1) Recorded in Other Liabilities—Sundry (Note 20.f).

Amounts paid to Cassi:

Specification	2009	2008
Sponsor's contributions	635,342	594,826

On 2009 the amount of R\$ 635,342 thousand is comprised of employer contributions, as follows: Active Employees R\$ 221,336 thousand, Retirees and Pensioners R\$ 335,034 thousand, Onlending R\$ 71,961 thousand and Cassi Complement, due to Voluntary Resignation Plans R\$ 7,011 thousand.

On 2008 the amount of R\$ 594,826 thousand consists of the employer contributions for active employees: R\$ 199,701 thousand and retirees and pensioners: R\$ 321,811 thousand, onlending – R\$ 65,375 thousand, Cassi Complement, due to Voluntary Resignation Plans R\$ 7,939 thousand.

Effects on the results for the period:

Specification	2009	2008
1) Cost of current service (with interest)	(61,463)	(37,667)
2) Expected contributions from participants	–	–
3) Interest on actuarial liabilities	(541,968)	(482,259)
4) Actuarial (gains) or losses	–	(1,348,508)
5) Unrecognized past service cost	(9,913)	(10,882)
6) Expense with active employees	(221,336)	(199,701)
7) Expenses with extraordinary contribution	(55,042)	(52,773)
8) Expected return on assets	–	–
9) Effect of the expense recorded (1-2 + 3 + 4 + 5 + 6 + 7-8)	<u>(889,722)</u>	<u>(2,131,790)</u>

e.2) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan (item a.3.).

f) Policy for the recognition of actuarial gains and losses

In accordance with CVM Resolution 371, the actuarial gains or losses to be recognized as income or expenses in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; or
- 10% of the fair value of the plan's assets.

f.1) The Bank, as permitted by paragraph 55 of Resolution No. 371/00, adopted the procedure of recognizing the fastest gains / losses for the very year in which he conducted the actuarial calculation.

f.2) CASSI Actuarial Liability: the actuarial losses related to this liability are recognized over the average remaining working time estimated for the employees participating in the plan (15,9 years as of 12.31.2007 and 16,85 as of 12.31.2008).

f.3) As permitted by CVM Resolution 371/2000, the Bank will verify, when recognizing actuarial gains, if there is an amount of actuarial losses not recognized, above the bracket, in other post-employment plans, Should this amount exist, the value to be amortized in the Bank's results will be the higher between a) the amount of actuarial losses not recognized above the bracket up to the value of the actuarial gain recognized in another plan, and b) the actuarial loss determined according to that described in the previous items.

g) Summary of Assets/Liabilities of Previ and Cassi

Specification	12.31.2009					
	Actuarial liabilities/(assets) at 12.31.2008	(Expenses) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and early amortization	Amortization/Use of the Actuarial Assets and Parity Fund Assets	Sponsor's contributions made in the year	Actuarial liabilities/(assets) at 12.31.2009
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial assets CVM 371	(7,793,671)	4,223,295	-	-	(638,380)	(12,655,346)
Actuarial assets/liabilities (1997 contract)	-	-	-	-	-	-
Early amortization (1997 contract)	(12,103,281)	1,167,699	716,545	-	-	(12,554,435)
Unamortized reserves (1997 contract)	12,103,281	(1,167,699)	(716,545)	-	-	12,554,435
Parity Fund Assets	(2,195,802)	220,755	-	-	638,191	(1,778,366)
Actuarial liabilities in respect of the Informal Plan (sole responsibility of the Bank)	1,565,632	(299,790)	-	-	(296,375)	1,569,047
CASSI actuarial liabilities	4,096,062	(613,344)	-	-	(351,951)	4,357,455
CASSI accord	-	(55,042)	-	-	(55,042)	-

Specification	12.31.2008					
	Net Liabilities/(Assets) at 12.31.2007	(Expenses) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and early amortization	Amortization/Use of the Actuarial Assets and Parity Fund Assets	Sponsor's contribution conveyed/compensated in the quarter	Actuarial liabilities/(assets) at 12.31.2008
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial asset sCVM 371	(2,268,313)	5,058,864	-	(466,494)	-	(7,793,671)
Actuarial assets/liabilities (1997 contract)	-	-	-	-	-	-
Early amortization (1997 contract)	(11,912,949)	1,438,816	1,248,484	-	-	(12,103,281)
Unamortized reserves (1997 contract)	11,912,949	(1,438,816)	(1,248,484)	-	-	12,103,281
Parity Fund Asset	(2,440,534)	221,273	-	466,494	(489)	(2,195,802)
Actuarial liabilities in respect of the Informal Plan (sole responsibility of the Bank)	1,499,458	(359,685)	-	-	(293,511)	1,565,632
CASSI actuarial liabilities	2,551,159	(1,879,316)	-	-	(334,413)	4,096,062
CASSI accord	-	-	-	-	-	-

h) Impacts on Net Income Resulting of 2008 from the Review of the Calculations of Actuarial Assets and Liabilities according to CVM Resolution 371/00

Banco do Brasil published a material fact on 1.23.2009 notifying the Market that it had reviewed the calculations of its actuarial assets and liabilities according to CVM Resolution 371/00, of the Securities Commission, and as a result of CGPC Resolution 26, of the Supplementary Pension Steering Committee, of 9.29.2008.

This review resulted in the accounting of part of the unrecognized actuarial gains of the Retirement and Pension Plan (Plan 1, of Previ), of unrecognized actuarial losses of the Health Care Plan (Cassi) and the

respective deferred tax effects in conformity with the publication of Provisional Measure no. 453, of 1.23.2009.

Resolution CVM 371, in line with international accounting principles, determines the recording of a liability when the sum of obligations exceeds the amount of assets from the benefit plan, and of an asset, when the sum of assets exceeds the amount of obligations of the plan, In the latter circumstance, the asset should only be recorded when there is evidence that it may effectively reduce the sponsor's contributions or that it will be reimbursable in the future, as established in the aforementioned resolution.

Resolution CGPC 26 served to throw light on issues related to the interpretation of the right of sponsors and of participants to the surplus resources originating from the contributions (and their yields) of both parties. According to that Resolution, the surplus should be assigned to the sponsors and participants in proportion to the contributions made.

Certain trade associations and other associations filed lawsuits challenging the legality of CGCP Resolution 26, In some of them the request for a preliminary injunction to suspend the effects of aforesaid resolution was refused, while in others the request was granted, Bank management, based on the opinion of its legal advisors, understands that CGCP Resolution 26 is of a legitimate nature, and that the Judiciary will conciliate the understanding with respect to the right and form of division of the surplus as defined in the abovementioned resolution.

In view of the various lawsuits filed in relation to CGPC Resolution 26, Banco do Brasil understands that although this norm has thrown light on some issues previously under discussion, especially as regards the amounts to be assigned to the sponsors and participants in the event of existence of a surplus in the supplementary pension entities, this Resolution does not change the definitions existing in the current regulations and, therefore, does not have effects on the need for records of the actuarial assets and liabilities required by public institutions, regulated through CVM Resolution 371/00.

As regards the actuarial losses of the Health Care Plan, these are part of the sum that the Bank is required to record in its liabilities, corresponding to the future contributions of all the employees according to the stage of their retirement. The accrual basis requires that these expenses are recorded while the employees are still active, even if the payments are made monthly, in the future, The Bank has already been appropriating these losses, also in the form of CVM Resolution 371, since 2001, as described in note 28 to its balance sheet of 6.30.2008, Since the aforementioned Resolution enables quicker recognition of these losses, the Bank opted to do it in this manner.

	R\$ Thousand
Specification	2008
Retirement and Pension Plan – Accounting of part of the unrecognized actuarial gains	5,412,367
Health Care Plan – Accounting of unrecognized actuarial losses	(1,259,381)
Parity Fund Assets – Reversal of revenue	(86,356)
Tax effects	(1,546,163)
Impact on Net Income for the Year	<u>2,520,467</u>

29 – Remuneration of Employees and Management

	R\$ Thousand	
	12.31.2009	12.31.2008
Lowest salary	1,416,00	1,296,75
Highest salary	25,247,10	23,817,90
Average salary	4,567,70	3,827,71
Management		
President	41,592,00	37,469,40
Vice-President	37,566,00	33,841,50
Director	32,130,00	28,943,40

30 – Assignment of Employees to Outside Agencies

Federal government assignments are regulated by article 93 of Law 8112/1990 (amended by Law 10470/2002), by Decree 925/1993, and by PGFN/CJN Note 088/1996 issued by the General Counsel of the Federal Treasury.

	R\$ Thousand			
	2009		2008	
	Employees assigned ⁽¹⁾	Cost for the period (thousand)	Employees assigned ⁽²⁾	Cost for the period (thousand)
With costs for the Bank				
Federal Government	11	2,677	13	2,522
Labor unions	217	15,729	163	12,971
Other agencies/entities:	4	1,350	3	1,196
Without cost to the Bank				
Federal, state and municipal governments	318	–	288	–
Outside agencies (Cassi, FBB, Previ)	725	–	699	–
Employee entities	73	–	51	–
Subsidiaries and associated companies	311	–	293	–
Total	<u>1,659</u>	<u>19,756</u>	<u>1,510</u>	<u>16,689</u>

(1) Balance at 12.31.2009

31 – Commitments, Responsibilities and Contingencies

a) Contingent liabilities

Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. The provisions for probable losses represent various claims, such as: severance pay, overtime, allowance per job and representation, supplement per Individual BACEN 40% (parity with the employees of BACEN) and others.

Tax Lawsuits

The Bank is subject to a number of challenges by the tax authorities with respect to taxes, which can give rise to assessments regarding the jurisdiction where taxes are incurred or the sum of taxable income or deductible expenses. Most of the lawsuits originating from tax assessment notices are related to ISSQN (service tax), CPMF, CSLL, IRPJ and IOF, and, some are guaranteed by cash or real estate properties.

Civil Lawsuits

The most significant lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation suffered and the rate used for inflation correction of financial investments during the period of the various economic Plans (Collor Plan, Bresser Plan and Summer Plan).

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The changes in the provision for civil, tax and labor claims classified as probable were as follows:

	Banco do Brasil			BB-Consolidated		
	2S2009	2009	2008	2S2009	2009	2008
Labor claims						
Opening balance	3,054,039	2,456,461	2,455,538	4,079,426	2,475,231	2,455,538
Formation	525,338	1,716,476	1,124,674	679,628	1,932,707	1,126,412
Reversal of the provision	(1,132,447)	(1,475,351)	(583,908)	(1,181,981)	(1,544,250)	(585,856)
Provision used	(288,055)	(538,711)	(593,028)	(308,138)	(570,609)	(593,089)
Amount added ⁽¹⁾	1,083,333	1,083,333	53,185	31,813	1,007,669	72,226
Closing balance	3,242,208	3,242,208	2,456,461	3,300,748	3,300,748	2,475,231
Tax claims						
Opening balance	188,098	122,456	88,638	1,424,844	1,004,031	132,076
Formation	29,340	104,434	55,322	90,445	240,760	328,606
Reversal of the provision	(41,957)	(51,296)	(28,394)	(357,721)	(86,410)	(40,270)
Provision used	(785)	(898)	(11,151)	(27,600)	(28,413)	(15,713)
Amount added ⁽²⁾	–	–	18,041	8,738	8,738	599,332
Closing balance	174,696	174,696	122,456	1,138,706	1,138,706	1,004,031
Civil Claims						
Opening balance	2,472,361	1,719,947	1,244,693	3,806,430	1,760,175	1,249,754
Formation	358,559	1,191,053	882,040	621,936	1,689,241	912,719
Reversal of the provision	(996,454)	(1,024,777)	(65,592)	(1,057,431)	(1,134,168)	(82,487)
Provision used	(107,976)	(159,733)	(397,228)	(254,560)	(334,944)	(399,199)
Amount added ⁽³⁾	1,309,891	1,309,891	56,034	15,097	1,151,168	79,388
Closing balance	3,036,381	3,036,381	1,719,947	3,131,472	3,131,472	1,760,175

(1) In 2009 in BB-Banco Multiple, refers to the balance corporate Nossa Caixa, on 11.30.2009, and BB-Consolidated, refers primarily to the balance existing at the date of acquisition of Banco Nossa Caixa, R\$ 973,587 thousand (03.31.2009) and Banco Votorantim, for R\$ 29,448 thousand (proportional to the shareholding of the Bank of Brazil on 09.30.2009). In 2008, refers to the labor demands of Banco do Estado de Santa Catarina (R\$ 52,410 thousand), Banco do Estado do Piauí (R\$ 775 thousand) and the related companies / controlled non-financial statements from the 1st quarter of 2008 (R\$ 19,041 thousand).

(2) In 2009 in BB-Consolidated, refers to the fiscal demands of the Banco Votorantim, proportional to the shareholding of the Bank of Brazil on 09.30.2009. In 2008, refer to the fiscal demands of the Besc (R\$ 18,041 thousand) and the related companies / non-financial subsidiaries, consolidated as from the 1st quarter of 2008 (R\$ 581,291 thousand).

(3) In 2009 in BB-Banco Multiple, refers to the corporate balance Banco Nossa Caixa, on 30.11.2009, and BB-Consolidated, refers to the balance existing at the date of acquisition of Banco Nossa Caixa R\$ 1,136,072 thousand (03.31.2009) and Banco Votorantim, for R\$ 15,096 thousand (proportional to the shareholding of the Bank of Brazil on 30.09.2009). In exercício/2008, refer to the civil claims of Banco do Estado de Santa Catarina and its subsidiaries (R\$ 55,741 thousand), Banco do Estado do Piauí (R\$ 366 thousand) and the related companies / non-financial subsidiaries, consolidated from the 1st quarter of 2008 (R\$ 23,281 thousand).

b) Contingent liabilities – Possible

Labor Lawsuits

The lawsuits risk classified “possible” are exempted from any provisions on the Resolution CVM No. 3535/2008, representing various applications demanded as compensation for overtime, distortion of the working day, Additional Function and Representation, and others.

Tax Lawsuits

The tax lawsuits considered as possible risk are exempt from the formation of provisions and represent a number of claims made such as: ISSQN (service tax), collection and other tax obligations originating from the Federal Revenue Department and Institute of Social Security. The main contingencies originate from:

- Notices of labor infraction drawn by the National Institute of Social Security (INSS), aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R\$ 1,013,524 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 139,581 thousand, conversions into cash, for the period from January 1993 to April 2001, in the amount of R\$ 104,650 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 23,232 thousand.

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- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 282,834 thousand.

Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible were as follows:

	Banco do Brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Labor claims	40,950	418,573	62,301	424,927
Tax Claims	1,843,559	2,291,770	2,079,151	2,562,420
Civil Claim	2,620,763	2,582,142	2,723,460	2,630,539
Total	4,505,272	5,292,485	4,864,912	5,617,886

c) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for probable, possible and / or remote contingencies are as follows:

	Banco do brasil		BB-Consolidated	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Labor claims	2,228,067	1,681,588	2,254,502	1,698,793
Tax Claims	3,790,881	3,039,341	4,628,601	3,748,973
Civil Claims ⁽¹⁾	2,247,146	1,086,398	2,509,058	1,357,114
Total	8,266,094	5,807,327	9,392,161	6,804,880

d) Contingent tax assets

The Bank is an active part in proceedings to restore indebts tax and prevent the launch of tax credits by tax authorities, recognized in the financial statements only on the assumption favorable to the Bank (not counted), according Resolution CVM 3535/2008, It is the actions of most relevance:

- Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st semester of 1992, in the amount of R\$ 13,101 thousand (R\$ 12,553 thousand on 09.30.2008);

- Tax on Financial Transactions (IOF) – Law 8033/1990 (Price-level restatement), in the amount of R\$ 203,470 thousand (R\$ 195,128 thousand on 09.30.2008) .

e) Legal Obligations

The Bank has a provision in the amount of R\$ 11,245,230 thousand (R\$ 10,662,475 thousand at 12.31.2008) related to the proceedings for full offsetting of accumulated income tax loss carry forward and the negative bases of Social Contribution Tax, the enforceability of which has been suspended due to the judicial deposits made since the beginning of the suit. This amount is recorded in "Other Liabilities – Taxes and Social Security Charges".

f) Other Commitments

The Bank is the sponsor of Fundação Banco do Brasil whose purpose is the promotion, support, advancement and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as the promotion of research activities of a technological and scientific nature, and rural and urban community assistance services.

During 2009, the Bank made R\$ R\$35,632 thousand on contribution to the Fundação Banco do Brasil (R\$54,166 on 2008).

Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries – guarantees, sureties and bonds – amounted to R\$ 12,553,149 thousand at December, 31 2009 (R\$ 6,437,279 thousand at December 31, 2008), A provision of R\$ 70,204 thousand (R\$40,470 on December 31, 2008) , recorded in “Other Liabilities”, is considered sufficient to cover any potential loss arising on these guarantees.

Available credit limits for loans and lease operations amount to R\$ 74,834,057 thousand (R\$ 36,955,149 thousand at December 31, 2008).

The confirmed import and export letters of credit total R\$ 1,262,775 thousand (R\$ 830,328 thousand at December 31, 2008).

The Bank is the operator of the Fund for Sectorial Investments (FISSET), with net assets of R\$ 2,138 thousand (R\$ 2,195 thousand at December 31, 2008), and is the manager of the Public Service Employee Savings Program (PASEP), with net assets of R\$ 1,916,461 thousand (R\$ 1,706,439 thousand at December 31, 2008), The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

g) Policy on Insurance and Property Values

Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance cover for its assets in amounts considered sufficient to cover any losses.

32 – Risk Management and Regulatory Capital

a) Risk Management Process

Banco do Brasil considers the management of risks and of capital the main vectors for the decision-making process.

In the Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk and concentration policies are specified by the Bank’s Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market, and Operations), which are groups formed by Directors.

To find out more about the risk management process at Banco do Brasil, access the website bb.com.br/rri.

b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed on with borrowers, counterparts of contracts or issues of securities.

For alignment with the best practices of credit risk management and to increase efficiency in the management of its economic capital, Banco do Brasil uses risk and return metrics as instruments for dissemination of the culture at the Institution, present throughout its loan process.

c) Market Risk

Market Risk reflects the possibility of loss that can be caused by changes in the behavior of interest and exchange rates and of prices of shares and *commodities*.

Financial Instruments – Market Value

The table below presents financial instruments recorded in equity accounts, compared to market value:

R\$ Thousand								
BB-Consolidated								
	12.31.2009		12.31.2008		Unrealized gain/loss, net of tax effects			
	Book value	Market Value	Book value	Market Value	On Income		On Stockholders' Equity	
					12.31.2009	12.31.2008	12.31.2009	12.31.2008
ASSETS								
Short-term interbank deposits	168,397,960	168,377,532	119,408,297	119,332,288	(20,428)	(76,009)	(20,428)	(76,009)
Securities	122,873,797	122,714,673	84,632,536	84,611,592	(33,426)	146,511	(159,124)	(20,944)
Adjustment of securities available for sale (Note 8.a)	-	-	-	-	125,698	167,455	-	-
Adjustment of securities held to maturity (Note 8.a)	-	-	-	-	(159,124)	(20,944)	(159,124)	(20,944)
Derivative financial instruments	1,463,084	1,463,084	2,276,038	2,276,038	-	-	-	-
Loan operations	261,783,097	262,062,450	190,881,563	191,211,865	279,353	330,302	279,353	330,302
LIABILITIES								
Interbank deposits	11,618,573	11,631,606	14,064,945	14,187,597	(13,033)	(122,652)	(13,033)	(122,652)
Time deposits	193,515,574	193,575,751	149,618,491	149,677,676	(60,177)	(59,185)	(60,177)	(59,185)
Obligations related to Committed Operations	160,821,187	160,648,661	91,130,364	91,031,600	172,526	98,764	172,526	98,764
Borrowings and onlendings	37,859,562	37,925,250	30,161,316	30,161,602	(65,688)	(286)	(65,688)	(286)
Derivative financial instruments	4,724,036	4,724,036	3,895,060	3,895,060	-	-	-	-
Other liabilities	120,848,069	120,655,895	89,311,817	89,047,136	192,174	264,681	192,174	264,681
Unrealized gain/loss, net of tax effects					451,301	582,126	325,603	414,671

Financial Instruments

Short-term interbank investments: The market value was obtained by future cash flows discount, adopting interest rates exercised by the market in similar operations in the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by the market value, as provided for in BACEN Circular 3068 of 11.08.2001, excluding from such criterion, securities held to maturity. Determination of securities' market value, including those held to maturity, is obtained according to rates collected at the market.

Loan operations: Operations remunerated at fixed rates have been estimated through future cash flow discount, adopting for such, interest rates utilized by the Bank for contracting of similar operations in the balance sheet date. For operations of such group remunerated at variable rates, it was considered as market value the book value itself due to equivalence among them.

Interbank deposits: The market value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of variable operations which maturities did not exceed 30 days, the book value was deemed to be approximately equivalent to the market value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the market value.

Deposits received under security repurchase agreements: For operations at fixed rates, the market value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to

the rates applicable in contracting of similar operations in the last market day. For variable operations, book values have been deemed approximately equivalent to market value.

Borrowing and onlendings: Said operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the market values of such operations are equivalent to the book value.

Other liabilities: Market values have been determined by means of the discounted cash flow, which takes into account interest rates offered in the market for obligations which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, book values are approximately equivalent to their correspondent market value.

Derivatives: According to BACEN Circular 3082, of 1.30.2002, derivatives are recorded at market value. Determination of derivatives' market value is estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

Sensitivity Analysis (CVM Instruction no. 475)

In line with best market practices, Banco do Brasil manages its risks in a dynamic manner, seeking to detect, assess, monitor, and control market risk exposures in its own positions. To this end, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution no 3464/07 and with Bacen Circular no. 3354/07, and in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:

1) Trading Book: consisting in all the transactions in its own position undertaken as business deals or intended as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting in transactions not classified in the Trading Book and the key feature of which is the intention of keeping these transactions until expiry.

The sensitivity analysis for all the operations with assets and liabilities of the balance sheet, in compliance with CVM Instruction n.º 475/2008, of 12.17.2008, does not adequately reflect the management of market risks adopted by the Institution, and does not represent the Bank's accounting practices.

In order to determine the sensitivity of the Bank's capital to the reflexes of market trends, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome for the Bank. The scenarios employed are seen as follows:

Scenario I: Likely situation, which reflects the perception of senior management of the Bank, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM & F Bovespa, Andima etc.). Assumptions used: real exchange rate / dollar rate of R\$ 1.74 and maintaining the Selic rate of 8.75% per year of interest based on market conditions observed on 12.31.2009.

Scenario II: Situation possible. Assumptions used: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2009 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

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Scenario III: Situation possible. Assumptions used: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2009 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the table below may be seen a summary of the Trading Portfolio profit figures (Trading), which included public and private securities, derivatives financial instrument and funding based on transactions subject to repurchase agreements showing the values observed in 12.31.2009 and 12.31.2008:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintaining	–	Decrease	2,532
Foreign currency coupons	Risk of variation of foreign exchange coupon	–	–	Increase	1,010
Exchange variation	Risk of variation of exchange rates	Maintaining	–	Decrease	
Price Indexes	Risk of variation of price index coupons	Decrease	394	Decrease	1,271
Others	Risk of variation of Others coupons	–	–	Increase	(811)

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(206,888)	Increase	(105,076)
Foreign currency coupons	Risk of variation of foreign exchange coupon	–	–	Increase	(14,157)
Exchange variation	Risk of variation of exchange rates	Decrease	(17,419)	Decrease	
Price Indexes	Risk of variation of price index coupons	Increase	(1,638)	Increase	(15,463)
Others	Risk of variation of Others coupons	–	–	Increase	(2,275)

		R\$ Thousand			
		Scenario III			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(400,577)	Increase	(251,150)
Foreign currency coupons	Risk of variation of foreign exchange coupon	–	–	Increase	
Exchange variation	Risk of variation of exchange rates	Decrease	(34,837)	Decrease	(8,731)
Price Indexes	Risk of variation of price index coupons	Increase	(3,184)	Increase	(18,883)
Others	Risk of variation of Others coupons	–	–	Increase	(4,413)

In the case of transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and bookkeeping impact on the Bank's income. This is so because this portfolio is composed chiefly of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other transactions (natural hedge), hence minimizing the reflexes of a *stress* scenario.

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In the table below may be seen a summary of the Trading Portfolio (Trading) and Non-Trading Portfolio (Banking), except from Banco Votorantim:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintaining	–	Decrease	1,074,642
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	12,954	Increase	(41,415)
Exchange variation ⁽¹⁾	Risk of variation of exchange rates	Maintaining	–	Decrease	(7,573)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Maintaining	–	Decrease	(127,907)
TR/TBF	Risk of variation of TR and TBF coupon	Increase	145,330	Decrease	(44,230)
Price Indexes	Risk of variation of price index coupons	Decrease	134,964	Increase	(16,614)

(1) Net tax purpose.

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(4,332,688)	Increase	(3,064,943)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(17,337)	Increase	(70,318)
Exchange variation ⁽¹⁾	Risk of variation of exchange rates	Decrease	(275,403)	Decrease	(119,576)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Decrease	(20,391)	Decrease	(267,425)
TR/TBF	Risk of variation of TR and TBF coupon	Decrease	(3,602,616)	Decrease	(1,919,040)
Price Indexes	Risk of variation of price index coupons	Increase	(772,021)	Increase	(529,316)

(1) Net tax purpose.

		R\$ Thousand			
		Scenario III			
Risk Factor	Concept	12.31.2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(8,303,533)	Increase	(5,942,384)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(34,482)	Increase	(137,794)
Exchange variation ⁽¹⁾	Risk of variation of exchange rates	Decrease	(550,806)	Decrease	(239,152)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Decrease	(41,838)	Decrease	(551,608)
TR/TBF	Risk of variation of TR and TBF coupon	Decrease	(7,474,159)	Decrease	(4,014,906)
Price Indexes	Risk of variation of price index coupons	Increase	(1,458,284)	Increase	(999,614)

(1) Net tax purpose.

It is noteworthy that the figures relating to 12.31.2009 include the impacts generated by the positions of the Non-Trading Portfolio of Banco Nossa Caixa, with a view to their effective incorporation into the Bank of Brazil in 11.30.2009.

The scenarios used for preparing the framework of sensitivity analysis must necessarily use situations of deterioration of at least 25% and 50% for variable risk for isolation, as determined by CVM Instruction No. 475/2008. Therefore, the analysis of the results is impaired. For example, simultaneous shocks of increase in the rate of advance and reduction in interest coupon of TR are not consistent from a macroeconomic.

In particular with regard to derivative transactions found in the Banking Book, these do not represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Change of the indexation of funding and lending transactions performed to meet customer needs;
- “Tax Hedge” consisting in eliminating the volatility risk to the Bank’s profit figures owing to the fiscal effect on foreign currency variations in connection with overseas investments (gains in exchange variations on overseas investments are not taxed, and similarly losses do not create tax deductions). As a result, any exchange rate variation will affect the account that records the derivative contrary to the effect recorded in the investment account, i.e.: the exchange variation’s effect will be zero;
- Market risk hedge with purpose and efficacy as described in Note 8.b. Also in this transaction, the interest and exchange rate variations have no effects on the Bank’s income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction no. 475 – Attachment II.

Participation in Banco Votorantim

In order to determine the sensitivity of the Bank’s participation in Banco Votorantim, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome. The scenarios employed are seen as follows:

Scenario I: Situation likely, which reflects the perception of top management of Banco Votorantim in the scenario most likely to occur. Assumptions used: real exchange rate / dollar from R\$ 1.80 and the Selic rate of interest 11.75% per year.

Scenario II: Assumptions used: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2009 and is considered the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

Scenario III: Assumptions used: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2009 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the table below are the results for the positions of the Bank for its participation in Banco Votorantim, with values from 12.31.2009 and 09.30.2009:

		R\$ Thousand			
Factor Risk	Concept	Scenario I			
		12.31. 2009		09.30.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(142,478)	Maintance	3,012
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	–	Increase	425
Exchange variation	Risk of variation of exchange rates	Increase	(65,497)	Increase	(3,094)
Price Indexes	Risk of variation of price index coupons	Increase	(46,908)	Increase	(1,816)
Interest Rates	Risk of change coupon interest rate	Increase	(9,781)	Increase	(823)
Commodities	Risk of change of prices of goods	–	–	Decrease	18
Equity	Risk of change in stock prices	–	–	Increase	(1,968)
Sovereign Eurobonds and Treasuries	Risk of change in interest rates paper traded in the internationa market	–	–	Maintance	(12,299)
Others	Risk of variation of others coupons	Increase	3,136	–	–

R\$ Thousand

Factor Risk	Concept	Scenario II			
		12.31. 2009		09.30.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(324,976)	Increase	(38,195)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	–	Increase	(3,867)
Exchange variation	Risk of variation of exchange rates	Increase	(236,751)	Increase	(52,655)
Price Indexes	Risk of variation of price index coupons	Increase	(96,030)	Increase	(60,518)
Interest Rates	Risk of change coupon interest rate	Increase	(15,820)	Increase	(2,566)
Commodities	Risk of change of prices of goods	–	–	Increase	(504)
Equity	Risk of change in stock prices	–	–	Increase	(22,944)
Sovereign Eurobonds and Treasuries	Risk of change in interest rates paper traded in the internationa market	–	–	Increase	(42,667)
Others	Risk of variation of others coupons	Increase	(1,809)	–	–

R\$ Thousand

Factor Risk	Concept	Scenario III			
		12.31. 2009		09.30.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(479,181)	Increase	(66,783)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	–	Increase	(7,184)
Exchange variation	Risk of variation of exchange rates	Increase	(398,723)	Increase	(102,223)
Price Indexes	Risk of variation of price index coupons	Increase	(139,799)	Increase	(115,441)
Interest Rates	Risk of change coupon interest rate	Increase	(21,165)	Increase	(4,173)
Commodities	Risk of change of prices of goods	–	–	Increase	(1,025)
Equity	Risk of change in stock prices	–	–	Increase	(44,758)
Sovereign Eurobonds and Treasuries	Risk of change in interest rates paper traded in the internationa market	–	–	Increase	(70,681)
Others	Risk of variation of others coupons	Decrease	(9,299)	–	–

d) Liquidity Risk – this type of risk takes two forms: market liquidity risk and cash flow liquidity risk (*funding*). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

e) Operating Risk – reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

f) Regulatory Capital – The BIS ratio of 03.31.2009 was determined according to the criteria established by CMN Resolutions 3444/2007 and 3490/2007, which address the calculation of Referential Equity Amount (RE) and of Required Referential Equity Amount (RRE), respectively. We present below the calculation of the BIS ratio, pursuant to regulations in force and applicability as of July/2008:

	12.31.2009		12.31. 2008	
	Economic – Financial	Financial	Economic – Financial	Financial
RE – REFERENTIAL EQUITY AMOUNT	58,264,435	59,092,639	43,390,964	44,110,455
Level I	41,068,472	41,068,446	31,200,901	31,205,472
Shareholders' equity (BACEN)	36,119,407	36,119,381	29,937,146	29,937,553
Minority Shares	142	116	(104)	303
Shareholders' equity	36,119,265	36,119,265	29,937,250	29,937,250
Revaluation reserves	(6,746)	(6,746)	(7,303)	(7,286)
Deferred Assets	(242,296)	(242,296)	(513,248)	(509,101)
Mark-to-market	(85,061)	(85,061)	(28,589)	(28,589)
Tax credits excluded from Level I of RE	(22,477)	(22,477)	(22,477)	(22,477)
Additional provision to the minimum required by CMN Resolution No. 2,682/1999	2,782,065	2,782,065	1,835,372	1,835,372
Hybrid Capital and Debt Instruments – Level I	2,523,580	2,523,580	–	–
Level II	18,022,810	18,025,986	12,909,611	12,909,594
Mark-to-market	85,061	85,061	28,589	28,589
Subordinated Debt Qualifying as Capital	17,078,207	17,081,383	11,728,981	11,728,981
Funds obtained from the FCO	12,422,046	12,422,046	11,057,272	11,057,272
Funds obtained abroad	400,323	400,323	671,709	671,709
Funds obtained from the CDB	4,115,114	4,115,114	–	–
Funds obtained from the debentures	140,724	143,900	–	–
Hybrid Capital and Debt Instruments – Level II	852,796	852,796	1,144,738	1,144,738
Revaluation reserves	6,746	6,746	7,303	7,286
Deduction from the PR	(826,847)	(1,793)	(719,548)	(4,611)
Financial instruments excluded from the PR	(826,847)	(1,793)	(719,548)	(4,611)
RRE – Required Referential Equity Amount	46,758,968	46,288,519	31,500,063	31,193,866
Credit Risk	43,556,535	43,086,086	30,980,231	30,674,034
Market Risk	673,909	673,909	118,927	118,927
Operating Risk	2,528,524	2,528,524	400,905	400,905
Surplus of stockholders' equity: RE – RRE	11,505,467	12,804,120	11,890,901	12,916,589
BIS Ratio: (RE x 100)/ (RRE / 0.11)	13.71	14.04	15.15	15.55

In the event of successful legal action for compensation in full of accumulated tax losses of income tax and negative basis of social contribution (Note 25c.), there would be a positive effect on the BIS ratio Financial 1.28 percentage points (from 14.04% to 15.32%) and from the economic financial consolidated from 1.24 p.p. (from 13.71 % to 14.95%) .

Among the events planned for the year 2010, under the rules of the Central Bank of Brazil - Central Bank, we highlight the application of the adjustment factor (Z) equal to 1.0 in the calculation of the requirement for operational risk from 1 January, according to Central Bank Circular No. 3,383/2008, the entry into force of CMN Resolution 3,825/2009 from April 1, repealing the CMN Resolution 3,674/2008, which grants the privilege to add to the Capital Base Level I the full value of the additional provision to the minimum percentage required by CMN Resolution 2,682/1999, and the completion of the share Popr considering the operational risk of non-financial companies from June 30, as Central Bank Circular No. 3,476/2009. Considering the occurrence of these events on 12.31.2009, the Index of the Basel Economic-Financial Consolidated would be negatively impacted by 0.15, 0.65 and 0.04 percentage points, respectively.

g) Fixed Assets

The Index of Construction in relation to RE – Referential Equity is 14.55% (14.59% on 12.31.2008) to the Consolidated Financial and 11.37% (11.68% on 12.31.2008) to the Economic-Financial Consolidated pursuant to CMN Resolution No. 2669/1999. The difference between the Fixed Assets of Consolidated Financial and Economic-Financial results from the inclusion of subsidiaries / affiliates have no financial, high liquidity and low level of restraint, with consequent reduction in Fixed Assets of Consolidated Financial and Economic.

33 – Other Information

a) New Market

At 5.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the New Market segment of Bovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related to the New Market Listing Regulations through the Arbitration Chamber of the Bovespa Market, in conformity with an arbitration clause included in the By-laws of Banco do Brasil.

b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 2.18.2009, the Board of Directors approved the setting, for the year 2009, of the payout rate equivalent to the minimum percentage of 40% of net income, fulfilling the policy for payment of dividends and/or interest on own capital on a quarterly basis, pursuant to article 43 of the Bank's By-Laws.

c) New Market – Extension of Deadline (Free Float)

On 03.31.2009, BM&FBovespa granted the request for a new term for classification of the minimum percentage of outstanding shares of the Banco do Brasil, under the Listing Rules of the New Market (Novo Mercado) (free float = 25%), With the new term, the Banco do Brasil will have until 06.28.2011 to reach the minimum percentage of outstanding shares required by the regulations.

d) Banestes – Suspension of the study for acquisition of the controlling interest

On 2.5.2009, Banco do Brasil notified the market the start of negotiations with the State government of Espírito Santo, without any binding effect, aiming at the acquisition of the controlling interest of Banestes - Banco do Estado do Espírito Santo, with subsequent statutory merger.

On June 22, 2009, Banco do Brasil and the Governo do Estado do Espírito Santo agreed, to suspend negotiations aiming at the acquisition of the controlling interest of BANESTES S.A. - Banco do Estado do Espírito Santo by BB.

e) Besc – Approval by Bacen

The Central Bank of Brazil (Bacen) informed that its Collegial Board, by means of a decision on 1.23.2009, approved the merger, by Banco do Brasil, of Banco do Estado de Santa Catarina S.A. - Besc and of Besc S.A. Crédito Imobiliário - Bescr, through the conversion of all their equity and consequent winding up, with Banco do Brasil (merging company) acting as their successor in all rights and obligations.

f) Visanet Public Offering and other events

On 6.30.2009, Banco do Brasil announced the sale of shares representing 7.05% of the capital stock of Companhia Brasileira de Meios de Pagamento - Visanet Brasil, an affiliate of BB Banco de Investimento S/A

(BB-BI). With the sale BB recorded revenue in the amount of R\$ 1,415 million, before taxes, in the second quarter of 2009. The total sum of R\$ 676 million, before taxes, will also be accounted for in the 2nd quarter, as expense of provision in addition to the minimum criteria established by Resolution 2682/99.

To supplement the Public Announcement made on 6.30.2009, Banco do Brasil informed that upon the conclusion of the Public Offering of Secondary Distribution of Visanet Brasil, its coordinators exercised the Supplementary Share Option (*greenshoe*). As a result, the quantity sold by BB-BI in the *greenshoe* exercise was 14,330,229 shares, at the price of R\$ 15,00 per share, which will represent, in the balance sheet of Banco do Brasil for the 3rd quarter of 2009, a positive impact of approximately R\$ 200 million before taxes.

BB Banco de Investimento S.A, (BB-BI)					
Initial situation		Shares traded		Final situation	
Quantity	% interest	Public Offering of Shares	Greenshoe	Quantity	% interest
431,665,222	31.63	96,217,259	14,330,229	321,117,734	23.53

g) Partnership of Banco do Brasil with American Express for issuance of cards

On 6.18.2009, Banco do Brasil and American Express announced a partnership for the issuance of credit cards geared towards the high income segment. Banco do Brasil expects to issue 100 thousand cards by the end of the year. Under the agreement signed, the Bank will be responsible for all the stages involved in the issuance of the cards – including credit analysis, delivery of consumer service and marketing strategy. The Bank will also be in charge of the authorization, invoicing, credit management and risks and accounting.

h) Foreign interest and ADR (*American Depositary Receipts*)

Presidential Decrees were signed on 9.16.2009 that allow the raising of the limit of interest of foreigners in the capital of Banco do Brasil from 12.5% to 20% and authorize the issuance of ADR (*American Depositary Receipts*) backed by common shares of Banco do Brasil.

On December 2, 2009 the launch of the Level I ADR program took place. Trading takes place by means of *Over-the-Counter* – OTC transactions, with Bank of New York Mellon as the depositary bank. The receipts were issued and started to be traded as of that day. The rate of one ADR for one common BBAS3 share was considered.

i) Corporate Reorganization Insurance Activities

Banco do Brasil organized the corporate reorganization of its insurance activities area on 10.6.2009. The reorganization consists of (i) the establishment of two wholly-owned subsidiaries – BB Seguros Participações S.A. (BB Seguros) and BB Aliança Participações S.A. (BB Aliança) -, non-financial companies, both directly connected to BB; and (ii) the partial spin-off, effective as from September 30, 2009, of the wholly-owned subsidiary BB Banco de Investimento S.A. (BB BI) followed by transfer of the spun-off assets to BB Seguros and to BB Aliança.

As a consequence of the reorganization, BB Aliança will be the owner of 100% of the shares of Cia. de Seguros Aliança do Brasil. BB Seguros becomes the holder of the following interests:

Company	% – Total Capital	Type of Shares	
		% – ON	% PN
Brasilprev Seguros e Previdência S.A.	49.99	49.99	–
Brasilveículos Companhia de Seguros	70.00	40.00	100.00
Brasilcap Capitalizações S.A.	49.99	49.99	–
Brasilsaúde Companhia de Seguros	49.92	49.92	–

Moreover, BB filed a Letter of Intent without binding effect at Sul América S.A. on 10.6.2009, expressing its interest in acquiring, through BB Seguros, all the shares held by SulAmerica in Brasilveículos, representing 60% of the common shares and 30% of the total capital stock. As concerns the company Brasilsaúde, both BB and SulAmerica expressed interest in reviewing its business model and its corporate structure.

In addition, Banco do Brasil and the Spanish Insurer Group Mapfre signed a Protocol of Intentions on the same date, aiming to form a strategic alliance for the development, in the Brazilian market, of the risk insurance businesses, in the people, non-life and automotive insurance segments, an alliance that will benefit from the existing structures and capacities of BB and of Mapfre.

j) Corporate Restructuring BrasilPrev and BrasilCap

On October 27, 2009 pursuant to the corporate reorganization in the insurance business, Banco do Brasil announced that BB Seguros Participações S.A (BB Seguros), a wholly owned subsidiary of Banco do Brasil, and Principal Financial Group (Principal) entered into a Memorandum of Understanding aimed at reviewing their partnership in developing and marketing open-ended private pension plans in Brazil. Banco do Brasil and Principal also informed that it is in their common interest to start discussions with a view to acquiring the private pension portfolios marketed by Mapfre Nossa Caixa.

On January 6, 2010 Banco do Brasil announced that BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

Once the strategic alliance is reviewed, the Company will consolidate its leadership in capitalization, going on from 22.6% to 30.6% of its market share. Brasilcap and Grupo Icatu had revenues in the region of R\$ 2.8 billion for the first eleven months of 2009.

Icatu is a leader among companies not connected to retail banks in the capitalization market. After 18 years in the market, it serves over 3.2 million people by means of different lines in its activity. During the last five years it paid out R\$ 240 million in capitalization prizes.

k) IRB – Negotiations for Acquisition of Equity Interest

On 10.15.2009 Banco do Brasil communicated that it has agreed to start negotiations without binding effect, aiming at the acquisition of equity interest in IRB-Brasil Re S.A., in compliance with the current regulations and the terms inherent to operations of this nature, notably the obtainment of the necessary prior authorizations.

l) Funding Perpetual Bonuses

Banco do Brasil concluded the pricing of overseas funding of perpetual bonuses, in the amount of US\$ 1.5 billion, on October 2009. The bonuses are of the “junior class, non-cumulative subordinated perpetual” type, and pay 8.5% per year in half-yearly coupons.

Given the characteristics of subordination of that broadcast, the Bank of Brazil Bank pleaded with the framework of the amount raised as Tier I Capital, for the calculation of the index of Basel. On 02.08.2010, the Central Bank considered the issue qualifies as Tier I Capital as of December 2009.

m) Overseas Funding

In January 2010 Banco do Brasil contracted funding to the sum of US\$ 1 billion by means of securities issued overseas, of which US\$ 500 million with 4.5% p.a. coupons in five-year papers, and an additional US\$ 500 million with 6.0% p.a. coupons in ten-year paper. Banco do Brasil will allocate funds to grant credit, in particular to finance foreign trade transactions. These transactions are not of a subordinated nature and are not considered in the BIS Ratio.

n) Start of Studies for the Initial Public Offering

On November 27, 2009 Banco do Brasil and the National Treasury put in place studies to examine the feasibility and convenience of undertaking a primary or secondary share public offering, maintaining the Union's shareholding under conditions to be detailed and disclosed in due time, as provided for in legislation.

o) Management of Investment Funds

At the end of December, 2009, BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A. – wholly-owned subsidiary of Banco do Brasil S.A., exhibited a portfolio of R\$ 306.7 billion, with R\$ 296 billion in investment funds (444 investment funds) and R\$ 10.7 billion in managed portfolios (20 managed funds).

p) Consortium funds

	12.31.2009	12.31.2008
Forecast of funds receivable from consortium members	45,856	42,545
Obligations of the group for contributions	2,383,273	1,686,029
Consortium – goods to granted	2,177,640	1,549,538
(In Units)		
Number of groups managed	316	334
Number of active consortium members	140,860	130,940
Number of goods delivered to consortium winners	21,450	21,832
Number of goods in the period	31,164	45,888

q) Shares on the market

BB shares	Number	%
On the market as of 12.31.2009 ⁽¹⁾	562,527,754	21.89%
Total	2,569,860,512	100.00%

(1) Pursuant to Law 6404/76 and the Bovespa New Market regulations

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