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OFFERING CIRCULAR

U.S.$300,000,000



Banco do Brasil S.A.

acting through its Grand Cayman branch

8.5% Subordinated Notes due 2014

Banco do Brasil S.A., a bank with limited liability organized as a *sociedade anônima* under the laws of the Federative Republic of Brazil ("Banco do Brasil" or the "Bank"), acting through its Grand Cayman branch (the "Grand Cayman Branch"), is issuing U.S.$300,000,000 aggregate principal amount of 8.5% Subordinated Notes due 2014 (the "Notes"). The Notes will mature on September 20, 2014, unless the maturity of the Notes is extended as a result of certain currency exchange or transfer restrictions being in effect on the maturity date, in which case the maturity of the Notes will be no later than March 20, 2016. The Notes will be subject to redemption only in the event of certain changes in Brazilian and other withholding taxes, subject to the prior approval of the Central Bank of Brazil (the "Central Bank"). In addition, if payment of interest or principal on the Notes would otherwise result in violation of capital adequacy ratios required of Brazilian banking institutions, payment of interest and principal will be suspended for the duration of that inadequacy. Interest on the Notes will accrue from and including September 20, 2004 and will be payable semi-annually in arrears on March 20 and September 20 of each year, commencing on March 20, 2005. See "Description of the Notes".

The Letter of Credit Custodian, on behalf of the Noteholders, will have the benefit of an irrevocable standby letter of credit (the "Letter of Credit") provided by Credit Suisse First Boston, acting through its Cayman Islands branch (the "Letter of Credit Issuer"), to provide coverage (in an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest), and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture) in the event of the Bank's inability to convert Brazilian *Reais* into U.S. Dollars or transfer U.S. Dollars outside Brazil (but, in each case, only to the extent that the equivalent in *Reais* of such funds plus an amount to cover risks associated with the uncertain date of conversion of such *Reais* into U.S. Dollars have been deposited into a bank account specified or owned by the Letter of Credit Issuer), due to certain actions or measures taken or approved, or the failure to take or approve actions or measures by the Brazilian government which occur after the Issue Date. See "The Letter of Credit".

The Notes will be unsecured, subordinated obligations of the Bank. Payment of principal of the Notes may be accelerated only in the case of certain events involving the Bank's bankruptcy, liquidation or dissolution or similar events, and the Bank will be required to make payment after acceleration only after the Bank has been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. There will be no right of acceleration in the case of a default in the performance of any of the Bank's covenants, including the payment of principal or interest in respect of the Notes.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 13.

It is a condition of the issuance of the Notes that they be rated at least "Baa1" by Moody's Investors Service, Inc. ("Moody's").

Price: 99.174%

plus accrued interest, if any, from and including September 20, 2004

Delivery of the Notes in book-entry form only through The Depository Trust Company ("DTC"), including for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), will be made on or about September 20, 2004 (the "Closing Date").

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to certain non U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Credit Suisse First Boston **BB Securities Ltd.**

The date of this Offering Circular is November 10, 2004.

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Prospective investors should rely only on the information contained in this document or to which the Bank has referred them. The Bank has not authorized anyone to provide prospective investors of the Notes with information that is different. This document may only be used where it is legal to sell the Notes. The information in this document may only be accurate on the date of this document.

This Offering Circular has been prepared by the Bank solely for use in connection with the proposed placement of the Notes. The Bank, and Credit Suisse First Boston LLC and BB Securities Ltd. (the "Initial Purchasers"), reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. This Offering Circular is personal to the prospective investor to whom it has been delivered by the Initial Purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Except as set forth in the paragraph below, distribution of this Offering Circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without the Bank's prior written consent is prohibited.

This Offering Circular 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, the Letter of Credit and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Circular has been obtained by the Bank from publicly available sources deemed by the Bank to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained herein, the Initial Purchasers do not accept any liability in relation to the information contained in this Offering Circular or its distribution or with regard to any other information supplied by or on the Bank's behalf. The Letter of Credit Issuer does not make any representation as to the accuracy or completeness of the information set forth herein other than the limited financial information concerning it set forth under "The Letter of Credit".

The Bank confirms that, after having made all reasonable inquiries, this Offering Circular 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 Circular 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 Circular which, by their absence herefrom, make this Offering Circular misleading in any material respect. The Bank accepts responsibility accordingly.

This Offering Circular 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 the Initial Purchasers or any person affiliated with the Initial Purchasers 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, the Letter of Credit Issuer and the terms of this offering, including the merits and risks involved. These Notes 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.

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 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 has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective investors, customer, or client any representation inconsistent with the provisions of this paragraph.

This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Note 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 its 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.

The Notes have not been, and will not be, registered with the Brazilian Securities Commission (*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 such prior registration under Law No. 6,385 of December 7, 1976, as amended. If a Brazilian resident acquires any Note, such Note can neither circulate in Brazil in bearer form nor be repaid in Brazil in a currency other than the Brazilian currency at the time such payment is made.

The Notes will not be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended. The Initial Purchasers have 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 Circular 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 person.

No invitation to the public in the Cayman Islands to subscribe for the Notes is permitted to be made.

Application has been made to list the Notes on the Luxembourg Stock Exchange. This Offering Circular forms the prospectus for admission to the Luxembourg Stock Exchange.

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.

FORWARD-LOOKING STATEMENTS

This Offering Circular 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 Circular, principally in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" , "Recent Developments and Analysis" and "Business of Banco do Brasil S.A.", 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 Circular might not occur. The Bank's actual results could differ substantially from those anticipated in such forward-looking statements.

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

SUMMARY

This summary highlights information contained in detail elsewhere in this Offering Circular. Prospective investors should carefully read the entire Offering Circular before investing in the Notes.

Banco do Brasil

Banco do Brasil is a banking institution and a corporation (*sociedade anônima*) duly incorporated with unlimited duration under the laws of the Federative Republic of Brazil ("Brazil"). It is organized as a *sociedade de economia mista* (a company with government-owned and privately-owned shares).

It is the leading bank in Brazil, ranked by volume of assets under management, commercial lending portfolio, and by volume of funds obtained in the market as of December 31, 2003. In addition, Banco do Brasil is the leading financial agent in the Brazilian agricultural sector, with approximately 60.0% of the sector's market share. Its two traditional principal activities are operating as a commercial bank in Brazil and acting as an agent of the Federal Government as well as the government of Brazil (the "Federal Government") agencies in carrying out fiscal and social programs.

The Bank and its subsidiaries provide a full range of banking products and financial services in Brazil, including retail and wholesale banking, rural lending, deposit taking, trade financing, leasing, foreign exchange brokerage, credit card and travelers check services, consumer lending, investment banking, fund management, insurance, pension fund management, capital markets services, and leasing and insurance brokerage. Banco do Brasil also carries out U.S. Dollar and other foreign currency denominated deposit-taking, trade financing, lending and leasing services through its branches and subsidiaries outside Brazil. In addition, Banco do Brasil has traditionally acted as agent of the *Tesouro Nacional* (the "National Treasury") and other Federal Government agencies in implementing policies and programs which are intended to benefit the country as a whole. Banco do Brasil, with the agreement of the National Treasury, in addition to Banco do Brasil's historic emphasis on promoting the economic and social development of Brazil (particularly in the rural sector), is emphasizing Banco do Brasil's obligation to provide its customers with high quality services and its stockholders with an improved return on their investment. Banco do Brasil is seeking to provide a wide range of retail banking products and services through Brazil's largest branch network, utilizing advanced technology to improve the quality and reduce the cost of such products and services.

Banco do Brasil has the largest network of operating outlets in Brazil of any commercial bank. The following table sets forth certain information regarding the Bank's domestic network and operations at December 31, 2003:

	At December 31, 2003
Operating outlets	13,220
Full service branches	3,241
Terminals for accessing account information (*terminais de extrato*)	37,018
ATMs	24,132
24-hour banking stations (*Banco 24 Horas*)	2,216
Companies with on-line banking services	524,735
Individuals with personal banking services	5,960,132
Percentage of transactions processed through automated banking facilities	83.8%

Banco do Brasil classifies its banking activities and operations into (i) retail, if made to individuals and small businesses, (ii) rural lending, (iii) wholesale, if made to corporations and entities, which includes commercial and industrial lending, leasing transactions, capital markets operations and international transactions, and (iv) government, which provides banking services and products specifically for government bodies and agencies. In addition, Banco do Brasil carries out insurance activities.

The retail operations of Banco do Brasil are conducted mainly through its outlet network and consist of six main business areas: investments, savings, demand accounts and consortium; insurance, pension funds and premium bonds; consumer lending to individuals and companies; credit cards and electronic cards; client segmentation; and tourism. At December 31, 2003, Banco do Brasil:

- had 18.8 million demand accounts;
- had 10.7 million savings accounts;
- had R$11.1 billion in total outstanding volume of consumer lending; and
- carried out 534,704 transactions in the aggregate amount of R$6.177 billion using the Bank's standardized and integrated credit facility designed for small business clients.

Banco do Brasil is involved in lending at various stages in the agricultural process, providing below market-rate loans to buy seed and machinery, produce crops, finance crop storage and finance domestic sales of crops and exports. As at December 31, 2003, Banco do Brasil's rural sector lending amounted to 60.0% of the total loans to the rural sector extended by Brazilian financial institutions.

Banco do Brasil classifies lending to companies and certain other business entities as "commercial and industrial lending." At December 31, 2003, the commercial and industrial lending portfolio amounted to R$16.1 billion. Banco do Brasil carries out fund management activities, both by itself and through a wholly-owned subsidiary. The total net worth of the 285 investments funds and 287 client portfolios under management by Banco do Brasil and its subsidiary BB DTVM at December 31, 2003 amounted to R$102.6 billion (a 19.02% market share).

Banco do Brasil is an important player in the implementation of the Federal Government's trade policies and strategies. Banco do Brasil is engaged in Brazilian trade-related finance, takes foreign currency deposits from corporate and retail clients and extends credit to Brazilian and non-Brazilian clients principally in connection with financing trade with Brazil. Transactions include structured finance operations, syndicated loans and other trade-related operations. One of Banco do Brasil's principal objectives is to support Brazil's foreign trade. Banco do Brasil recognizes the strategic importance of such activities for the country and to itself and plays a leading role in this market. It ranked first among all banks in Brazil in each of the years from 1997 through 2003 in terms of volume of foreign exchange transactions involving exports and imports and financial transactions.

Banco do Brasil has a close relationship with the Federal Government, States, Municipalities and other public agents, developing solutions tailored to their needs. On a Federal Government level, it effects payments and collects funds on behalf of the National Treasury and assists all Federal Ministries. Banco do Brasil also supports the Federal Government's cash management. On a State level, Banco do Brasil acts as official financial agent for seven States for which it is the exclusive paying agent for employees and suppliers, centralizes the distribution and collection of taxes and collects active debt. On a Municipal level, Banco do Brasil acts as financial agent for several capitals and other cities throughout Brazil through its large network system. See "—Relationship with the Government" below. The Bank has seen steady improvement in several financial indicators over the past several years. The following table provides certain financial information regarding the Bank as of and at the dates indicated:

	December 31,		
	2003	**2002**	**2001**
	(in billions of *Reais*)		
Total assets	230.1	204.6	165.1
Stockholders' equity	12.2	9.2	8.7
Net profit	2.4	2.0	1.1

The head office of Banco do Brasil is located at SBS – Edifício Sede III, CEP 70073-901, Brasília, DF, Brazil ("Head Office").

Certain information included in this section is derived from unaudited management accounting records. See "Risk Factors—Risks Relating to the Bank".

Ownership

At December 31, 2003, Banco do Brasil had approximately 732,018 million common shares of no par value ("common shares") outstanding. The Bank's common shares have been traded publicly on Brazilian stock exchanges since 1906. At December 31, 2003, Banco do Brasil had approximately 329,334 common stockholders.

On April 11, 2002, the National Treasury disclosed its intent to sell at least 16% of the total equity of the Bank in order to allow the Bank to list its securities on the Novo Mercado (the "Novo Mercado") of the São Paulo Stock Exchange ("Bolsa de Valores de São Paulo" or "BOVESPA") for purposes of public trading and liquidity. The Novo Mercado rules require the Bank to maintain a minimum public float equivalent to 25% of its capital.

In preparation for the Novo Mercado listing, at an extraordinary stockholders' meeting held on June 7, 2002, the stockholders of Banco do Brasil voted to convert the Bank's then outstanding preferred shares of no par value ("preferred shares") into common shares. To that end, Banco do Brasil conducted an exchange offer pursuant to which each holder of preferred shares was entitled to receive 1.1 common shares for every preferred share exchanged. Preferred stockholders that dissented from the exchange offer automatically received a cash payment for their preferred shares, which were then converted to common shares and transferred to Banco do Brasil as treasury shares. Dissenting stockholders were paid R$125.8 million which corresponded to 10,234,252,464 preferred shares, representing 1.44% of Banco do Brasil's share capital. With the completion of the exchange offer and compensation for dissenting stockholders, Banco do Brasil's preferred shares ceased to trade on the BOVESPA as of September 6, 2002, and, as of September 9, 2002, Banco do Brasil's share capital consisted solely of 743,275,506,498 common shares.

In September 2002, the Federal Government, Banco do Brasil, Banco Nacional de Desenvolvimento Econômico e Social ("BNDES") and BNDES Participações S.A. ("BNDESpar") commenced a process to offer to potential investors (the "Share Offering") up to 132,334,586,966 common shares of the Bank (the "Shares"), representing 17.8% of the Bank's capital and to list its securities on the Novo Mercado of the São Paulo Stock Exchange. The Share Offering was registered with the Brazilian Securities Commission (the *Comissão de Valores Mobiliários*), and consisted of the offer and sale of Shares (i) to certain individuals and institutions resident and domiciled in Brazil (the "Retail Offering") and (ii) to individuals and institutions in Brazil that did not qualify for the Retail Offering and certain individuals and institutions outside Brazil (the "Institutional Offering"). The Share Offering initially was scheduled to be completed in December 2002; however, the Federal Government decided to cancel the Share Offering in December 2002 due to insufficient interest, as determined by the Federal Government, in the Institutional Offering. Although the Federal Government has declared that it may resume the Share Offering in the future, it is not currently possible to determine when or if this will happen.

A reverse stock split was proposed to the stockholders at the end of 2003 in order to stimulate the volume of shares traded on the BOVESPA, reduce management costs, to better assist the stockholders and potentially increase the value of the shares. At the shareholders' meeting held on November 12, 2003 in Brasília (DF), the proposal for the reverse stock split was approved at the rate of one thousand shares per one share. The reverse stock split was concluded on January 23, 2004. On November 12, 2003, the Board of Directors of Banco do Brasil approved a proposal to (a) undertake a public offer to purchase Series B and C subscription warrants of the Bank at a price of R$1.73 and R$1.79 per lot of 1,000 warrants, respectively (the "Warrant Offer"); and (b) issue 51,733,250,000 common shares to be subscribed by the existing stockholders of Banco do Brasil in proportion to their respective equity interests for, at least, R$19.46 per lot of 1,000 common shares (the "Share Offer"). These transactions were conditional upon the acceptance of the Warrant Offer by warrant holders representing 90% of the total Series B and C subscription warrants and the subscription of at least 90% of the shares to be offered pursuant to the Share Offer. On February 16, 2004, the implementation of this transaction was approved by the Administrative Council of Banco do Brasil with different conditions from those approved by the Board of Directors of Banco do Brasil on November 12, 2003. On July 8, 2004, the Bank published notices to carry out the Warrant Offer and the

Share Offer with the following new conditions: (i) Series B and C subscription warrants of the Bank will be purchased at a price of R$2.65 and R$2.82 per unit of warrant (as a result of the reverse stock split discussed above), respectively; and (ii) 70,525,577 common shares will be issued for R$22.26 per share (as a result of the reverse stock split discussed above). Both the Warrant Offer and the Share Offer have an acceptance period from July 12, 2004 to August 13, 2004. On July 22, 2004, the Bank announced that the 90% acceptance threshold was met for both transactions. As a result, payment for the newly issued common shares was made by the relevant shareholders in cash on August 13, 2004 and payment for the subscription warrants was made by the Bank in cash on August 20, 2004.

The following table sets out the principal stockholders of the Bank's common shares, on a percentage basis, at December 31, 2003.

Shareholders

	Ownership of Common Shares
National Treasury	71.8%
PREVI	13.8%
BNDESpar	5.8%
Other Pension Funds	0.5%
Individuals	3.3%
Foreign Capital	2.2%
Other Legal Entities	1.1%
Banco do Brasil Treasury Shares	1.5%
Total	100%

Brazilian banking and corporate laws and the By-laws of the Bank require that a compulsory minimum dividend of 25.0% of net income for the prior year, adjusted for certain inclusions and exclusions as permitted by Brazilian Corporate Legislation, be distributed to stockholders semi-annually. Pursuant to the Bank's By-laws, dividends are determined on the basis of the Bank's semi-annual results.

The National Treasury and other public sector stockholders are treated in the same manner as private stockholders with respect to dividends/interest on own equity payments.

As of 1997, and until the conversion of all preferred shares into common shares in June 2002, pursuant to the Bank's By-laws, owners of preferred shares were entitled to dividends that are at least 10.0% greater than dividends distributed to owners of common shares. After dividends are declared by the Bank, dividend amounts are adjusted by the interest rate of the Central Bank (the "SELIC" rate) until they were actually paid to stockholders. In addition, pursuant to the terms of an amendment to the Bank's By-laws dated April 24, 1998, dividends may be paid to stockholders in the form of interest accrued on their equity investment in the Bank. See Note 15 to the Bank's financial statements for the year ended December 31, 2003 set out in the appendices of this Offering Circular. Such amounts are paid to stockholders net of income tax withheld by the Bank and pro rata according to their respective stockholding. There is no withholding income tax on the amount of the dividend itself; however, as per Normative Instruction, No. 12 dated February 10, 1999, from the Brazilian Revenue Services (*Secretaria da Receita Federal*), a 20.0% withholding tax is applied to interest earned on the amount of the dividend until it is paid to stockholders.

For the first half of 2002, the Bank paid stockholders dividends in the amount of R$0.414 per lot of 1,000 common shares and R$0.455 per lot of 1,000 preferred shares (adjusted by the SELIC rate until payment on September 2, 2002). For the second half of 2002, the Bank paid stockholders dividends in the amount of R$0.371 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on February 24, 2003).

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For the first half of 2003, the Bank paid stockholders interest on own equity in the amount of R$0.440 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on August 25, 2003). For the second half of 2003, the Bank paid stockholders interest on own equity in the amount of R$0.579 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on March 1, 2004).

Strategy

Banco do Brasil's strategy is to maximize its client, employees and stockholders' value by increasing its relationship with them and consolidating its position as the leader in the retail market in Brazil. The Bank also wants to increase its market share in international business and corporate clients. In order to implement this strategy, Banco do Brasil is: (i) investing in training its employees and establishing a premium working environment in the Bank; (ii) maintaining its commitment to technological improvement; (iii) integrating distribution channels to better serve its clients; and (iv) developing high quality risk and compliance management tools. Banco do Brasil plays its role in the Brazilian economy with social and environmental responsibility. Banco do Brasil aims to combine results for its investors and social responsibility in the development of a profitable company in tune with market demands as well as the local community and society.

Banco do Brasil continues to place emphasis on its retail banking activities with the intention of providing its retail clients with a full range of retail banking services, including insurance and asset management services. Banco do Brasil's asset management activities are carried out through its subsidiary BB DTVM. The Bank believes that to retain its leadership in retail banking, it must also be a leader in wholesale banking due to the fact that wholesale banking relationships generate retail banking transactions such as those relating to payroll management and deposits. As a result, the Bank has been focusing on providing its wholesale clients with full wholesale banking services.

Relationship with the Government

Since its foundation in 1808, the Bank has been controlled by the government of Brazil. At December 31, 2003, the National Treasury owned 71.8% of its aggregate share capital. See "—Ownership" above. In 1990, the Federal Government instituted a policy of reducing its participation in the economy and began privatizing certain state enterprises. However, Law No. 8,031 of April 12, 1990, which established the privatization program, specifically excluded the Bank from privatization. Although Law No. 8,031 was revoked by Law No. 9,491 of September 9, 1997, the exclusion of the Bank from the privatization program was maintained by the new law. As a result of the measures negotiated with the International Monetary Fund ("IMF") (see "Risk Factors —Risks Relating to Brazil—Brazil's inability to negotiate an IMF financial package may adversely affect Brazil's ability to meet its domestic and international debt obligations, lead to economic instability and result in a loss of investor confidence" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Brazilian Economic Conditions—IMF Financial Package"), the Federal Government has agreed to review the role of all Federal Government financial institutions, including the Bank, in the economy of Brazil and has established a special commission within the Ministry of Finance for this purpose (the *Comitê de Coordenação Gerencial das Instituições Financeiras Públicas Federais* – "Comif"). Although it was not formally dismissed, Comif is no longer active. It is not possible to predict if and when Comif will restart its activities. In case Comif restarts its activities, the Bank cannot predict the ultimate outcome of this review, the recommendations to be put forward by Comif or whether the Federal Government will choose to implement these recommendations.

The Minister of Finance, acting for the Federal Government, is responsible for overseeing the Bank's operations on behalf of the controlling shareholder, the National Treasury, and the Federal Government exercises control over the composition of the Bank's most important governing bodies (Board of Directors and Administrative Council). The Minister of Finance nominates the chairman and two other members of the seven-member Administrative Council. The Chairman of the Bank, who also serves as Chairman of the Board of Directors, is appointed by the President of Brazil. The remaining members of the Board of Directors are elected by the Administrative Council. See "Management and Employees".

Prior to 1965, the Bank performed the functions of Brazil's central bank. Between 1965 and 1986, while increasing its role as a commercial and development bank, it continued to act as an arm of the monetary authorities, with its credit operations being funded substantially by expansion of the monetary base through the movement of an

open account with the Central Bank. With the closing of this account in February 1986 and the termination of the Bank's role as an arm of the monetary authorities, the Bank was obliged to become more self-sufficient in attracting funding. The change did not, however, diminish the Bank's strategic importance within the financial system in Brazil. As well as being a primary banker to the Federal Government, the Bank participates in the process of tax collection on behalf of the Federal Government and serves as paying agent for the *Instituto Nacional da Seguridade Socia*l (National Social Security Institute or "INSS"). Moreover, because of its size and extensive branch network, the Bank was, and continues to be, able to exercise considerable influence over the banking system as a whole. In several markets, particularly commercial foreign exchange, time deposits and short-term commercial lending, the Bank's decisions, including those regarding rate setting, have traditionally influenced the entire Brazilian financial market.

The Bank continues to play a significant role in the Brazilian economy and to perform its historic social and developmental functions, but with a view to being selective in choosing the transactions in which it wishes to participate in order to select those from which satisfactory earnings can be obtained. Such transactions have included and will in the future likely include acting as an agent of: (a) the National Treasury and the INSS in the collection of Federal Government and State taxes and the payment of State pension benefits; and (b) for the National Treasury and other Federal Government agencies in connection with a number of lending programs, each with specific funding directed towards particular regions or sectors of economic activity; providing basic banking services to remote areas of Brazil in order to ensure that all areas of the country have some form of banking services. On November 12, 2003, Banco do Brasil changed its By-laws to grant powers to the Administrative Council of the Bank to establish a target for return on own capital at a level which assures adequate remuneration for Banco do Brasil. This change is intended, among other things, to better define the remuneration received by the Bank for operations with the Federal Government.

In addition, the Bank continues to play a key role in the implementation of rural policy in Brazil, primarily through the financing of some rural lending on preferential terms, and also by acting as an agent of the Federal Government in implementing crop stabilization policies and by redirecting funds deposited with other banks which are required by the Federal Government to be lent to the rural sector; and formulating and implementing lending programs directed to particular economic sectors, such as small and very small businesses or regions which have traditionally experienced difficulties in obtaining access to credit.

Management

The Bank is managed by up to 30 directors: one president, up to seven vice-presidents and up to 22 directors. The directors are each responsible for one of the Divisions of the Bank. At a meeting held on May 10, 2004, the Administrative Council of the Bank approved a change to the new management structure of the Bank, increasing to 20 (out of 22) the number of existing directors. Two new divisions are: Small Business (*Diretoria de Micro e Pequenas Empresas* –DIMPE) and Foreign Trade (*Diretoria de Comércio Exterior* –DICEX). Moreover, the existing Internal Audit Unit, Restructuring of Operational Assets Unit and Social-Environmental and Employees Relations Unit became Divisions and part of the Board of Directors of the Bank. Finally, an additional unit was created: Security Management Unit. All other units remained unchanged. See "Business of Banco do Brasil S.A.— Organizational Structure".

Ratings

The Bank's senior unsecured long-term debt ratings are "BB" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and "BB-" by Fitch, Inc. ("Fitch") (local currency) and "Ba3" by Moody's, "B+" by S&P and "B+" by Fitch (foreign currency). According to the ratings agencies, the foreign currency ratings are constrained by the foreign currency ratings assigned to the foreign currency rating of the Federal Government. The foregoing ratings are not indicative of the rating on the Notes as: (a) S&P and Fitch have not been asked to rate the Notes, (b) the Notes are subordinated obligations of the Bank; and (c) the Notes have the benefit of the Letter of Credit, which is intended to mitigate transfer and convertibility risk associated with their issuance in a foreign currency. Rather, the foregoing ratings are provided as indications of such rating agencies' overall views of the credit risks of the Bank. The Notes are expected to be rated at least Baa1 by Moody's.

The Offering

Issuer	Banco do Brasil S.A., acting through its Grand Cayman branch.
The Notes	U.S.$300,000,000 aggregate principal amount of 8.5% Subordinated Notes due 2014.
Issue Price	99.174% of the principal amount, plus accrued interest, if any, from and including September 20, 2004.
Maturity Date	September 20, 2014, *provided*, ● the maturity date may be extended for a period of up to 18 months if the Bank has sufficient funds in Brazilian *Reais* or U.S. Dollars to repay the principal amount of the Notes and any other indebtedness payable on the stated maturity date but cannot make such payment due to a Currency Inconvertibility/Non-Transfer Event (as defined below); and ● interest and principal payments may be deferred under the circumstances described in "—Deferral of Interest and Principal" below.
Issue Date	September 20, 2004.
Indenture	The Notes will be issued under the Indenture dated as of September 20, 2004 among the Bank, Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), and Deutsche Bank (Cayman) Limited, as Letter of Credit Custodian for the purpose of being named the sole beneficiary for the benefit of the Noteholders of the Letter of Credit, accepting delivery thereof and enforcing its rights thereunder (the "Letter of Credit Custodian").
Rating	It is a condition to the issuance of the Notes that they be rated at least "Baa1" by Moody's.
Interest	The Notes will bear interest from and including September 20, 2004 at the rate of 8.5% per annum (the "Note Rate"), payable semi-annually in arrears. Default interest will accrue at the Note Rate. Principal and interest amounts deferred as described in "—Deferral of Interest and Principal" below will also accrue interest at the Note Rate.
Interest Payment Dates	March 20 and September 20 of each year, commencing on March 20, 2005.
Deferral of Interest and Principal	If the payment of interest on any interest payment date or any redemption date or the payment of principal on the maturity date or any redemption date or payment of any other amount relating to the Notes would cause the Bank's required net worth (*Patrimônio Líquido Exigido*) and other financial ratios to fall below the minimum levels required by current or future regulations generally applicable to Brazilian banks (the "Risk-Based Capital Requirements"), the Bank shall defer that payment of interest or principal or other amounts payable in respect of the Notes until the date on which the Bank is no longer in violation of the Risk-Based Capital Requirements or the payment of that interest or principal amount, or any portion thereof, would no longer cause the Bank to violate the Risk-Based Capital Requirements. The deferral of any payment will not be an event of default under the Notes. Any amounts drawable under the Letter of Credit as a result of a Currency Inconvertibility/Non-Transfer Event (as defined below) will also be deferred until the Bank is no longer in violation of the Risk-Based Capital Requirements. Noteholders will receive payment of any such amounts in arrears within 14 days after the Bank is no longer entitled to defer payment of those amounts.

	Each amount in arrears will bear interest at the Note Rate (if it is an interest amount, as if it constituted the principal of the Notes). See "Description of the Notes—Deferral of Interest and Principal".
Ranking	The Notes will at all times constitute unsecured, subordinated obligations of the Bank, and, in the event of the Bank's bankruptcy, liquidation or dissolution under Brazilian law, the Notes will rank: ● junior in right of payment to the payment of all of the Bank's indebtedness other than the Notes and the Bank's other subordinated indebtedness; ● *pari passu* among themselves; ● at least *pari passu* with all of the Bank's other subordinated indebtedness; and ● in priority to payments to holders of all classes of the Bank's share capital. In addition, the Bank's obligations to the Noteholders will be subordinate to the Bank's obligations to make deposits into the Local Reimbursement Account (as defined below in "The Letter of Credit—Definitions") on each Weekly Top-Up Date (as defined below in "The Letter of Credit") after a drawing has been made under the Letter of Credit or other amounts due to the Letter of Credit Issuer have been paid to the Local Reimbursement Account. See "Description of the Notes—Ranking" and "The Letter of Credit".
Use of Proceeds	The Bank intends to use the net proceeds of the issuance of the Notes for general corporate purposes.
Letter of Credit Issuer.....	Credit Suisse First Boston, acting through its Cayman Islands branch.
Letter of Credit	The Letter of Credit Custodian, on behalf of the Noteholders, will have the benefit of the Letter of Credit provided by the Letter of Credit Issuer covering the Bank's inability to convert *Reais* into U.S. Dollars or transfer outside Brazil amounts converted into U.S. Dollars (but, in each case, only to the extent that the equivalent in *Reais* of such funds plus an amount to cover risks associated with the uncertain date of conversion of such *Reais* into U.S. Dollars have been deposited into a bank account specified or owned by the Letter of Credit Issuer) due to actions or measures taken or approved, or the failure to take or approve actions or measures by the Brazilian government which occur after the Issue Date (each a "Currency Inconvertibility/Non-Transfer Event", as more fully defined below in "The Letter of Credit"). The Letter of Credit Issuer's obligation to make funds available under the Letter of Credit is limited to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture and is subject to certain conditions, limitations and exclusions that may affect the ability of the Noteholders to receive payments under the Notes. The Letter of Credit is issued to the Letter of Credit Custodian for the benefit of the Noteholders and the Letter of Credit Custodian shall act in accordance with and as limited by the terms of the Indenture with respect thereto. Nothing in the Letter of Credit, express or implied, shall give to any Noteholder any legal or equitable right, remedy or claim thereunder. See "Risk Factors—Risks Relating to the Letter of Credit" and "The Letter of Credit".

Covenants ..... The terms of the Indenture will require the Bank, among other things, to:

- pay all amounts owed by the Bank under the Indenture and the Notes into the Payment Account one business day prior to the date on which 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;
- if the Bank defers any interest or principal payments as described under "—Deferral of Interest and Principal" above, use its reasonable commercial efforts to reenter into compliance with the Risk-Based Capital Requirements within 180 days;
- maintain all necessary governmental and third-party approvals and consents;
- maintain its 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;
- use the net proceeds from the issuance of the Notes for general corporate purposes;
- give notice to the Trustee of any default or event of default under the Indenture, of any Currency Inconvertibility/Non-Transfer Event, of a deferral of payment of interest or principal and of certain other events;
- provide certain financial statements and compliance certificates to the Trustee;
- provide certain information to Noteholders required by Rule 144A;
- replace the Trustee upon any resignation or removal thereof; and
- preserve its corporate existence.

In addition, the terms of the Indenture will require the Bank to meet certain conditions before it consolidates, merges or transfers substantially all of its assets to another person without the consent of the holders of at least 66⅔% of the outstanding Notes.

These covenants are subject to a number of important qualifications. See "Description of the Notes—Certain Covenants".

Events of Default..... The Indenture will contain certain limited events of default, consisting of the following:

- failure to pay principal on the due date thereof, unless the principal payment is deferred as described above in "—Deferral of Interest and Principal". See "Description of the Notes—Deferral of Interest and Principal";
- failure to pay interest or any additional amounts due on any Note within 15 business days of the due date thereof unless the Letter of Credit Custodian has drawn that amount under the Letter of Credit or otherwise;

	● certain events involving bankruptcy, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary; and ● the Letter of Credit is not renewed due to a failure to pay certain fees under the Letter of Credit or due to the occurrence of certain events of default under the Letter of Credit Agreement, unless, after receipt of a notice of non-renewal from the Letter of Credit Issuer, the Bank obtains a substitute letter of credit containing substantially similar terms from another letter of credit issuer with at least the same Moody's rating as the Letter of Credit Issuer or substitutes the Letter of Credit for deposits in the Payment Account. Payment of principal of the Notes may be accelerated only in the case of certain events involving the Bank's bankruptcy, liquidation or dissolution or similar events, and the Bank will be required to make payment after acceleration only after it has been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. See "Risk Factors—Risks Relating to the Notes—If the Bank does not satisfy its obligations under the Notes, remedies will be limited".
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of DTC with respect to its participants (including Euroclear and Clearstream, Luxembourg). Beneficial interests in Notes held in book-entry form will be entitled to receive physical delivery of certificated Notes only under certain circumstances. For a description of certain factors relating to clearance and settlement, see "Form, Denomination and Transfer".
Withholding Taxes; Additional Amounts	All payments of principal and interest in respect of the Notes will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil or the Cayman Islands, or, in the event that the Bank appoints additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event 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".
Tax Redemption	The Notes will be redeemable by the Bank, in whole but not in part, at 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption and any additional amounts then due and payable, at its option in the event of certain changes affecting taxation of the Notes, subject to the prior approval of the Central Bank. The Notes will not otherwise be redeemable prior to maturity. See "Description of the Notes—Redemption".
U.S. ERISA and Certain Other Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "United States ERISA and Certain Other Considerations".
Listing.....	Application has been made to list the Notes on the Luxembourg Stock Exchange.
Transfer Restrictions.....	The Notes have not been, and will not be, registered under the Securities Act and may be transferred only as described under "Transfer Restrictions".

Governing Law.....	The Indenture, the Notes, the Purchase Agreement and the Letter of Credit Agreement will be governed by the laws of the State of New York. The Letter of Credit will be governed by and construed in accordance with the International Standby Practices 1998 (ICC Publication No. 590) and, to the extent not inconsistent therewith, the laws of the State of New York, including, without limitation, Article 5 of the Uniform Commercial Code.
Form and Denomination.....	The Notes will be in fully registered form without interest coupons attached. The Notes sold in reliance on Rule 144A will be issued in the form of a restricted global note (the "Restricted Global Note"), and the Notes sold in reliance on Regulation S, will be issued in the form of a Regulation S global note (the "Regulation S Global Note", and along with the Restricted Global Note, the "Global Notes"). Each of the Global Notes will be initially registered in the name of Cede & Co. as nominee for, and deposited with Deutsche Bank Trust Company Americas as custodian for, DTC. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). The Notes offered and sold in reliance on Rule 144A will be issued in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. Notes offered and sold in reliance on Regulation S will be issued in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. See "Form, Denomination and Transfer".

RISK FACTORS

The following section describes some but not all of the risks associated with an investment in the Notes. Prospective investors should consider, among other things, the risk factors with respect to the Bank, Brazil and the Notes not normally associated with investing in securities issued by companies in the United States or in countries with similarly developed capital markets, including those set forth below.

Risks Relating to the Bank

The Federal Government is the controlling shareholder of the Bank

The Federal Government is the controlling shareholder of the Bank. The Brazilian President directly appoints the President of the Bank and nominates the President of the Central Bank and the Minister of Finance. The Federal Government appoints a majority of the members of the Administrative Council of the Bank. See "Management and Employees—Management". The Federal Government at times has used the activities of Banco do Brasil to achieve macroeconomic goals and social objectives incompatible with the goal of maximizing the Bank's profits. However, the Federal Government and the Bank have recently implemented certain measures intended to define a suitable remuneration received by the Bank for operations with the Federal Government such as the change in its By-laws on November 12, 2003 to grant powers to the Administrative Council of the Bank to establish a target for return on own capital at a level which assures adequate remuneration for Banco do Brasil. The Federal Government may again adopt policies with respect to the Bank that could adversely affect the business, operations, profitability or capital adequacy of the Bank. See "—Risks Relating to Brazil—The Bank is subject to influence by the Federal Government".

Minimum capital adequacy requirements imposed on the Bank may negatively impact the Bank's results of operations and financial condition

Pursuant to CMN Resolution No. 2,099 of August 17, 1994, as amended, Brazilian banks have been required since January 1, 1995 to comply with the risk-based capital adequacy framework developed in July 1988 by the Basel Committee on Banking Regulations and Supervisory Practices (such framework, the "Basel Accord") as implemented, with certain modifications, by the Central Bank. The Basel Accord sets forth capital adequacy requirements for banks based upon an equity capital to risk-adjusted assets test (including risk-adjusted balance sheet equivalents of off-balance sheet items). The risk-weighted capital ratio required of the Bank and all other banks in Brazil is currently 11.0% of risk based assets.

During the period from 1995 to 2001, the Bank was at times not in compliance with capital adequacy levels required by the Central Bank. At December 31, 1995, the Bank's capital was 5.7% of assets determined on a risk-weighted basis. The failure to match the required standard of capital adequacy at the end of 1995 was one of the principal factors underlying the adoption of the Bank's Restructuring Program in early 1996. As part of the Restructuring Program, in June 1996 the capital of the Bank was increased by R$8.0 billion (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Restructuring Program and Its Continuous Implementation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy"). As a result of the increase, the Bank's capital rose to 11.1% of risk-weighted assets on December 31, 1996. Following certain regulatory changes, as of December 31, 2000, the Bank's capital was 8.8%, below the minimum capital adequacy level of 11.0% of risk-weighted assets. Due, in part, to Banco do Brasil's applications to the Central Bank for a reclassification of the risk-weight factor associated to certain of its assets, on June 22, 2001, the Federal Government announced a series of measures designed to ensure that Banco do Brasil achieved compliance with minimum capital adequacy requirements. As a result, at December 31, 2001, the Bank's capital had increased to 12.7% of risk-weighted assets. At December 31, 2002, the Bank's capital was 12.2% of risk-weighted assets. At December 31, 2003, the Bank's capital was 13.7% of risk-weighted assets.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for the risk-based capital adequacy of the Basel Accord (such new framework, the "Basel II"). The Basel II accord sets out the details for adopting more risk-sensitive minimum capital requirements for banking organizations. The Basel Committee intends for the new framework to be available for implementation in member

jurisdictions as of year-end 2006. The Central Bank has not yet decided on how to regulate the application of the Basel II framework to Brazilian financial institutions.

If, in the future, the Bank faces difficulties in achieving capital adequacy, similar to those encountered in the past, whether due to a change in Federal Government policy with respect to the activities and role of the Bank, due to the performance of the Brazilian economy generally or due to changes in the rules regarding capital adequacy, the Bank may again be unable to comply with the minimum capital adequacy requirements. In that event, the Bank may have to curtail its lending activities, dispose of assets and take other steps that may have a negative impact on the Bank's results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy". In addition, under the terms of the Notes, the Bank may defer payment of interest or principal or other amounts payable in respect of the Notes until the date on which it is no longer in violation of such requirements, or the payment of that interest or principal amount, or any portion thereof, would no longer cause the Bank to violate such requirements. See "Description of the Notes—Deferral of Interest and Principal".

Rural lending may be increased due to government policy which may adversely affect the Bank's profitability

As an institution controlled by the Federal Government, the Bank may be required to increase its rural lending operations in response to government policy goals. To the extent rural lending is extended to achieve public policy goals and on non-commercial terms, this lending could negatively affect the Bank's profitability and financial condition. In addition, the actual performance of this portfolio will continue to depend upon factors beyond Banco do Brasil's control, such as the price of agricultural commodities, climate conditions and Federal Government policies with respect to rural lending and agroindustry. See "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending—Strategy for Agricultural Sector".

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

At December 31, 2003, the balance sheet of the Bank was principally comprised of the Bank's credit portfolio of R$69.6 billion (gross of provisions), marketable securities of approximately R$69.6 billion, of which R$66.5 billion (or 95.6%) consisted of various Federal Government securities, and an asset consisting of tax credits available to the Bank to offset future liability for income tax of approximately R$9.4 billion. Of the foregoing items, the rates of return on Federal Government securities are generally lower than those on securities of private issuers or those achieved by the Bank on its credit portfolio and are subject to market fluctuations, including interest and exchange rate variations, particularly following the adoption by the Central Bank of new valuation and accounting criteria through Circular Letters Nos. 3,068 and 3,082. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2002 compared to the year ended December 31, 2001". The Bank's ability to achieve acceptable rates of return on its total assets and equity will depend upon its ability to increase its fee income, reduce costs and to adjust its asset portfolio by increasing its higher-yielding credit operations. Due to its overseas investments, notwithstanding the reductions in currency mismatches, the operating results of the Bank are affected by fluctuations in the U.S. Dollar/Real exchange rate. Therefore, the Bank's profitability is subject to certain factors outside of its control, including prevailing interest and exchange rates and the market price of its securities portfolio.

In addition, the tax credits are non-income producing and subject to write-off if the Bank does not have taxable income for three consecutive years. Commencing in January 2000, Banco do Brasil adopted the practice of not recording further tax credits on timing differences and tax losses. The Bank has been generating taxable income since August 2001, following the implementation of the measures established by the Federal Government through Provisional Measure No. 2,196-3 dated August 24, 2001. See "— Minimum capital adequacy requirements imposed on the Bank may negatively impact the Bank's results of operations and financial condition" above. During 2001, the Bank adopted other measures intended to generate taxable income, particularly its transformation into a "multiple service" bank which involved the merger of a wholly-owned subsidiary (BB-Financeira) with the debit and credit card operations, as well as the repatriation of capital invested in overseas operations. Since the fourth quarter of 2001, Banco do Brasil, in order to accelerate the reduction of the recorded tax credits, has recorded complementary reductions of tax credits when the charges for withholding income tax and social contribution tax provisions (including those relating to deferred taxes), are lower than those calculated by the application of the sum

of the rates in effect (currently 34.0%) on corporate net income of the year before taxation, until this percentage is reached. During 2003, the expenses with withholding income tax and social contribution tax were higher than 34.0% hence it was unnecessary to record complementary reductions of tax credits. Additionally, the Bank has obtained an injunction to offset the full amount of tax losses with income tax and social contribution loss carry forwards. The injunction is currently under discussion in court and, if the definitive decision is contrary to the Bank's position, the amount of the judicial deposits related to the taxes recorded under the Bank's assets, net of a provision totaling R$3.1 billion (as of December 31, 2003) will be written off against income. Furthermore, in the event of an unfavorable decision, the deferred tax asset would also be increased by the same amount of additional tax payable, subject to the analysis of the expected future realization of the deferred tax asset at the time it is recorded. Projections of taxable income of Banco do Brasil indicate that the tax credits will be realized in up to eight years in the following proportions according to a technical study carried out on December 31, 2003: 11.46% in 2004; 16.68% in 2005; 17.46% in 2006; 18.98% in 2007; in 18.05% 2008; and 17.37% in 2009. As required by CMN Resolution No. 3,059, dated December 20, 2002, the tax credit assets were classified based on those expectations of realization in up to five years and after five years, in conformity with the technical studies prepared for this purpose. For the purposes of the technical study, the respective tax credits assets were brought to current value based on the average rate of funds obtained. It is important to note that the tax credits based on temporary differences are mainly related to recorded provisions, the realization of which are preponderantly long-term. Such Resolution also establishes that as from January 2004 to January 2008, financial institutions shall exclude 20% of all tax credits to be used for more than five years in the calculation of Tier I referential equity value. After January 2008, the total amount of tax credits shall not exceed 40% of Tier I referential equity value. Should the Bank be unable to maintain its taxable income in the future, it may be required to write off its tax credits and could be compelled by the Central Bank to reduce its assets and shareholders' equity accordingly. Therefore, any such write-off or reduction could have a material adverse effect on the Bank's financial condition and results of operations.

The Bank's exposure to Federal Government debt may adversely affect its financial position and results of operations

As do many other large Brazilian banks, the Bank invests in debt securities of the Federal Government, most of which are short term and highly liquid. As at December 31, 2003, approximately 28.9% of the Bank's total assets was comprised of debt securities issued by the Federal Government (33.6% as at December 31, 2002). On December 31, 2003, the consolidated net public sector debt of Brazil stood at R$913.1 billion, or 58.7% of gross domestic product. Any failure by the Federal Government to make timely payments under the terms of these securities could have a material adverse effect on the Bank's financial position and results of operations. In addition, as a consequence of the implementation by the Central Bank in the first half of 2002 of new valuation and accounting policies related to marketable securities, any impact on the market value of the securities held by the Bank could also have a material adverse effect on the financial condition and results of operations of the Bank. For a description of the Federal Government securities held by the Bank, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Source of Funds—Open Market Operations". For a description of the Central Bank's new valuation and accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies Used by the Bank—Fair Value of Financial Instruments".

Monetary regulations imposed by the Federal Government may have an adverse effect on the Bank's liquidity, funding strategy, lending growth, profitability or the creditworthiness of its clients

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

Changes in the reserve requirements and compulsory deposits could negatively affect the Bank's liquidity, funding strategy, lending growth or profitability

The Central Bank has periodically varied the amount of reserves that banks in Brazil (including the Bank) are required to maintain with the Central Bank in relation to amounts of demand deposits, savings deposits and time deposits and certain credit transactions, often to increase or decrease money supply for the purposes of managing the economy. Financial institutions (including the Bank) comply with reserve requirements by depositing cash or, in some cases, Federal Government securities with the Central Bank. Some of the cash deposited with the Central Bank in satisfaction of reserve requirements does not earn interest. See "The Brazilian Financial System—Reserve and Related Requirements". 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.

Changes in taxes and other fiscal assessments may adversely affect the Bank's financial position and results of operations

To support its fiscal policies, the Federal Government regularly enacts reforms to the tax and other assessment regimes to which the Bank and its customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon the Bank's business. Furthermore, such changes have produced uncertainty in the financial system, increased the cost of borrowing and contributed to the increase in the Bank's non-performing loan portfolio. Examples of such changes include Brazilian Constitution Amendment No. 42 of December 19, 2003, which extended the period for collection of a temporary tax imposed upon certain financial transactions (*Contribuição Provisória sobre Movimentação Financeira* or "CPMF") until December 31, 2007 at the current rate of 0.38%

The Brazilian Congress, through Law No. 10,684 of May 30, 2003, approved a proposal to increase the rate of the COFINS, payable by entities in the financial services sector, including the Bank. The *Programa de Integração Social* ("PIS") and *Contribuição para Financiamento da Seguridade Social* ("COFINS") are currently imposed on gross revenues of financial companies. In September 2003, the rate of COFINS was increased from 3.0% to 4.0% and with respect to the Bank, the two taxes will be imposed on revenues at a combined rate of 4.65%.

The presentation of the financial information contained in this Offering Circular may vary from what investors typically review

Central Bank regulations impose a uniform financial reporting regime on all Brazilian banks (including the Bank). These regulations do not require preparation of segment information regarding the profitability of the Bank's various lines of business. Furthermore, management of the Bank believes that the reporting categories prescribed by the Central Bank inflate certain account balances on the balance sheet and income statement because these balances cannot be presented with offsetting items netted out. Readers of this Offering Circular should be aware of the foregoing in considering the financial information presented herein.

Certain financial information included in this Offering Circular is derived from the Bank's audited consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001; however, certain other information included in this Offering Circular is derived from management accounting records maintained by the relevant operational divisions and units of the Bank. Readers of this Offering Circular should be aware that such management accounting information is unaudited and may not be reconcilable to particular line items in the Bank's audited or unaudited interim financial statements.

The Bank operates in a highly competitive industry

The markets for financial and banking services in Brazil are highly competitive. The Bank's principal competitors are other Brazilian and foreign banks that operate extensive domestic branch networks and pursue a

national business strategy. Competition to attract depositors and to provide fee-based services to customers is particularly strong. The Bank's ability to compete satisfactorily will largely depend upon the successful implementation of its strategy. See "Business of Banco do Brasil S.A.—Strategy".

Since the Bank is a government owned financial institution, it is bound by rules relating to the procurement of goods and services that limit its flexibility, often leading to delays in the implementation of projects, and restrictions on its ability, in certain business areas, to pay competitive salaries. These restrictions may affect the Bank's ability to compete with certain other financial institutions in Brazil.

Changes in legislation in the future may affect the Bank's legal status and the legal status of certain of its transactions

Law No. 6,024 of March 13, 1974 as amended (the "Financial Institutions Liquidation Law") empowers the Central Bank to extra-judicially intervene and liquidate financial institutions owned by the private sector or Brazilian state governments (but not the Federal Government). The Bank, as a federal public financial institution and an entity with majority ownership by the Federal Government of Brazil, is therefore not subject to intervention or to extra-judicial liquidation by the Central Bank.

Prior to the revocation of Article 242 of the Brazilian Corporate Legislation which occurred in March 2002, the controlling party of a *sociedade de economia mista* was subsidiarily liable for its obligations. In the case of the Bank, the controlling party is the Federal Government and, as a result, prior to the revocation of Article 242, the Federal Government was subsidiarily liable for the obligations of the Bank. Upon the revocation of Article 242 of the Brazilian Corporate Legislation, no replacement legislation specifically applicable to *sociedades de economia mista* was enacted. In the case of the Bank, which, as described above, is not subject to Central Bank intervention or extra-judicial liquidation, there are reasonable legal and policy grounds relating to certain activities currently performed by the Bank as an instrument of the credit and financial policies of the Federal Government under Law No. 4,595/64 and to the fact that the Federal Government is the controlling shareholder of the Bank, to conclude that the Bank is not subject to Brazilian bankruptcy laws and that only the Federal Government, as the controlling entity of the Bank, has the authority to intervene and liquidate the Bank. However, there can be no assurance that Brazilian courts or other governmental entities may not take a contrary view.

On August 10, 2001, the Bank entered into a transaction pursuant to which it sold certain existing and future payment rights received at its Japanese branches, the collections on which are used to make payments on the Series 2001-1 Nikkei Remittance Trust 7.875% Certificates (the "Nikkei Transaction"). The Nikkei Transaction is subject to early amortization if the Bank were to become subject to bankruptcy or insolvency proceedings in Brazil. If the investor(s) holding the controlling interest in the Nikkei Transaction were to attempt to trigger such early amortization as a result of the change of law described above, then the Nikkei Transaction might accelerate (U.S.$216 million in principal plus accrued interest and a make-whole premium, the amounts of which would depend upon the length of time it would take to complete such acceleration). If such investor(s) were successful in such attempt and then exercised the option to specify that 100% of collections on such Japanese payment rights should be applied to make accelerated payments on the Nikkei Transaction, then the Bank would cease to receive the difference between the amount of such collections (which averaged approximately U.S.$58.0 million during 2003) and the amount of the scheduled debt service under the Nikkei Transaction (approximately U.S.$22.0 million for each of the quarterly periods ending in November 2002 through August 2006), to which the Bank is currently entitled to receive as an additional payment for its sale of the Japanese payment rights. It is the Bank's view that the above-described change in law does not result in an early amortization event under the Nikkei Transaction.

With respect to each of the foregoing topics, there can be no assurance that the Brazilian Corporate Legislation or the Financial Institutions Liquidation Law will not be amended in the future, either by means of an action by the Brazilian Congress or through a provisional measure by the President of Brazil, thus changing the Bank's legal status from what it is on the date hereof. Should any such change occur, it may or may not have an adverse effect upon transactions such as the Notes.

The level of corporate disclosure the Bank is required to make is generally less than that required of U.S. banks

Publicly available information about Brazilian banks, such as the Bank, generally provides less detail and is less frequently updated than is the information that is regularly published by or about banks in countries with highly developed capital markets, such as the United States.

Risks Relating to Brazil

Significant governmental actions may adversely affect the Brazilian markets and economy

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

The Brazilian political environment has been marked by uncertainty since the country returned to civilian rule in 1985 after 20 years of military government. The death of a President-elect in 1985 and the resignation of another President in 1992 in the course of his impeachment trial, as well as frequent turnover at and immediately below the cabinet level, particularly with respect to officials responsible for economic policy, have at times resulted in the absence of a coherent and sustained policy to confront Brazil's economic problems.

On July 1, 1994, the Federal Government implemented an economic stabilization plan known as the *Real* Plan, which was intended to reduce the size of Brazil's federal budget deficit by reducing certain public expenditures, collecting liabilities owed to the Federal Government and increasing tax revenues, lowering inflation and introducing a new, stable currency, the Real. Following implementation of the *Real* Plan, the rate of inflation in Brazil, as measured by the IPCA consumer price index (*Índice de Preços de Consumidor*, "IPCA"), fell from 916.46% for 1994 to 1.65% for 1998 before increasing to 8.94% in 1999 following the devaluation of the Real in January 1999. The inflation rate was 7.67% in 2001, 12.5% in 2002 and 9.3% in 2003. The *Real* Plan did not contain any wage or price controls.

The Bank is subject to influence by the Federal Government

In elections held in October 2002, Brazilian voters elected a new President, Luiz Inácio Lula da Silva, from the Worker's Party, as well as new senators, federal deputies and governors, among other positions. The new President took office in January 2003. As part of its economic policies, Lula appointed Mr. Antonio Palocci as Minister of Finance and Mr. Henrique Meirelles as President of the Central Bank. Both appointments have been well received by the financial markets. At this stage, the Federal Government seems to be maintaining the orthodox economic policies of the former administration. Significant changes to the economic, fiscal or other policies could have a material adverse effect on the Brazilian economy and the Bank's business and financial results.

The President of Brazil has significant influence over the Bank's management policies, because the Brazilian President directly appoints the President of the Bank. The Federal Government appoints a majority of the members of the Administrative Council of the Bank. See "Management and Employees—Management". The Federal Government seems to be maintaining the strategy and policies of the former administration. In addition, the Federal Government and the Bank have recently implemented certain measures intended to define a suitable remuneration received by the Bank for operations with the Federal Government such as the change in its By-laws on November 12, 2003 to grant powers to the Administrative Council of the Bank to establish a target for return on own capital at a level which assures adequate remuneration for Banco do Brasil. There can be no assurance that the Federal Government will maintain the current strategy and policies with respect to the Bank in the future. For instance, the Bank may be required to engage in subsidized lending, increase lending to less attractive areas of the

economy or otherwise adopt policies that negatively affect profitability or credit quality. Any change to the Bank's strategy and policies could adversely affect the business, operations or prospects of the Bank.

The Bank is subject to foreign exchange rate risks, including the devaluation of the Real

The relationship of Brazil's currency to the value of the U.S. Dollar, the relative rates of devaluation of Brazil's currency and the prevailing rates of inflation have affected, and may affect, in the future, the Bank's financial results.

After the introduction of the *Real* Plan on July 1, 1994, the *Real* initially appreciated against the U.S. Dollar. In an effort to address concerns about the overvaluation of the *Real* relative to the U.S. Dollar and to avoid a situation similar to the economic upheaval in Mexico that resulted from the rapid devaluation of the Mexican peso, in March 1995 the Federal Government established a trading band for the *Real* against the U.S. Dollar with a view to a gradual devaluation of the currency. As a result of economic instability in Brazil in late 1998 and early 1999, the trading band was abandoned resulting in a significant devaluation of the currency against the U.S. Dollar. Since January 1, 1999, the *Real*/U.S. Dollar exchange rate has fluctuated significantly. On December 31, 2000, the rate was R$1.96 per U.S.$1.00. After the *Real* dropped to a then historical low of R$2.47 to U.S.$1.00 on June 20, 2001, the Central Bank announced a series of defensive measures including intervention in the foreign exchange market by selling U.S. Dollars and buying *Reais*. Following the terrorist attacks in New York and Washington D.C. on September 11, 2001, the *Real* devalued to a low of R$2.80 per U.S.$1.00 on September 21, 2001. The *Real* subsequently recovered, but in 2002, and particularly in the second and third quarters in advance of the elections, the *Real* again devalued and on December 31, 2002 the exchange rate was R$3.53 per U.S.$1.00. The *Real* has since recovered to pre-election rates (R$2.89 per U.S.$1.00 at December 31, 2003) but devalued again to R$3.09 per U.S.$1.00 at June 30, 2004. At September 10, 2004, the exchange rate was R$2.90 per U.S.$1.00. There can be no assurance that the *Real* will maintain its current value or that the Federal Government will not reimplement the trading band policy or any other type of currency exchange control mechanism.

Any Federal Government interference with the exchange rate, or the implementation of exchange control mechanisms, could lead to a further devaluation of the *Real*, which could make foreign currency-linked obligations of the Bank more expensive, negatively affect the market value of its securities portfolio or have similar consequences on the Bank's borrowers. Any such impact could adversely affect the business, operations or prospects of the Bank.

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

The purchase and sale of foreign currency in Brazil is subject to governmental control. The Federal Government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (with the frequency of adjustments ranging from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets during the last few decades. Since 1983, certain payments of principal on external obligations have been centralized through the Central Bank, and the Central Bank has assumed responsibility for the external obligations to be paid in connection with the formal restructuring of the Brazilian sovereign debt. In 1988 and 1989, the Federal Government effectively prevented domestic public and private debtors from making payments of principal or interest on certain international debt by restricting their access to foreign currencies and prohibiting payment orders abroad. In 1991, partial interest payments were resumed and an agreement was reached on the treatment of past due interest. On June 26, 1991, the Central Bank allowed all private sector companies and certain public companies to resume the payment of all external debt obligations. Brazil concluded negotiations with its commercial bank creditors on April 15, 1994 for a Brady Plan-type restructuring of medium- and long-term debt and past due interest in the amount of U.S.$50.0 billion.

The Federal Government currently restricts the ability of Brazilian and foreign persons or entities to convert Brazilian currency into U.S. Dollars or other currencies other than in connection with certain authorized transactions through the Central Bank. The Central Bank has also assumed responsibility for the external obligations in connection with the formal restructuring of Brazilian sovereign debt. Furthermore, it is uncertain whether the Federal Government will in the future impose a more restrictive exchange control policy (including by changing

existing regulations) that would have the effect of preventing or restricting the Bank's access to foreign currency with which to meet its foreign currency obligations. The likelihood that such restrictions may be imposed by the Federal Government at any time may be affected by, among other factors beyond the Bank's control, 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, Brazil's policy toward the IMF and political constraints to which Brazil may be subject, all of which are factors that are beyond the Bank's control. Although payments by issuers located in Brazil in respect of securities issued in the international capital markets to date have not been subject to restrictions imposed by the Federal Government, no assurance can be given that such restrictions may not be imposed in the future. Any such restrictions could adversely affect the business, operations or prospects of the Bank. The use of the Letter of Credit is intended to mitigate the investment risk of any such government policy for the Notes.

Although the Letter of Credit Custodian, on behalf of the Noteholders, will have the benefit of the Letter of Credit, the Letter of Credit Issuer's obligation to make funds available as a result of a Currency Inconvertibility/Non-Transfer Event is limited to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture and subject to certain conditions, limitations and exclusions. See "—Risks Relating to the Notes" below, "—Risks Relating to the Letter of Credit" below and "The Letter of Credit".

High inflation rates may return which would have an adverse affect on the Bank's results of operations and its financial condition

Until mid-1994 Brazil experienced extremely high rates of inflation. Inflation contributed materially to economic uncertainty in Brazil and, to heightened volatility in the Brazilian securities markets.

Since the introduction of the *Real* Plan, Brazil's inflation rate has been substantially lower than in previous periods. As mentioned above, inflation, as measured by the IPCA, fell to 1.65% in 1998 before increasing to 8.94% for 1999 as a result of the devaluation of the Real in January 1999, decreasing again to 5.97% for 2000 and increasing again to 7.67% for 2001, 12.5% in 2002 and 9.3% in 2003. In June 2003, the Federal Government stipulated a new fixed target rate for the IPCA of 5.5%, for 2004, and a target rate for IPCA for 2005 of 4.5%, with tolerance levels of plus/minus 2.5%. This objective may not be accomplished and current inflation levels may not be maintained. Inflation may be triggered in the future, including as a result of actions by the Federal Government (including actions to adjust the value of the Real), and any periods of substantial inflation in the future may have a material adverse effect on the Bank's results of operations and its financial condition.

The Brazilian market is subject to a high degree of volatility

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American, emerging market and the United States. Although economic conditions are different in each country, investors' reactions to developments in one country may affect the capital markets in others. Developments or conditions in emerging market countries have, from time to time, significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil. For example, the market for debt instruments issued by emerging market companies (including Brazilian companies and banks) experienced increased levels of volatility, which adversely affected the price of such securities, following the devaluation of the Mexican peso in December 1994, the Asian economic crisis of 1997, the Russian economic crisis of 1998, the Brazilian economic crisis of 1999, the Argentine economic crisis in 2001 and elections in Brazil in 2002. This volatility may have an adverse impact on the Bank's financial condition and results of operations. In the second half of 2002 through early 2003, market prices for Brazilian sovereign securities shifted dramatically, with investors requiring increased rates of return and the Real having reached an all-time low of R$3.96 per U.S. Dollar on October 22, 2002. Pressure on the Real has eased somewhat after the presidential elections of October 2002 based on initial policy statements of the new Federal Government, and market prices for Brazilian sovereign securities have tightened significantly. The new administration of the Federal Government seems to be maintaining the orthodox economic policies of the former administration and trying to approve certain tax and social security reforms in the Congress. This has reduced market and exchange volatility. It is uncertain whether this trend will

continue and, if it does not, the extent of the adverse secondary effects market and exchange volatility may have on the Brazilian economy and on the Bank's ability to obtain financing in the international and domestic capital markets.

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

The Brazilian economy has been subject to a number of developments or conditions that have significantly affected the availability of credit. External factors, including the devaluation of the Mexican peso in December 1994, the Asian economic crisis of 1997, the Russian economic crisis of 1998, the Brazilian economic crisis of 1999, the Argentine economic crisis in 2001 and elections in Brazil in 2002 have from time to time resulted in significant overflows of funds and reductions in the amount of foreign currency being invested in Brazil, notwithstanding significant increases in interest rates designed to stem capital outflow. In addition, to control inflation in general, the Federal Government has maintained a tight monetary policy, with associated high interest rates, and has constrained the growth of credit. The combination of these developments has made it difficult at times for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and has resulted in the failure of a number of weaker financial institutions in Brazil. In addition, concerns as to the stability of some financial institutions have caused significant transfers of deposits from smaller banks to larger banks since the beginning of 1995. No assurance can be given that these disruptions in the Brazilian economy will not adversely affect the ability of certain direct and indirect customers of the Bank to make timely payments on their obligations to the Bank or otherwise adversely affect the financial condition or results of operations of the Bank.

The Federal Government is attempting to restructure the financial system which may or may not be successful in stabilizing the economy

Since the second half of 1994, the Brazilian banking system has been under considerable pressure. The *Real* Plan and the high reserve requirements on both deposits and loans, limitations on the provisions of credit, tight money supply and high real interest rates have adversely affected the operations and profitability of Brazilian banks. In addition, Brazilian banks, including the Bank, have suffered high levels of non-performing loans and have had to make provisions accordingly. Since late 1994, three large state-owned banks have required support coordinated by the Central Bank and provided to a significant extent by the Bank. Since the introduction of the *Real* Plan, approximately 58 Brazilian banks have reportedly been subject to intervention or placed under temporary special administration by the Central Bank as of December 31, 2003. It is likely that the Brazilian financial system will continue to experience consolidation (including also acquisition by foreign banks), which may have an effect upon the Bank's financial condition and results of operations.

Two measures introduced in 1995 have affected the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. Such measures effectively subordinate the rights of repayment of holders of notes to certain creditors. First, on June 29, 1995, Congress enacted Law No. 9,069, which confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. At December 31, 2003, the Bank had R$7.1 billion of deposits which would be affected by Law No. 9,069 (R$7.3 billion at December 31, 2002 and R$4.9 billion at December 31, 2001) if the Bank were subject to insolvency in Brazil. Such deposits may not be attached in actions by a general creditor for the repayment of debts. Secondly, on March 14, 1997, Law No. 9,450 was passed requiring that the assets of any insolvent bank funded by loans made by foreign banks under trading 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. At December 31, 2003, the Bank had R$6.1 billion of trading finance loans which would be covered by this law (R$6.3 billion at December 31, 2002, and R$4.5 billion at December 31, 2001) if the Bank were subject to insolvency in Brazil. If such laws were to become applicable to the Bank, then such laws might limit the access of Noteholders to the assets affected thereby. However, in the view of management of the Bank, the Federal Government remains the only entity authorized to intervene in or liquidate the Bank, notwithstanding such recent statutory changes. For the effects of the revocation of Article 242 of the Brazilian Corporate Legislation on the Bank, see "—Risks Relating to the Bank— Changes in legislation in the future may affect the Bank's legal status and the legal status of certain of its transactions" above.

In view of failures and in an attempt to restructure the Brazilian financial system, the Federal Government has adopted a number of measures, including establishing rules designed to facilitate corporate reorganizations among financial institutions, creating a special credit facility known as PROER (Program for the Improvement and

Enhancement of the National Financial System) to assist in such efforts, and organizing the Credit Guaranty Fund (*Fundo Garantidor de Créditos*), the purpose of which is to guarantee customer deposits with financial institutions in cases of intervention or liquidation of such financial institutions. No assurances can be given that these measures will be successful in stabilizing the Brazilian financial system.

Brazil's inability to negotiate an IMF financial package may adversely affect Brazil's ability to meet its domestic and international debt obligations, lead to economic instability and result in a loss of investor confidence

During the second quarter of 2002, the Brazilian financial markets were pressured as a result of uncertainties related to the economic policies of the next government, the general increase of the global aversion to risk and uncertainty in the international financial markets. The Federal Government tried to mitigate such uncertainties and ease the upcoming political transition by reinforcing its economic policies and requesting the termination of its previous agreement with the IMF and entering into a new agreement with the IMF that expired at the end of 2003. In September 2002, the IMF approved this new facility in the total amount of approximately U.S.$30 billion. U.S.$3.0 billion was drawn at the time of formal approval in September; a second tranche of U.S.$3.0 billion was drawn after the first review in December 2002. During 2003, the IMF approved the drawdown of a third tranche of U.S.$4.1 billion in March and a further tranche of U.S.$9.3 billion in June. In September 2003, the IMF approved an additional drawdown of U.S.$4.2 billion. In December 2003, the IMF approved a 15-month extension of its current agreement with Brazil, in the amount of approximately U.S.$34.0 billion and an increase by approximately U.S.$6.6 billion of Brazil's stand-by credit. In March 2004, the Federal Government paid US$1,354 billion of its debt with the IMF. The IMF also agreed to the Federal Government's request to repay approximately U.S.$5.8 billion of loans in 2005 and 2006. The Federal Government has successfully met all conditions and reviews imposed by the IMF, but it may be unable to meet the conditions to draw the remaining funds under the IMF package.

Any inability to secure IMF financing could adversely affect Brazil's ability to meet its domestic and international debt obligations, lead to economic instability and result in a loss of investor confidence. Any such effect could have a material adverse effect on the Bank's results of operations and financial condition and the ability of the Bank to obtain financing on the capital markets.

There are significant differences between accounting standards used by the Bank and U.S. GAAP

There are significant differences between U.S. GAAP and the Accounting Practices Adopted in Brazil. The financial statements contained herein differ from those that would be prepared had they been prepared based upon U.S. GAAP. Banco do Brasil has made no attempt to identify or quantify the impact of those differences. No reconciliation to U.S. GAAP of any of the financial statements presented in this Offering Circular has been prepared for the purposes of this Offering Circular or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between the financial statements of Banco do Brasil as prepared on the basis of the accounting principles determined by Accounting Practices Adopted in Brazil and such financial statements as prepared on the basis of U.S. GAAP. In making an investment decision, investors must rely upon their own examination including consultations with their own professional advisors for an understanding of the differences between the Accounting Practices Adopted in Brazil and U.S. GAAP, and how those differences might affect the financial information herein. See "Summary of Certain Differences Between Accounting Practices Adopted in Brazil and U.S. GAAP" for a description of certain significant differences between U.S. GAAP and the Accounting Practices Adopted in Brazil.

An electricity rationing program established by the Federal Government may restrain the Brazilian economy and adversely affect the ability of customers of the Bank to make timely payments on their obligations to the Bank

In 2001 and early 2002, electric power supply in Brazil failed to meet demand. This shortage or other future shortages may seriously impair prospects for economic growth. The power distribution system has been largely privatized in recent years, but energy generation is mainly state-owned. The plan to expand generation capacity has been constrained by the Federal Government's limited financial resources, and investments from the private sector have been affected by regulatory risks, especially the tariff structure.

In addition, low rainfall has contributed to reducing available energy supplies. Approximately, 93.0% of the power supply in Brazil comes from hydroelectric plants. A sustained drought in 2000 and 2001 lowered reservoir levels substantially, especially affecting the supply for the southeast of the country, which accounts for two-thirds of Brazil's electricity consumption.

The Federal Government responded to the 2001 crisis with an energy-rationing program that started in May 2001. This program imposed measures aimed at restricting consumption (originally by 20.0%) to avoid localized blackouts. Negative implications for the economy were significant. Because of the energy-rationing program, GDP growth is thought to have been reduced. In addition, foreign direct investment and private domestic investment are also thought to have been postponed. On February 19, 2002, the Federal Government announced an end to the rationing program as of March 1, 2002. While the energy shortage has eased somewhat, restrictions on consumption could be reimposed. Furthermore, water and energy conditions could again deteriorate to the point that the Federal Government would be required to take further conservation steps, which could have a negative impact on Brazilian economic performance and inflation.

In 2003, the Federal Government prepared a series of new rules to the energy sector to mitigate the risk of future energy shortages. There can be no assurance that those rules will be implemented in the future, or that they will have the desired effect of mitigating the risks of future energy shortages.

Any such disruptions in the Brazilian economy may adversely affect the ability of certain direct and indirect customers of the Bank to make timely payments on their obligations to the Bank (for instance due to the inability to finance expansions and acquisitions or to refinance indebtedness as it matures) or otherwise adversely affect the financial condition or results of operations of the Bank.

Risks Relating to the Notes

The Bank's obligations under the Notes will be subordinated to all of its current and future secured and unsecured obligations, other than other subordinated indebtedness, and to some Brazilian statutory obligations

The Notes will by their terms be subordinated in right of payment to all of the Bank's current and future secured and unsecured indebtedness, other than other subordinated indebtedness, all of the Bank's obligations to its depositors and all its obligations under financial instruments and derivatives. By reason of the subordination of the Notes, in the event of the Bank's winding up or dissolution, or similar events, although the Notes and any accrued interest thereon will become immediately due and payable, the Bank's assets will be available to pay such amounts only after all of its senior obligations have been paid in full.

Under Brazilian law, the Bank's obligations under the Notes will also be subordinated to certain statutory preferences. In the event of the Bank's liquidation, certain claims, such as claims for salaries, wages, social security, taxes and court fees and expenses, will have preference over any other claim, including the Notes. See "The Brazilian Financial System—Insolvency Regime " for a discussion of recent measures affecting the priority of repayment of creditors.

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

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

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

- all of the Bank's senior obligations have been paid in full, as described above in "—The Bank's obligation under the Notes will be subordinated to all of its current and future secured and unsecured obligations, other than other subordinated indebtedness, and to some Brazilian statutory obligations"; and

- the Bank is actually declared bankrupt, are wound up or is otherwise dissolved for purposes of Brazilian law.

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

Payments to be made by the Bank under the Notes may be suspended if the Bank is not in compliance with Central Bank capitalization requirements

Pursuant to CMN Resolution No. 2,837, dated as of May 30, 2001, as a condition for the subordinated debt represented by the Notes to qualify as part of the second tier of the Bank's Reference Net Worth (as defined below) which is taken into account for purposes of assessment of risk-weighted capital adequacy ("Tier II Capital"), the Indenture provides that principal and interest payments to be made by the Bank under the Notes on the corresponding payment dates and maturity date (including as a result of early redemption) shall be deferred if the Bank is not in compliance with Central Bank Risk-Based Capital Requirements (which as currently imposed relate to required net worth, leverage, risk diversification and investment of funds in permanent assets), or if such payments would cause the Bank to no longer be in compliance with such Risk-Based Capital Requirements as in effect from time to time. In such a case, all payments falling due under the Notes would be deferred until the Bank is, and after making such payment would continue to be, in compliance with the Risk-Based Capital Requirements. See "The Brazilian Financial System—Capital Adequacy and Leverage". See "Description of the Notes—Deferral of Interest and Principal" for more information on the deferral of payments under the Notes. Any suspension of payments due to the Bank's failure to satisfy the Risk-Based Capital Requirements would have a material adverse effect on its ability to make scheduled payments under the Notes and, in addition, would prevent the receipt of money under the Letter of Credit if there was a Currency Inconvertibility/Non-Transfer Event at the same time.

The Notes will mature in ten years on September 20, 2014. During the last ten years, the Bank was at times not in compliance with the required minimum capital ratios. See "—Risks Related to the Bank—Minimum capital adequacy requirements imposed on the Bank may negatively impact the Bank's results of operations and financial condition". Had the Notes been outstanding during such periods, payments would have been deferred until the Bank was back in compliance.

The funds on deposit in the Payment Account may not be available to the Trustee for payments to the Noteholders in all circumstances

In certain circumstances, the Trustee will be required to apply funds on deposit in the Payment Account for payments to holders of the Bank's Other Obligations (as defined below) before such funds are applied to payments to Noteholders under the Notes. In the event that, at any time prior to or on the maturity date, any event occurs that would (i) postpone payment of any part of any of the Bank's debt which the Central Bank has authorized to be classified as "Tier II" of the Bank's *patrimônio de referência* ("Reference Net Worth", being the stockholders' equity plus revenue accounts (positive result), less expense accounts (negative result)) under CMN Resolution No. 2,837, or (ii) subordinate any payments of any such debt to the Bank's Other Obligations (a "Subordination Event"), the Trustee will be required to cease to make any payments of interest owing on, or with respect to, the Notes from funds on deposit in the Payment Account. Further, if at any time prior to or on the maturity date, a Subordination Event has occurred and is continuing, and (i) the Bank does not have sufficient funds to make all payments due in respect of any of its Other Obligations or (ii) the payment of any of its Other Obligations has been accelerated, the Trustee will be required to withdraw and pay to the Bank such funds on deposit in the Payment Account as the Bank may request to cover such insufficiency. Also, in the event that the Bank is the subject of liquidation, dissolution or other winding up prior to or on the maturity date, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, before Noteholders are entitled to receive any payment under the Notes, the holders of the Bank's Other Obligations shall be entitled to receive, for application to the payment thereof, any payment or distribution that is payable or deliverable in respect of the Notes, including payments from funds on deposit in the Payment Account. See "Description of the Notes—Ranking".

If the Bank is unable to make payments on the Notes from the Cayman Islands and must make payments from Brazil, delays in obtaining or inability to obtain the necessary Central Bank approvals or other restrictions on transfer, convertibility or payment of U.S. Dollars from Brazil may cause delays or inability to make payments on the Notes

The Bank is under no legal obligation to maintain U.S. Dollar liquidity at the Grand Cayman Branch at levels sufficient to make payments on the Notes. In case payment under Notes issued by the Grand Cayman Branch is requested directly from the Bank in Brazil (whether by reason of a lack of liquidity of the Grand Cayman Branch, acceleration, enforcement of a judgment or imposition of any restriction under the laws of the Cayman Islands), and payment thereunder is to be made from Brazil in a currency other than the lawful currency of Brazil through a foreign exchange transaction, a specific Central Bank approval may be required for the remittance of funds outside Brazil. Currently such an approval is required. Requests for remittances of foreign currency are granted by the Central Bank on a case-by-case basis and only immediately prior to the date on which the payment is to be remitted abroad. There could be significant delays in obtaining Central Bank approval. In addition, the Bank might not be able to obtain approval at all because Brazilian law provides that in the event there is a serious imbalance in Brazil's balance of payments or there is a foreseeable likelihood of such an imbalance, the Brazilian government may, for a limited period of time, impose restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currencies.

The likelihood of the imposition of restrictions on the remittance of foreign currency by the Brazilian government at any time may be affected by, among other factors, 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, Brazil's policy towards the IMF and political constraints to which Brazil may be subject, all of which are factors that are beyond the Bank's control. Although payments by Brazilian issuers in respect of securities obligations issued in the international capital markets, such as the Notes, have not been subject to restrictions imposed by the Central Bank to date, the Brazilian government could impose these restrictions in the future.

In the event that no approvals are obtained or obtainable for the payment by the Bank of amounts owed and payable by the Grand Cayman Branch through remittances from Brazil, the Bank may have to seek other mechanisms permitted by applicable law to effect payment of amounts due under the Notes. The Bank's inability to obtain Central Bank approval would be a Currency Inconvertibility/Non-Transfer Event and thus the Letter of Credit could be drawn upon to make interest payments on the Notes for an aggregate amount up to three payments of scheduled interest (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest). Any risks associated with the inability to obtain such approval (or other restrictions on the ability of the Bank to transfer, convert or pay U.S. Dollars that may be imposed in the future) beyond such amounts will be borne by the Noteholders. No assurance can be given that other remittance mechanics permitted by applicable law will be available in the future, and even if they are available in the future, no assurance can be given that the payments due under the Notes would be possible through such mechanisms.

In addition, in the event that a Currency Inconvertibility/Non-Transfer event prevents the Bank from repaying the principal amount of the Notes on the stated maturity date, the maturity date may be extended for a period of up to 18 months. The Letter of Credit does not provide any coverage for payments of principal.

The absence of a public market for these Notes may affect the ability of the Noteholders to sell these Notes in the future and may affect the price they 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 Luxembourg Stock Exchange, there is no assurance that a market for the Notes will develop. Although the Initial Purchasers have informed the Bank that they currently intend to make a market in the Notes, they are not obligated to do so and any such market-making activities may be discontinued at any time without notice. Accordingly, no assurance can be given 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 the Bank's prospects of financial performance. Noteholders may not be able to sell Notes at a particular time, and the prices received upon any sale may not be favorable.

The book-entry registration system of the Notes may reduce the liquidity of any secondary market for the Notes and may limit the receipt of payments by the beneficial owners of the Notes

Because transfers of interests in the Global Notes to be issued in the offering can be effected only through book entries at DTC, for the accounts of its participants (including Euroclear and Clearstream, Luxembourg), the liquidity of any secondary market for Global Notes may be reduced to the extent that some investors are unwilling to hold Notes in book entry form in the name of a DTC participant. The ability to pledge interests in the Global Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to DTC, who will then forward payment to its respective participants (including Euroclear and Clearstream, Luxembourg), who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the Global Notes. In the event of the insolvency of DTC or any of its respective participants in whose name interests in the Global Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on Global Notes may be impaired.

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, the Letter of Credit Issuer's financial strength and Brazilian sovereign risk

It is a condition to the issuance of the Notes that they be rated as least "Baa1" by Moody's. The rating addresses the likelihood of payment of principal on September 20, 2014. The rating also addresses the timely payment of interest on each payment date. The rating of 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. No assurance can be given that the rating of 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 and the Letter of Credit Issuer's financial strength, the adequacy of any cash or successor letter of credit substitution arrangement in the event of non-renewal of the Letter of Credit prior to final payment on the Notes, as well as Moody's assessment of Brazilian sovereign risk generally.

Risks Relating to the Letter of Credit

Financial condition of the Letter of Credit Issuer

The rating of the Notes is in part based on the availability of the Letter of Credit to cover certain risks related to the inconvertibility or non-transferability of amounts due under the Notes in the event that the government of Brazil imposes limitations on the conversion of *Reais* to U.S. Dollars and/or transfer of U.S. Dollars outside Brazil. Any decline in the financial condition of the Letter of Credit Issuer (including as a result of any insolvency or similar proceedings) may impair the ability of the Letter of Credit Issuer to meet drawdowns under the Letter of Credit and could result in a downgrade of the rating of the Notes. See "The Letter of Credit". Accordingly, investors should take into account the financial information available on the Letter of Credit Issuer in making any decision to invest in the Notes.

The Letter of Credit has a limited amount of coverage

The Letter of Credit has a drawdown limit in U.S. Dollars which corresponds to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture (including the amounts deposited by the Bank in the Payment Account as a substitution for a reduction in the Letter of Credit). The amounts available to the Letter of Credit Custodian from the Letter of Credit and the amounts deposited by the Bank in the Payment Account as a substitution for a reduction in the Letter of Credit should be sufficient to cover the payment of interest due on the Notes for up to three semi-annual interest payment

periods, provided there are not any Additional Amounts (as defined below in "Description of the Notes—Additional Amounts") or Additional Interest Amounts (as defined below in "Description of the Notes—Deferral of Interest and Principal"). If for any reason any Currency Inconvertibility/Non-Transfer Event were to continue for a period longer than eighteen months or separate Currency Inconvertibility/Non-Transfer Events occur on more than three Payment Dates, during which time the Bank would otherwise be required to make payments under the Notes, the Bank might default on its obligation to pay interest and/or principal on the Notes. In addition, given that the Letter of Credit is limited to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture, if Additional Amounts and/or Additional Interest Amounts are required to be paid on the Notes, such payments would reduce sums available for future payments of originally scheduled interest. Under current Brazilian and Cayman Islands law, no Additional Amounts would be due in connection with a payment on the Notes by means of a payment under the Letter of Credit, as such payment would be made by the Letter of Credit Issuer from the Cayman Islands, and neither the Cayman Islands nor Brazil currently imposes any taxes on payments to be made by the Bank on the Notes from the Cayman Islands or by the Letter of Credit Issuer on payments under the Letter of Credit. Additional Amounts are payable by the Bank in connection with any payments it makes on the Notes from Brazil. Additional Interest Amounts may be payable in the circumstance where a Subordination Event has occurred (and interest accrues on unpaid interest) and following the end of such Subordination Event, a Currency Inconvertibility/Non-Transfer Event exists, in which case a draw under the Letter of Credit may be made in respect of the next Payment Date and a correspondingly lesser amount would be available for future payments of scheduled interest. The Letter of Credit does not cover payment on principal.

The Bank will not be discharged from its obligations under the Notes upon payment of interest on the Notes with funds provided by the Letter of Credit Issuer under the Letter of Credit. Upon the occurrence of such event, the Bank's obligations to the Noteholders will be subordinate to the Bank's obligations to make deposits into the Local Reimbursement Account (as defined below in "The Letter of Credit—Definitions) on each Weekly Top-Up Date (as defined below in "The Letter of Credit") after a drawing has been made under the Letter of Credit or other amounts due to the Letter of Credit Issuer have been paid to the Local Reimbursement Account. See "Description of the Notes—Ranking" and "The Letter of Credit".

The Letter of Credit is issued to the Letter of Credit Custodian for the benefit of the Noteholders. Nothing in the Letter of Credit, express or implied, shall give to any Noteholder any legal or equitable right, remedy or claim thereunder.

Conditions to the Letter of Credit Issuer's obligation to pay under the Letter of Credit

The Letter of Credit Issuer's obligation to make payments under the Letter of Credit is subject to the following conditions, among others (see "The Letter of Credit"):

- the requirement that the Bank generally either attempts and fails to convert *Reais* into U.S. Dollars or attempts and fails to transfer U.S. Dollars outside Brazil to the Trustee in New York due to certain actions or failures to act by the Brazilian government which actions or failures to act occur after the Issue Date;

- the deposit by the Bank into the Local Reimbursement Account of funds in an amount equal to the Draw Amount (as defined below in "The Letter of Credit—The Letter of Credit—Drawing Certificate") and any taxes that may be imposed on the Letter of Credit Issuer as a result of the payment of the Draw Amount or the related Local Payment (as defined below in "The Letter of Credit—Definitions") plus an amount to cover risks associated with the uncertain date of conversion of *Reais* into U.S. Dollars;

- the filing by the Letter of Credit Custodian, as the beneficiary of the Letter of Credit, of a complete drawing certificate with the Letter of Credit Issuer; and

- the provision of certain information by the Letter of Credit Custodian and the Bank to the Letter of Credit Issuer within the time periods proscribed by the Indenture and Letter of Credit Agreement in connection with the filing of a complete drawing certificate with the Letter of Credit Issuer.

The Letter of Credit is subject to non-renewal in limited circumstances

The Letter of Credit Issuer may elect not to renew the Letter of Credit upon appropriate notice of such election to the Letter of Credit Custodian if certain fees under the Letter of Credit are not received by the Letter of Credit Issuer or upon the occurrence of certain Letter of Credit Events of Default under the Letter of Credit Agreement. A Letter of Credit Event of Default does not, however, affect the Letter of Credit Issuer's obligation to make payments under the Letter of Credit during any period when the Letter of Credit is in effect. See "The Letter of Credit—The Letter of Credit—Expiry Date or Substitution".

PRESENTATION OF FINANCIAL INFORMATION AND SUMMARY FINANCIAL INFORMATION

Unless otherwise indicated, the financial information presented herein is based upon Banco do Brasil's audited financial statements as of and for: (a) the years ended December 31, 2002 and 2001 (the "2002 Financial Statements"), (b) the years ended December 31, 2003 and 2002 (the "2003 Financial Statements") and (c) the six-month periods ended June 30, 2004 and 2003 (the "2004 Financial Statements" and, together with the 2002 Financial Statements and the 2003 Financial Statements, the "Audited Financial Statements"). The consolidated and non-consolidated (the non-consolidated comprising Banco do Brasil and its branches both inside Brazil and outside Brazil) financial statements of the Bank as of and for (i) the years ended December 31, 2003, 2002 and 2001, (ii) the six-month periods ended June 30, 2004 and 2003 and (iii) the nine-month periods ended September 30, 2004 and 2003 are set out in appendices to this Offering Circular.

Under Law No. 4,595, and in accordance with regulations of the Central Bank (Circular No. 1,273 dated December 29, 1987) and the CVM, the Bank prepares monthly and quarterly financial statements. The quarterly financial statements are publicly available. The Bank's financial year ends on December 31.

The financial statements of Banco do Brasil as of and for the year ended December 31, 2001 included in this Offering Circular were prepared in accordance with the accounting principles determined by the *Lei das Sociedades por Ações* (Law No. 6,404/76, as amended) (the "Brazilian Corporate Legislation") and the rules and regulations of the Central Bank and the CVM prior to such date.

The financial statements of Banco do Brasil as of and for (a) the years ended December 31, 2003 and 2002, (b) the six-month periods ended June 30, 2004 and 2003 and (c) the nine-month periods ended September 30, 2004 and 2003 have been prepared in accordance with Accounting Practices Adopted in Brazil (as defined below). For periods before June 30, 2002, the accounting criteria established by the Central Bank are in all relevant matters consistent with those accounting principles determined by Brazilian Corporate Legislation. For periods as from June 30, 2002, the only relevant difference between the two bodies of accounting principles is the criteria to account for securities and derivative financial instruments. Therefore, Banco do Brasil has modified its basis of presentation as indicated above considering that effective June 30, 2002, the Central Bank has requested banks subject to its regulation, including Banco do Brasil, to adopt accounting practices to value securities and derivative financial instruments which are different from the accounting principles established by the Brazilian Corporate Legislation. Such newly adopted practices have been developed based on principles found in internationally recognized accounting principles. See Notes 5 and 9 to the 2002 Financial Statements for a description of those accounting practices. As a result, financial information for periods ended as of and after June 30, 2002, are not comparable to financial information for periods prior to such date.

For purposes of this Offering Circular, the term "Accounting Practices Adopted in Brazil" encompasses the accounting principles determined by Brazilian Corporate Legislation used for periods prior to June 30, 2002 and for periods ending as of and after June 30, 2002, also the specific accounting standards established by the Central Bank.

Accounting Practices Adopted in Brazil differ from generally accepted accounting principles in the United States ("U.S. GAAP") and guidelines of the United States Securities and Exchange Commission (the "SEC") applicable to banking institutions. See "Summary of Certain Differences Between Accounting Practices Adopted in Brazil and U.S. GAAP". No reconciliation to U.S. GAAP of any of the financial statements presented in this Offering Circular has been prepared for the purposes of this Offering Circular or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between the financial statements of Banco do Brasil as prepared on the basis of Accounting Practices Adopted in Brazil and such financial statements as prepared on the basis of U.S. GAAP.

As of January 1, 2001, Banco do Brasil appointed PricewaterhouseCoopers as its independent accountants in accordance with Resolution No. 3,198 of May 27, 2004, of the CMN, which requires financial entities to change independent auditors every five years. The Audited Financial Statements included in this Offering Circular have been audited by PricewaterhouseCoopers Auditores Independentes ("PricewaterhouseCoopers") as stated in their reports included in this Offering Circular.

Some of the financial information included in this Offering Circular is derived from unaudited management accounts maintained by the relevant operational divisions and units of the Bank. Investors should be aware that management accounting items included herein may not be reconcilable to particular line items in Banco do Brasil's audited and unaudited financial statements. In addition, the management of the Bank sometimes follows different policies for the treatment of particular items, depending on whether they appear in the financial accounts or the management accounts of the Bank. For management accounting purposes, non-performing loans continue to accrue interest as long as they remain outstanding and are not charged off.

The following is a summary of selected financial information relating to the Bank as of and for the six-month periods ended June 30, 2004 and 2003 and as of and for the years ended December 31, 2003, 2002, and 2001. The selected financial information is derived from, and is qualified in its entirety by reference to, the Audited Financial Statements. All of the above financial information has been prepared in accordance with Accounting Practices Adopted in Brazil.

BANCO DO BRASIL S.A. CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

Consolidated Income Statement Data[(1)]

	June 30,	
	2004	2003
	(in thousands of *Reais)*	
Revenue from financial intermediation	15,724,859	16,475,978
Lending operations	8,559,674	7,653,938
Commercial leasing	40,521	44,437
Marketable securities	5,755,429	8,098,488
Financial instruments and derivatives	(231,099)	(215,791)
Foreign exchange	980,679	—
Compulsory Investments	619,655	894,906
Expenses from financial intermediation	(10,890,411)	(12,501,697)
Deposits and funds obtained in the open market	(6,117,605)	(9,093,281)
Borrowings and onlending	(2,212,408)	(651,903)
Foreign exchange	—	(1,102,538)
Provision for credit losses	(2,560,398)	(1,653,975)
Gross profit from financial intermediation	4,834,448	3,974,281
Other operating income/(expenses)	(2,678,387)	(1,823,338)
Services rendered	3,195,307	2,561,107
Personnel expenses	(3,526,715)	(2,989,956)
Other administrative expenses	(2,506,892)	(2,124,601)
Taxes	(678,870)	(533,740)
Equity in the earnings of associated and subsidiary companies[(1)]	463,300	(1,036,198)
Other operating income	1,500,302	4,907,814
Other operating expenses	(1,124,819)	(2,607,764)
Operating profit	2,156,061	2,150,943
Non-operating income	54,803	92,092
Income before taxes and profit sharing	2,210,864	2,243,035
Income tax and social contribution	(609,199)	(1,095,684)
Profit sharing	(180,913)	(68,456)
Net income	1,420,752	1,078,895

Note:—
(1) Includes participation in associated and non-consolidated subsidiary companies.

Consolidated Balance Sheet Data

	June 30,	
	2004	2003
	(in thousands of *Reais*)	
Assets		
Available funds	15,840,683	6,682,761
Short-term interbank investments	14,474,909	12,347,955
Marketable securities	69,854,671	72,745,906
Interbank accounts[(1)]	2,178,448	3,198,763
Interdepartmental accounts	13,300	307,620
Deferred charges	498,414	297,713
Restricted deposits-Central Bank	18,780,512	18,910,843
Lending operations, gross	74,118,241	60,151,935
Public sector	4,646,525	4,437,380
Private sector	69,471,716	55,714,555
Allowance for loan losses	(4,876,831)	(3,497,827)
Leasing operations, gross[(2)]	491,610	488,597
Allowance for leasing operations	(20,067)	(13,640)
Other receivables, gross	33,782,910	31,923,115
Allowance for other losses	(1,587,236)	(1,323,090)
Investments	822,565	903,381
Property and equipment in use	2,730,093	2,403,952
Others	272,218	234,149
Total assets	227,374,440	205,762,133
Liabilities and stockholders' equity		
Deposits	115,795,343	99,880,706
Funds obtained in the open market	37,131,711	41,467,742
Notes and Securities	1,396,709	1,071,389
Interdepartmental accounts	1,188,613	812,526
Interbank accounts	1,945,158	2,675,768
Borrowings	13,871,596	8,714,127
Onlendings (local and foreign)	8,449,454	6,135,908
Financial instruments and derivatives	1,995,533	701,902
Other liabilities	32,599,232	33,332,875
Deferred income	137,545	97,305
Stockholders' equity	12,863,546	10,871,885
Total liabilities and stockholders' equity	227,374,440	205,762,133

Notes:—

(1) Excludes "Deposits" with the Central Bank.

(2) Includes "Leased assets" in the amounts of R$465,737 and R$442,853 for the six-month periods ended June 30, 2004 and 2003, respectively.

BANCO DO BRASIL S.A. CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

Consolidated Income Statement Data

	December 31,		
	2003	**2002**	**2001**
	(in thousands of *Reais*)		
Revenue from financial intermediation	33,624,646	36,726,598	19,416,653
Lending operations	16,166,579	13,827,503	10,625,411
Commercial leasing	83,123	106,072	109,181
Marketable securities	15,800,842	15,547,946	5,558,039
Financial instruments and derivatives	(546,770)	(1,663,620)	—
Foreign exchange	439,256	8,282,143	2,021,248
Compulsory Investments	1,681,616	626,554	1,102,774
Expenses from financial intermediation	(23,618,357)	(28,655,368)	(14,548,025)
Deposits and funds obtained in the open market	(17,496,896)	(13,616,658)	(9,546,766)
Borrowings and onlending	(2,856,036)	(12,030,091)	(3,462,395)
Provision for credit losses	(3,265,425)	(3,008,619)	1,538,864
Gross profit from financial intermediation	10,006,289	8,071,230	4,868,628
Other operating income/(expenses)	(5,433,471)	(4,881,309)	(3,498,802)
Services rendered	5,491,433	4,453,519	3,759,685
Personnel expenses	(6,811,750)	(5,547,620)	(5,574,665)
Other administrative expenses	(4,514,153)	(4,096,755)	(3,585,742)
Taxes	(1,127,517)	(819,668)	(685,617)
Equity in the earnings of associated and subsidiary companies[(1)]	(642,379)	2,303,634	1,600,589
Other operating income	6,553,079	1,679,177	4,307,301
Other operating expenses	(4,382,184)	(2,853,596)	(3,320,353)
Operating profit	4,572,818	3,189,921	1,369,826
Non-operating income	148,576	170,689	79,263
Income before taxes and profit sharing	4,721,394	3,360,610	1,449,089
Income tax and social contribution	(2,067,011)	(1,188,058)	(300,791)
Profit sharing	(273,401)	(144,876)	(66,346)
Net income	2,380,982	2,027,676	1,081,952

Note:—

(1) Includes participation of the Bank, BB Investimentos and BAMB in associated and non-consolidated subsidiary companies, namely: (i) participations of the Bank: BB Cartões, BB Corretora, Cobra - Computadores e Sistemas Brasileiros S.A. and CADAM - Caulim da Amazônia S.A.; (ii) participations of BB Investimentos: Brasilprev Previdência Privada S.A. ("Brasilprev"), Brasilcap Capitalização S.A. ("Brasilcap"), Companhia de Seguros Brasilsaúde ("Brasilsaúde"), Cia. Brasileira de Meios de Pagamento, Seguradora Brasileira de Crédito a Exportação, Brasilseg Participações S.A. ("Brasilseg"), Cia. de Seguros Aliança do Brasil S.A. ("Aliança do Brasil"), Cibrasec, Multi-Rio Operações Portuárias, Itapebi, Kepler Weber, Cia. Brasileira de Soluções e Serviços, Ativos S.A. and Maxblue DTVM; and (iii) participations of BAMB: BB Turismo, Ativos S.A. and BB-TUR Inc.

Consolidated Balance Sheet Data

	December 31		
	2003	2002	2001
	(in thousands of *Reais*)		
Assets			
Available funds	10,789,242	11,582,061	5,666,726
Short-term interbank investments	33,407,430	17,764,121	12,614,332
Marketable securities[(1)]	69,590,140	70,942,757	62,860,760
Interbank accounts[(2)]	188,812	207,002	129,387
Interdepartmental accounts	33,904	270,189	34,499
Deferred charges	355,830	293,189	271,584
Restricted deposits—Central Bank	18,476,910	17,970,515	8,480,272
Lending operations, gross	69,571,576	54,609,780	42,410,208
Public sector	4,364,115	5,617,257	3,978,289
Private sector	65,207,461	48,992,523	38,431,919
Allowance for loan losses	(3,980,123)	(3,202,464)	(2,184,871)
Leasing operations, gross[(3)]	421,972	624,490	754,602
Allowance for leasing operations	(16,756)	(14,931)	(16,859)
Other receivables, gross[(1)]	28,554,252	30,292,376	30,842,737
Allowance for other losses	(1,245,529)	(508,406)	(453,232)
Investments	877,849	970,394	1,141,112
Property and equipment in use	2,886,378	2,539,215	2,295,621
Others	232,560	254,320	273,146
Total assets	230,144,447	204,594,608	165,120,024
Liabilities and stockholders' equity			
Deposits	110,013,671	97,253,319	73,435,956
Funds obtained in the open market	40,063,245	48,327,253	43,752,918
Notes and Securities	1,636,720	1,053,323	1,161,420
Interdepartmental accounts	1,834,267	1,366,391	879,714
Interbank accounts	17,475	74,075	27,569
Borrowings	9,981,908	13,432,040	9,033,302
Onlendings (local and foreign)	7,459,952	5,923,311	4,664,021
Financial instruments and derivatives[(4)]	532,876	742,845	363,887
Other liabilities[(4)]	46,306,252	27,122,605	22,964,299
Deferred income	126,283	102,381	89,585
Stockholders' equity	12,171,798	9,197,065	8,747,353
Total liabilities and stockholders' equity	230,144,447	204,594,608	165,120,024

Notes:—

(1) The balances of the line items "Marketable securities" and "Other receivables, gross" as of December 31, 2001 were adjusted as a result of the reclassification of R$396,540 thousand from "derivative instruments" included in "Other receivables" to "Marketable securities", in accordance with Circular-letter No. 3,026 of July 5, 2002 from the Central Bank.

(2) Excludes "Deposits" with the Central Bank.

(3) Includes "Leased assets" in the amounts of R$392,701, R$547,298 and R$665,529, as of December 31, 2003, 2002 and 2001, respectively.

(4) The balances of the line items "Other liabilities" and "Financial Instruments and Derivatives" as of December 31, 2001 were adjusted as a result of the reclassification of R$363,887 thousand from "Financial Instruments and Derivatives" included in "Other liabilities" to "Financial Instruments and Derivatives", in accordance with Circular-Letter No. 3,026 of July 5, 2002 from the Central Bank.

Financial Ratios

	December 31,		
	2003	**2002**	**2001**
Ratios			
Profitability			
Return on Assets[(1)]	1.0%	1.0%	0.7%
Return on Equity[(2)]	19.6%	22.0%	12.4%
Asset Quality			
Overdue loans/total loan portfolio[(3)]	4.7%	6.0%	7.4%
Provision for doubtful loans/total loan portfolio[(4)]	5.7%	5.9%	5.2%
Liquidity			
Total loan portfolio/total assets[(4)]	30.2%	26.7%	25.7%
Total loan portfolio/total liabilities[(4)]	31.9%	28.0%	27.1%
Capital Adequacy			
Stockholders' equity/total assets	5.3%	4.5%	5.3%
Total liabilities as a multiple of stockholders' equity	17.9x	21.2x	17.9x
Adjusted consolidated equity as a percentage of total risk-weighted assets[(5)]	13.7%	12.2%	12.7%

Notes:—

(1) Return on Assets is calculated as net income for the year divided by total assets as at the end of each year.

(2) Return on Equity is calculated as net income for the year divided by total equity as at the end of each year.

(3) The Bank's total loan portfolio including "other receivables", leasing and advances on foreign exchange contracts, as per Resolution No. 2,682 of the CMN.

(4) The Bank's total loan portfolio is comprised of short-term and long-term lending operations (before provisions for credit losses), and excludes "other receivables", leasing and advances on foreign exchange contracts.

(5) Adjusted consolidated equity as a percentage of total risk-weighted assets is calculated pursuant to Resolution No. 2,606 of the CMN and Circular No. 2,894 of the Central Bank, both dated May 27, 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy".

BANCO DO BRASIL S.A. CONSOLIDATED CAPITALIZATION

The following table sets out the current liabilities, long-term liabilities, deferred income and shareholders' equity of Banco do Brasil (including its branches and subsidiaries in Brazil and abroad) on a consolidated basis at June 30, 2004, adjusted for the issue of the Notes. Since June 30, 2004, there has been no material change in the capitalization of Banco do Brasil.

	June 30, 2004 (adjusted)
	(in thousands of *Reais*)
Current liabilities[(1)]	
Deposits	108,250,094
Funds obtained in the open market	33,035,075
Notes and securities	775,369
Interbank accounts	1,945,158
Interdepartmental accounts	1,188,613
Borrowings	9,927,584
Onlending (local and foreign)	1,625,319
Financial instruments and derivatives	1,986,470
Other liabilities	16,387,928
Total current liabilities	175,121,610
Long-term liabilities	
Deposits	7,545,249
Funds obtained in the open market	4,096,636
Notes and securities	621,340
Borrowings	3,944,012
Onlending (local and foreign)	6,824,135
Financial instruments and derivatives	9,063
Other liabilities	16,211,304
Total long-term liabilities	39,251,739
Deferred income	137,545
The Notes[(2)]	871,800
Stockholders' equity	
Capital Stock[(3)]	8,366,189
Capital reserves	4,769
Revaluation reserves	24,325
Revenue reserves	4,645,279
Adjustments to market value – financial instruments and derivatives	(51,237)
Treasury stock	(125,779)
Total stockholders' equity	12,863,546
Total capitalization[(4)]	53,124,630

Notes:—

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

(2) The U.S.$300,000,000 aggregate principal amount of Notes has been converted to *Reais* based upon the Commercial Market rate of R$2.9060 per U.S.$1.00 on September 13, 2004.

(3) At June 30, 2004, Banco do Brasil had an issued capital of 743,275,506 common shares.

(4) Total capitalization equals the sum of total long-term liabilities, deferred income and total stockholders' equity.

EXCHANGE CONTROLS AND FOREIGN EXCHANGE RATES

There are two legal foreign exchange markets in Brazil: the commercial rate exchange market (the "Commercial Market") and the floating rate exchange market (the "Floating Market"). On January 25, 1999, the Federal Government announced the unification of the exchange positions of the Brazilian banks in the Floating Market and the Commercial Market, which led to a convergence in the pricing and liquidity of both markets. The Federal Government also allowed an increase in such positions to provide further liquidity to the foreign exchange markets. The Commercial Market is reserved primarily for foreign trade transactions and transactions that generally require prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad. Purchases of foreign exchange in the Commercial Market may be carried out only through a financial institution in Brazil authorized to buy and sell currency in that market. The Commercial Market rate is the commercial selling rate for Brazilian currency into U.S. Dollars, as reported by the Central Bank. The purchase of foreign exchange for repatriation of registered capital invested in Brazil, for remittance of dividends and for payment of principal of and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank is made in the Commercial Market. The debtor under such obligations may purchase the necessary foreign exchange to make the required payments abroad by presenting to a bank authorized to deal in foreign exchange the electronic registration issued by the Central Bank in connection with such obligations. The Floating Market rate generally applies to specific transactions for which Central Bank approval is not required. Both the Commercial Market rate and the Floating Market rate are reported by the Central Bank on a daily basis.

Both the Commercial Market rate and the Floating Market rate are freely negotiated but may be influenced by the Central Bank, which, prior to the implementation of the *Real* Plan (as defined herein), intervened in the Commercial Market in order to control fluctuations and to regulate disparities between the Commercial Market rate and the Floating Market rate. After implementation of the *Real* Plan, the Central Bank allowed the *real* to float with minimal intervention.

On March 6, 1995, the Central Bank announced that it would intervene in the market and buy or sell U.S. Dollars, establishing a band (*faixa de flutuação*) in which the exchange rate between the *Real* and the U.S. Dollar could fluctuate. From March 1995 to January 1998, the band was periodically reviewed by the Central Bank. On January 15, 1999, the Federal Government announced that it would no longer intervene in the market to ensure that the *Real* traded within any given range of exchange rates, effectively adopting a floating exchange rate (known as the "*Real* Plan"). The Central Bank subsequently announced that in limited circumstances it would intervene in the foreign exchange markets to curb excessive volatility.

Prior to the implementation of the *Real* Plan, the Commercial Market rate and the Floating Market rate differed significantly at times. Since the introduction of the *Real*, the two rates have not differed significantly. Pursuant to Central Bank Resolution No. 2,588, effective as of February 1, 1999, banks were required to unify their positions in the Floating Market and the Commercial Market; transactions negotiated on these markets have been, from that date, differentiated solely for regulatory purposes. The Federal Government also allowed an increase in Brazilian banks' exchange positions to provide further liquidity to the foreign exchange markets.

At September 10, 2004, the Commercial Market rate was R$2.90 per U.S.$1.00. The following table sets forth the period-end, average, high and low Commercial Market selling rates published by the Central Bank expressed in *Reais* per U.S. Dollar for the periods and dates indicated.

	Closing Selling Rates of Nominal *Reais* per U.S.$1.00			
Period Ended	**Low**	**High**	**Average[(1)]**	**Period End**
December 31, 1999	1.2078	2.1647	1.8019	1.7890
December 31, 2000	1.7234	1.9847	1.8313	1.9554
December 31, 2001	1.9357	2.8007	2.3226	2.3204
December 31, 2002	2.2709	3.9552	2.9461	3.5333
December 31, 2003	2.8219	3.6623	3.0964	2.8892
June 30, 2004	3.0870	3.1170	3.1075	3.0870

Note:—

(1) Represents the average of the month-end rates beginning with December of previous period through last month of period indicated.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or serious reasons to foresee such an imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. There can be no assurance that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Relating Brazil—Exchange controls implemented by the Federal Government could adversely affect the business, operations or prospects of the Bank ".

USE OF PROCEEDS

The net proceeds from the sale of the Notes is estimated to be approximately U.S.$296,922,000 (after deducting fees and commissions and other expenses) and will be used by the Bank for general corporate purposes.

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

Introduction

The following discussion contains an analysis of the consolidated results of operations of Banco do Brasil for the years ended December 31, 2003, 2002 and 2001 and, subject to the considerations described below, should be read in conjunction with the consolidated audited financial statements of Banco do Brasil and for the years ended December 31, 2003, 2002 and 2001. The financial statements of Banco do Brasil have been prepared in accordance with Accounting Practices Adopted in Brazil as further described under "Presentation of Financial Information and Summary Financial Information". As a result of changes introduced by the Central Bank on criteria for accounting and valuation of derivative financial instruments and securities financial information for the period ended as of and after June 30, 2002 is not comparable to information for periods prior to such date. See "Presentation of Financial Information and Summary Financial Information". Certain information included herein is derived from unaudited management accounting records. See "Risk Factors—Risks Relating to the Bank—The presentation of the financial information contained in this Offering Circular may vary from what investors typically review".

Brazilian Economic Conditions

The financial condition and results of operations of Banco do Brasil for the periods presented have been affected by general economic conditions prevailing in Brazil, by Banco do Brasil's Restructuring Program up to 1998, and by Banco do Brasil's continuous implementation of measures as described in "—The Restructuring Program and Its Continuous Implementation" below.

The following table sets forth the GDP growth on a quarterly basis and quarterly inflation rates and real interest rates at the end of the periods presented.

	2003					2002					2001				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Real GDP Growth	1.9	(1.1)	(1.5)	(0.1)	(0.2)	(0.50)	1.4	3.0	3.9	1.9	3.8	1.9	0.4	0.7	1.3
Inflation Rate[1]	5.13	1.43	1.32	1.15	9.3	1.49	1.44	2.58	6.56	12.53	1.42	1.52	2.33	2.21	7.67
Interbank Deposit Real interest rate[2]	0.51	4.29	4.23	3.21	12.77	2.68	2.77	1.80	(1.48)	5.83	2.13	2.28	2.11	2.06	8.87

Notes:—

(1) Determined in accordance with the IPCA.

(2) Determined by deducting the inflation rate (IPCA) from the average interest rate applicable to *Certificados de Depósito Interbancário* ("CDIs") (interbank certificates of deposit) for the period specified.

Prior to the implementation of the *Real* Plan in mid-1994, Brazil, the fifth largest country and the eighth largest economy in the world, experienced a long period of extremely high inflation (exceeding 2,400% per annum in 1993 as measured by the INPC (national consumer price index)) and a rapidly accumulating Federal Government budget deficit, which had negative effects on the Brazilian economy. Following its implementation, the *Real* Plan was successful in curbing hyperinflation in Brazil.

Between March 1995 and January 1999 the Federal Government relied heavily on maintaining a strong *Real* to promote economic stability. Two important measures of the Federal Government's policy were (i) the establishment of successive fixed trading bands for the *Real* against the U.S. Dollar (although these were generally perceived as maintaining the *Real* at artificially high levels) and (ii) the establishment of high domestic interest rates (at times approaching 50% per annum) coupled with tight credit policies. These measures were effective in controlling the rate of inflation, but hindered economic growth. However, the progressive opening of the Brazilian economy, resulting in greater competition in the domestic market, the development of the privatization process and

the liberalization and deregulation of the economy and significant increases in productivity were factors which sustained economic growth over this period.

In January 1999, Fernando Henrique Cardoso, the author of the *Real* Plan and a supporter of free markets, began a second four-year term as President of Brazil, leading a coalition government made up of several political parties. The competing agendas of these political parties required frequent compromise of various aspects of President Cardoso's continuing economic reform program and made it difficult for certain structural reforms of taxes and social benefits, considered necessary by the Cardoso administration for the continued success of the *Real* Plan and for controlling inflation, to be approved by Congress. The government of President Lula has been committed to controlling inflation and carrying out the necessary structure reforms. See "Risk Factors—Risks Relating to Brazil—The Bank is subject to influence by the Federal Government" and "Risk Factors—Risks Relating to Brazil—High inflation rates may return which would have an adverse affect on the Bank's results of operations and its financial condition".

As a developing country seeking to open and internationalize its economy, Brazil has been significantly affected by economic and market conditions in other countries, particularly the devaluation of the Mexican *peso* in December 1994, the Asian financial crisis in 1997 and the Russian financial crisis in 1998. Throughout the second half of 1998 the overvaluation of the *Real* and the prolonged congressional debate over certain key aspects of structural reforms, including the Fiscal Stability Program, proposed by the Federal Government put the Brazilian currency and the economic stability of Brazil at risk. As a result of economic instability in Brazil in late 1998 and early 1999, there was a significant devaluation of the *Real* against the U.S. Dollar in January 1999. Interest rates also increased after the devaluation of the Brazilian currency. Brazil had a more stable economic situation in 2000, which allowed interest rates and the foreign exchange to stabilize. During 2001, the Argentine financial crisis, an electricity rationing program and the resulting uncertain economic environment slowed Brazil's growth and constrained Brazilian borrowers' ability to raise funds internationally in the capital markets. During 2002, a combination of foreign and internal factors restricted the growth of the Brazilian economy. The main foreign factor that affected the Brazilian economy was the growing aversion toward taking risks in emerging market economies, such as the Brazilian economy. Internally, the main factor of instability was the election process and the general down turn of the economy.

In elections held in October 2002, Brazilian voters elected a new President, Luiz Inácio Lula da Silva, from the Worker's Party, as well as new senators, federal deputies and governors, among other positions. The new President took office in January 2003. As part of its economic policies, Lula appointed Mr. Antonio Palocci as Minister of Finance and Mr. Henrique Meirelles as President of the Brazilian Central Bank. Both appointments have been well received by the financial markets. Throughout 2003 and the first quarter of 2004, the Federal Government maintained the orthodox economic policies of the former administration. This factor, together with the increase of the global economy and international liquidity, contributed to the reduction of risk levels regarding foreign investment in Brazil and the consequential appreciation of the *Real* against the US Dollar and surplus in the Brazilian trade balance (of US$24.8 billion) and in the current account of the balance of payment(of US$4.1 billion or 0.8% of the Brazilian GDP). On the other hand, the environment of uncertainty that was present in 2003 and the negative effect of the macroeconomic adjustments effected by the Federal Government caused a reduction in the GDP of 0.2% during that year.

IMF Financial Package

During the second quarter of 2002, the Brazilian financial markets were under pressure as a result of uncertainties over the economic policies of the next government, the general increase of global aversion to risk and uncertainties in the international financial markets. The Federal Government took measures to mitigate such uncertainties and ease the upcoming political transition by reinforcing its economic policies, requesting the termination of the previous agreement with the IMF, and negotiating a new agreement with the IMF that expired at the end of 2003. In September 2002, the IMF approved this new credit facility for the total amount of approximately U.S.$30.0 billion. U.S.$3.0 billion was drawn down upon formal approval in September 2002; a second tranche of U.S.$3.0 billion was drawn down, after the first review in December. During 2003, the IMF approved the drawdown of a third tranche of U.S.$4.1 billion in March and a further tranche of U.S.$9.3 billion in June. In September 2003, the IMF approved an additional drawdown of U.S.$4.2 billion. In December 2003, the IMF approved a 15-month extension of its current agreement with Brazil, in the amount of approximately U.S.$34.0 billion and an increase by

approximately U.S.$6.6 billion of Brazil's stand-by credit. In March 2004, the Federal Government paid US$ 1,354 billion of its debt with the IMF. The IMF also agreed to the Federal Government's request to repay approximately U.S.$5.8 billion of loans in 2005 and 2006.

The Fiscal Stability Program and the New Administration

In accordance with the conditions stipulated by the IMF, late in 1998 the Federal Government introduced the fiscal stability program designed to maintain the stability of the *Real* and provide the structural changes necessary for sustained stable growth (the "Fiscal Stability Program"). Key measures under the Fiscal Stability Program have been designed to achieve cuts in discretionary governmental spending and growth in government revenues and savings through various social security system reforms aimed at stabilizing the ratio of debt to GDP and creating a more favorable economic environment.

Following the Brazilian elections, the Federal Government seems to be maintaining the orthodox economic policies of the former administration. See "Risk Factors—Risks Relating to Brazil—The Bank is subject to influence by the Federal Government". Any new program adopted could result in increased fiscal deficits, increased taxation, inflation or low economic growth, any one of which could adversely affect the branches of the Bank. In addition, the legislative action required to implement certain measures under the Fiscal Stability Program proved difficult for the Brazilian Congress. The passage of future measures necessary for continued implementation of the Fiscal Stability Program, should the Federal Government wish to continue its implementation, may nevertheless meet legislative resistance. See "Risk Factors—Risks Relating to Brazil—Significant governmental actions may adversely affect the Brazilian markets and economy".

Brazilian Economic Volatility

The Russian financial crisis in the second half of 1998 triggered a period of economic instability in Brazil and on January 15, 1999 the Central Bank abandoned its monetary policy of setting exchange bands, previously used to defend the *Real*, and allowed it to float freely against other currencies. This resulted in a major devaluation in which the *Real* fell to a low of R$2.16 to U.S.$1.00 on March 3, 1999, a decline in value of approximately 78.7% compared to the exchange rate at December 31, 1998 of R$1.21 to U.S.$1.00, before recovering to trade in the range of R$1.75 to R$1.85 to U.S.$1.00 as of July, 1999. During 2000, the range was between R$1.70 and R$2.00 to U.S.$1.00. The Brazilian *Real* again commenced to slip in value against the U.S. Dollar in 2001 and into 2002, reaching R$2.32 to U.S.$1.00 on December 31, 2001 and R$3.53 to U.S.$1.00 on December 31, 2002. During 2003, the *Real* recovered to pre-election rates. On December 31, 2003, the Commercial Market exchange rate for purchase of U.S. Dollars with Brazilian *Reais* was R$2.89 to U.S.$1.00, R$3.09 to U.S.$1.00 on June 30, 2004, and R$2.90 to U.S.1.00 on September 10, 2004.

Whereas implementation of the Fiscal Stability Program was expected to cause a steady decline of GDP in 1999, GDP actually increased during that year by 0.8%. In 2002, GDP increased by 1.9%. In 2003 the GDP decreased 0.2%. For the year ended December 31, 2001, inflation was approximately 7.67% as measured by the IPCA and interest rates averaged 17.24% per annum. For the year ended December 31, 2002, inflation was approximately 12.53% as measured by the IPCA and interest rates averaged 19.17% per annum. For the year ended December 31, 2003 the IPCA reached 9.3%.

Banco do Brasil does not play an active role in the implementation of the Federal Government's currency policies. Banco do Brasil trades foreign currency mostly as agent for its clients, which include the Central Bank. The Central Bank also trades foreign currency through other commercial banks and dealers.

For further information regarding economic and political conditions in Brazil, see "Risk Factors—Risks Relating to Brazil".

The Bank's Strategy for Dealing with the New Economic-Financial Reality

The Asian financial crisis, the Russian financial crisis and the Brazilian financial crisis adversely affected the size of Banco do Brasil's lending portfolio and the creditworthiness of the Bank's Brazilian client base as a

result of the decrease in economic activities in Brazil arising from the high domestic interest rates and from the economic changes implemented by the Federal Government through the Fiscal Stability Program. In response to the changes brought about by these developments, Banco do Brasil has set more restrictive limits than the ones previously observed on its lending operations and prioritized support of transactions involving external commercial activities. Additionally, the Bank has continued to adopt a conservative approach in its provisioning policies in anticipation of continued high default rates brought about by uncertain economic conditions.

Since 1999, the Bank has supported agricultural production, especially small business and "middle market" clients. See "Business of Banco do Brasil S.A.—Banking Activities—Wholesale Banking—Commercial and Industrial Lending".

In its retail banking activities, Banco do Brasil reviewed and changed its pricing strategy through the implementation of the "*Plano Ouro de Serviços*" in December 1998, correcting previously observed inconsistencies in charging. In addition, Banco do Brasil intensified its activities in new markets, earning profits from providing services for the pension fund market. Banco do Brasil instituted private retirement funds and entered into contracts with Municipalities to provide similar services for public servants. Banco do Brasil has also improved the management of its branches, cutting costs and providing new services and products, such as the CPR Program. See "Business of Banco do Brasil S.A.—Banking Activities—Retail Banking—Service Fees" and "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending—CPR Program".

Aiming to reduce risks in a period of uncertainty, Banco do Brasil has sought to increase its client base (including increasing its client base for wholesale services, which the Bank believes is essential to ensure successful retail banking activities) while providing adequate technological support to enable it to maintain its high standards of service quality. Banco do Brasil has focused its activities on clients' needs, trying to take steps in anticipation of future clients' needs. Banco do Brasil has also increased its presence with low-income clients, especially those with no prior bank accounts, by offering them access to tailored products. See "Business of Banco do Brasil S.A.—Banking Activities—Market Segmentation". Banco do Brasil has paid particular attention to attracting lower income clients.

The Restructuring Program and Its Continuous Implementation

Introduction

During periods of high inflation in Brazil, as a result of high real interest rates, Banco do Brasil, like the Brazilian banking system as a whole, derived significant amounts of "float income" arising from its ability to generate returns on certain liabilities, such as demand deposits, government taxes, customer collections and other amounts pending settlement. Prior to the introduction of the *Real* Plan, the Bank became aware that provisions of the *Real* Plan designed to reduce the rate of inflation and substantially increase the level of its non-interest bearing compulsory reserve deposits at the Central Bank were likely to have a significant negative impact on its results of operations and, consequently, following the implementation of the *Real* Plan, Banco do Brasil initiated a number of policies to enhance its competitiveness and to reduce costs. In early 1996, Banco do Brasil introduced the Restructuring Program, which it continued to implement throughout 1997 and 1998. The Restructuring Program included programs, which Banco do Brasil has continued to implement since 1998, to restore Banco do Brasil's capital adequacy, restructure its management, improve its asset structure and recognize unfunded pension liabilities, implement improved credit policies, achieve technological modernization, make administrative changes to reduce costs and introduce new products and a new marketing structure.

Capital Adequacy

At December 21, 1995, Banco do Brasil's capital was 5.7% of assets determined on a risk-weighted basis. The failure to match the required standard of capital adequacy at the end of 1995 was one of the principal factors underlying the adoption of Banco do Brasil's Restructuring Program in early 1996. As part of the Restructuring Program, in June 1996, the capital of Banco do Brasil was increased by R$8.0 billion. As a result of the increase, Banco do Brasil's capital rose to 11.1% of risk-weighted assets on December 31, 1996. Nevertheless, as a result of certain changes in the applicable regulation by the Central Bank, as at December 31, 2000, Banco do Brasil's capital was again below the minimum capital adequacy level and corresponded to 8.8% of risk-weighted assets. Due, in

part, to Banco do Brasil's applications to the Central Bank for a reclassification of the risk-weight factor associated to certain of its assets, on June 22, 2001 the Federal Government announced a series of measures designed to ensure that Banco do Brasil achieved compliance with minimum capital adequacy requirements. See "Risk Factors—Risks Relating to the Bank—Minimum capital adequacy requirements imposed on the Bank may negatively impact the Bank's results of operations and financial condition" and "—Capital Adequacy". At December 31, 2003, Banco do Brasil's capital was 13.7% of assets determined on a risk-weighted basis (12.2% at December 31, 2002).

Measures to improve asset quality and reduce exposure to currency fluctuations

As a consequence of its foreign exchange losses from the second half of 1994 to the first half of 1996 arising from its significant holdings of U.S. Dollar denominated assets abroad, Banco do Brasil implemented a program to reduce the exposure of its assets outside Brazil to currency fluctuations by repatriation of excess capital held in its offshore branches to Brazil and the redeployment of these assets in the domestic market. Capital left in Banco do Brasil's offshore branches has been maintained at levels it considers to be adequate for the activities of those branches and which satisfy the minimum capital requirements of the jurisdictions in which those branches are located. During 2003, Banco do Brasil repatriated U.S.$200.0 million equivalent to R$575.7 million (U.S.$106.2 million equivalent to R$255.0 million measured as of December 31, 2002, U.S.$3.1 billion equivalent to R$7.1 billion measured as of December 31, 2001) as a consequence of Banco do Brasil's strategy. As a result of the 1999 devaluation of the *Real* against the U.S. Dollar, Banco do Brasil has been reporting income on the net assets of its offshore branches, but has nevertheless continued taking steps to limit its exposure to currency fluctuations. Banco do Brasil has hedged its net exposure to fluctuations in exchange rates of currencies other than U.S. Dollar by entering into swap arrangements, the purpose of which has been to attempt to ensure that there will not be any currency mismatches in its offshore net assets and the net consequence of which has been the concentration of its overall foreign currency exposure in the U.S. Dollar. In relation to its concentrated U.S. Dollar exposure, Banco do Brasil has also been reducing currency mismatches to limit its exposure to fluctuations in the U.S. Dollar/*Real* exchange rate, in order to be in compliance with applicable Central Bank's regulations.

Due, in part, to the substantial amounts of Federal Government securities received by Banco do Brasil in 1996 and 1997 in liquidation of credits with the National Treasury (see "Business of Banco do Brasil S.A.—Government Affairs"), the receipt of securities by Banco do Brasil in connection with the privatization of the state-owned bank of the State of Rio de Janeiro (see "— Source of Funds—Transactions with Securities Issued by States and Municipalities") and the recapitalization of Banco do Brasil in 1996 as a consequence of which Banco do Brasil acquired *Notas do Tesouro Nacional* ("NTN") series J, the relative percentage of total assets represented by marketable securities on Banco do Brasil's balance sheet has increased from 22.8% at December 31, 1996 to 30.2% at December 31, 2003 (34.7% at December 31, 2002 and 38.1% at December 31, 2001) while the percentage of total assets represented by Banco do Brasil's lending operations (before provisions) has declined from 38.2% at December 31, 1996 to 30.2% at December 31, 2003 (26.7% at December 31, 2002 and 25.7% at December 31, 2001).

During 1997 Banco do Brasil settled its liability to pay pensions to its employees who entered employment before mid-April 1967 (the "Pre-1967 Employees") and whose pension entitlements were paid directly by Banco do Brasil and not, as is the case for employees joining subsequently to mid-April 1967, by PREVI, resulting in a provision of R$7.0 billion during 1997. See "Management and Employees—Employees".

Banco do Brasil is a modern full service bank, providing its customers with high quality service and its stockholders with improved return on their investment. In addition to that, it also serves as an agent of the Federal Government charged with implementing national social and development policies. The By-laws of Banco do Brasil have been changed in 2002 and, among other changes, the Administrative Council has seven members, all of whom are or must be stockholders, appointed in the General Stockholders' meeting with a one year term of office and with the possibility of reappointment. The Administrative Council is composed of at least two members representing the minority stockholders and five council members indicated in the General Stockholders' Meeting by the Federal Government. See "Management and Employees". Banco do Brasil views these changes and its preparation for the Novo Mercado listing as evidence of a modern financial institution where the rights of minority shareholders are assured and in which management acts in the interest of the Bank and not the controlling shareholder.

Banco do Brasil is improving the efficiency of its branch network by expanding the range of products offered to its customers, reorganizing the back-office support provided to the branches, upgrading its technology, and reducing the number of its employees. The costs associated with the reduction of employees and other restructuring costs were amortized over the period between 1996 and 2000. Although permitted by Central Bank regulations, this accounting treatment does not comply with the requirements of the accounting principles prescribed by the Accounting Practices Adopted in Brazil. See paragraph 9 of the report of independent accountants dated February 20, 2002 to the 2001 Financial Statements and paragraph 3 of the report of independent accountants dated February 1, 2001 to the 2000 Financial Statements. At December 31, 2000, the balance of such costs was R$121.4 million (R$351.1 million as of December 31, 1999) which was fully amortized in October 2001.

Critical Accounting Policies Used by the Bank

The Bank's accounting policies are integral to understanding the results reported. Accounting policies are described in detail in the Notes to the Audited Financial Statements. Banco do Brasil's most complex accounting policies are those that require management's judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities. The Bank has established policies and control procedures that are intended to ensure that valuation methods are well controlled and applied in accordance with the accounting principles applicable for the preparation of its financial statements on a consistent basis from period to period. Changes in accounting principles from period to period, such as the changes in accounting methods for securities and financial derivative instruments effective June 30, 2002, require changes in the valuation methods used and make period-to-period comparison more difficult. The policies and procedures are intended 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 involving significant management judgments. Please see "Management and Employees" for other relevant accounting policies of the Bank.

Allowance for Loan Losses

Banco do Brasil's allowance for loan losses is intended to adjust the value of Banco do Brasil's loan assets for probable loan losses. As from March 2000, the date on which Resolution No. 2,682 issued by the CMN became effective, the Bank determines the amount of its allowance for loan losses following the criteria established by such Resolution. The amount of the allowance for loan losses before March 2000 was determined following a different methodology also established by the Central Bank. In accordance with CMN Resolution No. 2,682, operations are classified in risk bands ranging from AA (lowest risk level) to H (highest risk level) and a regulatorily established allowance percentage is computed for loans in each risk category (ranging from 0% for loans in category AA to 100% for loans in category H). In order to assign each loan to a specific category, Banco do Brasil classified the loans in two groups. The first group comprises transactions where, in management's judgment, credit risk is minimized, including: transactions where credit risk is fully assumed by third parties, operations where credit risk is shared between Banco do Brasil and third parties and operations with collaterals that may be traded in the market or with credit insurance. The second group comprises operations that do not fall in the category above and as such are classified following the general criteria established by Resolution No. 2,682 applied to the specific group of loans. A sub-set of this group is loans with a risk less than R$50.000,00 which are classified in category A as long as they are not overdue and are reclassified when they fall into arrears as provided by Resolution No. 2,682. Loans are reclassified monthly based exclusively on the number of days in arrears with loans exceeding 5.0% of net equity being reviewed twice a year and all loans reviewed at least once a year. Other methodologies exist for determining the amount of allowance for loan losses different from the one established by the Central Bank and applied by Banco do Brasil that might result in different amounts of the allowance. For instance, some methodologies require the identification of specific loans that are considered restructured and their valuation at a value equal to expected cash flows, or the fair value of the credit or of its collateral. Using a methodology different from the one established by the Central Bank, the amount of the allowance for loan losses might have been different from the amount presented by Banco do Brasil in its consolidated financial statements.

In relation to loans with a risk of less than R$50,000, the Bank had initially followed the classification procedures provided by Resolution No. 2,682 (which is to classify them in category A as long as they are not overdue and reclassify when they fall into arrears). However, Resolution No. 2,697 of the CMN (which amended Resolution No. 2,682) allowed financial institutions to classify those loans in accordance with its own evaluation method. Therefore, Banco do Brasil has reviewed the methodology for such transactions in order to adjust the

provision level of its credit portfolio. As a result of such review the Bank now adopts a different initial classification for each such transaction depending on the characteristics of the product and the probability and expected level of losses.

Classification of Securities

As from June 30, 2002, the accounting treatment of securities depends on whether the securities are for trading, available for sale, or to be held-to-maturity in accordance with the regulations issued by the Central Bank. Classification of the securities in each of the categories is made on the acquisition date based upon a judgment as to the expectations and strategies regarding each security, and on the financial capacity of the Bank to support such classification. Changes in circumstances may modify the strategy with respect to a specific security, requiring a transfer between the three categories indicated above.

Fair Value of Financial Instruments

In accordance with Accounting Practices Adopted in Brazil, Banco do Brasil carries some of its assets at their fair value. Some assets, such as financial derivative instruments, are not carried at fair value for periods presented herein ending before June 30, 2002.

Specifically, securities for periods presented herewith ending before June 30, 2002 are valued at cost or at market value when such market value is lower than cost, with losses recognized in income when market value is below cost but without recognizing unrealized gains when the market value of the security exceeds its cost. Effective June 30, 2002, changes in fair value for securities set for trading are recognized in the income statement while for securities classified as available for sale are recognized directly in stockholders' equity.

Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Market value of the majority of securities held by the Bank is determined based on the value of transactions executed on that day or on the prior working day. When information about such transactions is not available, fair value is based on the results of the research compiled by *Associação Nacional de Instituições do Mercado Aberto* (National Association of Open Market Institutions "ANDIMA"). When quotes from such sources are not available, then fair value is based on internally developed cash flow and pricing models. Management exercises judgment in the estimation of fair value, for example when there is limited market data to rely on when estimating the impact of holding a large or aged position. Similarly, some judgment is required to estimate prices where no external parameters exist and Banco do Brasil uses its internally developed models. Specific details on fair values of securities is presented in Notes 3.d, 3.e, 5 and 15 to the 2003 Financial Statements.

Banco do Brasil enters into futures, options and swaps with the purpose of managing its exposure to interest rate risk and foreign exchange risk. Futures and options are recorded at their quoted market price on the exchanges where they are traded, generally the *Bolsa de Mercadorias e Futuros* ("BM&F"), the futures exchange market, with the value of assets and liabilities adjusted accordingly and gains or losses recognized on such futures in the income statement. Swaps for periods before June 30, 2002 are not recorded at fair value and, accordingly, the amounts presented in the balance sheet may not be representative of the value at which they can be exchanged on the date of the balance sheet. Effective June 30, 2002, swaps are recognized at fair value, impacting the income statement or stockholders' equity in accordance with Central Bank regulations.

Determination of the Amount of Tax Loss Carryforwards to Be Recognized as an Asset

Until December 2000, Banco do Brasil recognized deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities and deferred tax assets on its tax loss carryforwards. Deferred tax assets and liabilities include those related to the income tax and the social contribution, a federal tax based on income. The realization of deferred tax assets through a reduction in the amounts of taxes payable in future periods depends on whether the entity that has the tax loss carryforwards has taxable net income in future periods. Since 2001, Banco do Brasil has been taking specific steps in order to increase its taxable income including, among other things, incorporation into the Bank of some activities previously carried out through subsidiaries and the reduction of its investment in subsidiaries outside Brazil. However, there can be no

assurance that taxable income will be generated in the future that will allow Banco do Brasil to realize such deferred tax assets. Specific regulations issued by the Central Bank require that if an entity experiences losses in three out of five years it cannot recognize a deferred tax asset for its tax loss carryforwards and other temporary differences. The Bank experienced tax losses during the years ended December 31, 1999 and 2000 and taxable income during the years ended December 31, 2001, 2002 and 2003. Although under the regulation mentioned above Banco do Brasil may recognize the tax loss carryforwards as deferred tax assets, the Bank adopted a specific policy, from September 2001 through December 2003, by which the amount recognized as assets for tax loss carryforwards were reduced in each period by an amount at least equal to the net income before taxes (according to its financial statements) multiplied by the tax rate irrespective of whether it has been able to realize such taxes through the compensation of such tax losses with taxable income for the period. Banco do Brasil began to generate positive taxable income in the fourth quarter of 2001.

As at December 31, 2003, Banco do Brasil's balance sheet included assets in the amount of R$9.4 billion (R$11.8 billion at December 31, 2002 and R$12.2 billion at December 31, 2001) in respect of timing differences and the recognition of tax benefits from net operating loss carry forwards. Such assets represented 4.1% (5.8% at December 31, 2002 and 7.4% at December 31, 2001), of Banco do Brasil's total assets and do not generate income. See "Risk Factors—Risks Relating to 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".

As required by CMN Resolution No. 3,059 dated December 20, 2002, the tax credit assets were classified based on those expectations of realization in up to five years and after five years, in conformity with the technical studies prepared for this purpose. For the purposes of the technical study, the respective tax credits assets were brought to present value based on the average rate of funds obtained. It is important to note that the tax credits based on temporary differences are mainly related to recorded provisions, the realization of which are preponderantly long-term. Such Resolution also establishes that as from January 2004 to December 2008, financial institutions are to exclude 20% of all tax credits to be used for more than five years from the calculation of Tier I referential equity value. After December 2008, the total amount of tax credits is not to exceed 40% of Tier I referential equity value. Should the Bank be unable to maintain its taxable income in the future, it may be required to write off its tax credits and could be compelled by the Central Bank to reduce its assets and shareholders' equity accordingly. Therefore, any such write-off or reduction could have a material adverse effect on the Bank's financial condition and results of operations.

Contingencies for Litigation

Banco do Brasil is routinely involved in legal proceedings as a defendant as part of the normal course of business and as plaintiff most frequently seeking recovery of overdue loans. Banco do Brasil is a defendant in various lawsuits including lawsuits by customers and by employees and former employees. Banco do Brasil has established controls in order to identify all claims received. The Bank records a provision for those claims on which a loss is considered probable at an amount estimated by the legal department.

Results of Operations

Year ended December 31, 2003 compared to the year ended December 31, 2002

Banco do Brasil's results for the year ended December 31, 2003 were affected by various factors in addition to operational and business considerations, including some of the major transactions and events discussed below, the conditions of the Brazilian economy and financial markets during such period and the regulatory environment in which it operated.

In particular, Banco do Brasil's results for the year ended December 31, 2003 were affected by the appreciation of the *Real* against the U.S. Dollar in 2003 (18.2%) against a devaluation of the *Real* against the U.S. Dollar in 2002 (52.3%). The depreciation in 2002 generally reflected uncertainties concerning the presidential elections in Brazil and concerns about market conditions generally. The movement of the foreign exchange rate impacted both revenue, particularly income on U.S. Dollar-linked marketable securities, and expenses, particularly on U.S. Dollar-denominated borrowings and onlendings.

As a result, amounts presented in certain line items of Banco do Brasil's consolidated audited financial statements for 2002 may not be directly comparable to amounts presented in such line items of Banco do Brasil's consolidated audited financial statements for 2003. Investors should be aware of the foregoing in considering the financial information presented herein and assessing period-to-period trends and comparisons.

Banco do Brasil reported an overall net income for the year ended December 31, 2003 of R$2.381 billion compared to R$2.028 billion for the year ended December 31, 2002, an increase of 17.4% Banco do Brasil reported a gross income of R$10.006 billion from financial intermediation for 2003 compared to a gross income from financial intermediation of R$8.071 billion for 2002, an increase of 24.0%. The more significant components of such increase are described below.

Revenues from Financial Intermediation

Gross financial revenues decreased to R$33.625 billion for the year ended December 31, 2003 from R$36.727 billion for 2002, a decrease of 8.4%.

Banco do Brasil's income from lending operations increased to R$16.167 billion for the year ended December 31, 2003 from R$13.828 billion for the year ended December 31, 2002, an increase of 16.9%. This increase reflects an increase in the overall lending activity of Banco do Brasil, and stems mainly from: (i) a 10.5% increase in the income from consumer lending activities (CDC, *BB Giro Rápido* and *Cheque Ouro* transactions) for the year ended December 31, 2003 compared with the year ended December 31, 2002; and (ii) 68.0% increase in the income from rural lending activities for the year ended December 31, 2003 compared with the year ended December 31, 2002 as a result of an increase of approximately R$9.9 billion in the volume of rural lending operations.

Income (net) from the Bank's leasing operations decreased to R$83.1 million for the year ended December 31, 2003 from R$106.1 million for the prior comparable period, a decrease of 21.6%.

Income from Banco do Brasil's marketable securities operations increased 1.6% to R$15.801 billion for 2003, from R$15.548 billion for 2002. This increase derives mainly from an income of R$297.1 million during the year ended December 31, 2003 resulting from the positive mark to market adjustment of marketable securities net of tax effects compared with a negative impact of R$300.3 million in the year ended December 31, 2002. The results were also affected by an increase of 20.4% (R$220.0 million) in the income from asset management for the year ended December 31, 2003 compared to the same period in 2002, as a result of an increase in the volume of asset management activities. Additionally, Banco do Brasil's marketable securities results were affected by: (i) a decrease of 3.0% (R$430.2 million) in income from fixed income securities for the year ended December 31, 2003 compared to the same period in 2002, as a result of the appreciation of the *Real* against U.S. Dollar during 2003 (18.2%) compared to the depreciation of the *Real* against the U.S. Dollar during 2002 (52.3%), which affected the US Dollar-linked securities held by Banco do Brasil, and (ii) a lower annual variation of the *Índice Geral de Preços de Mercado* ("IGP-M") rate, which is one of the interest rates applicable to these securities (8.7% in 2003 compared to 25.3% in 2002).

Income from Banco do Brasil's derivatives trading moved to an expense of R$546.8 million in 2003 compared to an expense of R$1.664 billion for 2002, a decrease of 67.1%. This decrease mainly reflects the 18.2% appreciation of the *Real* against the U.S. Dollar during the year ended December 31, 2003 compared to a depreciation of 52.3% of the *Real* against the U.S. Dollar in 2002 and the 9.3% appreciation of the *Real* against the Japanese Yen during the year ended December 31, 2003 compared to an appreciation of 68.2% of the Japanese Yen against the *Real* in 2002, thus decreasing the losses on Banco do Brasil's liability position of the derivatives linked with the foreign currencies.

Banco do Brasil's gains on trading in its foreign exchange portfolio decreased by 94.7% from R$8.282 billion in 2002 to R$439.3 million in 2003. This decrease is due to the appreciation of the *Real* against the U.S. Dollar during 2003 (18.2%) compared to the depreciation in 2002 (52.3%).

Banco do Brasil's income from compulsory investments increased to R$1.682 billion for the year ended December 31, 2003 from R$626.6 million for the year ended December 31, 2002, an increase of 168.4%, which is

mainly due to an increase in the average balance of compulsory reserves required to be maintained by Banco do Brasil at the Central Bank, together with an increase in the interest rates applicable to those compulsory reserves (the rates applicable to these reserves, the SELIC rate and the TR, increased from 19.2% in 2002 to 23.3% in 2003 and from 2.8% in 2002 to 4.7% in 2003, respectively).

Expenses of Financial Intermediation

Banco do Brasil's expenses incurred in connection with financial intermediation decreased 17.6%, to R$23.618 billion for 2003 from R$28.655 billion for 2002.

Banco do Brasil's expenses from deposits and funds obtained in the market, including gains on repurchase operations, increased to R$17.497 billion during the year ended December 31, 2003 from R$13.617 billion for 2002, an increase of 28.5%, which results from an increase in the average balance of repurchase transactions, of time deposits and saving accounts. In addition, there was an increase in the following interest rates applicable to these expenses: CDI index (23.3% for 2003 compared to 19.1% for 2002), *Taxa Referencial* ("TR") index (4.7% for 2003 compared to 2.8% for 2002) and SELIC rate index (23.3% for 2003 compared to 19.2% for 2003).

Banco do Brasil's expenses from borrowings and onlendings consist of costs relating to foreign funding and expenses of funding foreign currency denominated assets, among others. Banco do Brasil's expenses in connection with these transactions decreased to R$2.856 billion for 2003 compared to R$12.030 billion for 2002. This 76.3% decrease results from the depreciation in real terms of the existing foreign exchange denominated obligations of Banco do Brasil as a result of the appreciation of the *Real* against the U.S. Dollar and of the Japanese Yen compared to a devaluation of these currencies during 2002 (18.2 and 9.3% for 2003 and 52.3 and 68.2 for 2002, respectively).

Banco do Brasil's provision for credit losses increased 8.5% to R$3.265 billion for the year ended December 31, 2003 compared to R$3.009 billion in the year ended December 31, 2002. The increase results from: (i) the general increase in the volume of loans and agricultural transactions; and (ii) the reclassification of certain provisions included in "Provision for contingent liabilities – IR/CS – Off-Set of tax losses" from "Other operational expenses" to "Provisions for other receivables without lending characteristic" in the amount of R$444.3 million implemented by Banco do Brasil in March, 2003, aiming a better adequacy to the Central Bank rules. See "Risk Factors—Risks Relating to 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".

Gross Profit from Financial Intermediation

As a result of the foregoing factors, Banco do Brasil recorded a gross profit from financial intermediation in 2003 of R$10.006 billion compared to a gross profit from financial intermediation of R$8.071 billion in 2002, although the positive results of Banco do Brasil in the period may not be fully indicative of the spreads earned by Banco do Brasil on its financial operations during such period.

Other Operating Income/Expenses

Banco do Brasil's income from banking services rendered includes (i) commissions earned on collection services, (ii) investment fund management fees and other private sector banking service charges and (iii) commissions earned by Banco do Brasil as an agent of the Federal Government in its role as national clearing agent. Banco do Brasil's income from banking services rendered increased to R$ 5.491 billion for the year ended December 31, 2003 from R$4.453 billion for the year ended December 31, 2002, an increase of 23.3%. The increase results mainly from an increase of 47.8% in service fee income resulting from Banco do Brasil's "*Plano Ouro de Serviços*" (service package, designed to attract and maintain clients) (see "Business of Banco do Brasil S.A.— Banking Activities—Retail Banking—Service Fees"), asset operations (33.4% increase from period to period), collection services (24.8% increase from period to period), investment funds management fees (12.0% increase from period to period) and management fees associated with credit cards transactions (18.1% increase from period to period).

Personnel expenses increased to R$6.812 billion for 2003 from R$5.548 billion for year ended December 31, 2002 an increase of 22.8%. This increase mainly reflects an increase of 12.6% of salary adjustment agreed in the Collective Bargaining of 2003/2004 and an increase of provisions for existing labor claims in the total amount of R$508.5 million due to the migration to a new system for monitoring judicial claims which resulted in an improvement in the methodology used to calculate such provisions.

Other administrative expenses increased to R$4.514 billion for year ended December, 2003, from R$4.097 billion for year ended December 31, 2002, an increase of 10.2% mainly due to the expansion of the business of the Bank during the period, resulting in a general increase in its administrative expenses items, such as third parties services (46.1% increase from period to period), communication expenses (13.8% increase from period to period), data processing (12.2% increase from period to period) and promotion and public relations (32.9% increase from period to period).

Tax expenses, consisting of State taxes, CPMF, Rural Land Tax (*Imposto Territorial Rural* or "ITR"), Municipal Real Estate Tax (*Imposto sobre Propriedade Territorial e Urbana* or "IPTU"), Tax on Services (*Imposto Sobre Serviços de Qualquer Natureza* or "ISSQN"), and COFINS and PASEP, increased to R$1.128 billion for 2003 from R$819.7 million for 2002, an increase of 37.6%. The increase principally relates to the expansion of Banco do Brasil's operating income for tax purposes in the year ended December 31, 2003.

Equity in the earnings of Banco do Brasil's associated and subsidiary non-financial companies decreased from an income of R$2.304 billion for year ended December 31, 2002 to an expense of R$642.4 million for year ended December 31, 2003. This 127.9% decrease results from the effect of the depreciation of the *Real* against the U.S. Dollar during 2002 (52.3%) compared to the appreciation of the *Real* against the U.S. Dollar during 2003 (18.2%) and the corresponding depreciation in real terms of the U.S. Dollar-denominated capital of Banco do Brasil's offshore branches which are recorded in this line item and are not recorded under the line item "gains from trading in foreign exchange".

Other operating income increased to R$6.553 billion for year ended December 31, 2003 from R$1.679 billion for year ended December 31, 2002, a 290.3% increase. This increase mainly results from the appreciation of the *Real* against the U.S. Dollar and the Japanese Yen in 2003 compared with a devaluation of the *Real* against both currencies in 2002 (18.2 and 9.3% for 2003 and 52.3 and 68.2 for 2002, respectively) affecting the foreign currency -linked obligations of Banco do Brasil, generating an income of negative foreign exchange adjustments in the total amount of R$3.963 billion. In 2002, the Bank did not account for such income.

Other operating expenses increased to R$4.382 billion for year ended December 31, 2003 from R$2.854 billion for year ended December 31, 2002, a 53.6% increase. This increase mainly results from the appreciation of the *Real* against the U.S. Dollar and of the Japanese Yen in 2003 compared with a devaluation of the *Real* against such currencies in 2002 (52.3 and 68.2% for year ended December 31, 2002 and 18.2 and 9.3 for 2003, respectively) generating expenses of negative foreign exchange adjustments, in the total amount of R$1.255 billion.

Non-operating income of Banco do Brasil decreased 12.9% to R$148.6 million for 2003 from R$170.7 million for 2002. This decrease is mainly due to a decrease in the revenues from the sale of properties, and a lower annual variation of IGP-M (8.7% in 2003 compared to 25.3% in 2002), which is the interest rate applicable to these receivables.

Profit Sharing

For the year ended December 31, 2003, Banco do Brasil recorded a profit of R$4.721 billion before income tax and social charges for financial accounting purposes (compared to that of R$3.361 billion for the year ended December 31, 2002). Banco do Brasil's income tax and social charges tax expense in 2003 was R$2.067 billion compared to R$1.188 billion in 2002. Banco do Brasil distributed profit sharing to its employees in the amount of R$273.4 million in 2003 (R$144.9 million in 2002).

Overall Net Income

As a result of the above factors, Banco do Brasil registered net income of R$2.381 billion for 2003 compared to net income of R$2.028 billion for 2002.

Year ended December 31, 2002 compared to the year ended December 31, 2001

Banco do Brasil's results for the year ended December 31, 2002 were affected by various factors in addition to operational and business considerations, including some of the major transactions and events discussed below, the conditions of the Brazilian economy and financial markets during such period and the regulatory environment in which it operated.

In particular, Banco do Brasil's results for the year ended December 31, 2002 were affected by two primary factors: (i) the devaluation of the *Real* against the U.S. Dollar, particularly in the second quarter; and (ii) the implementation of new valuation and accounting policies related to marketable securities and derivative financial instruments. See "— Critical Accounting Policies Used by the Bank—Classification of Securities" and "— Critical Accounting Policies Used by the Bank—Fair Value of Financial Instruments" above.

The Bank's results for the year ended December 31, 2002 were significantly affected by the continuing depreciation of the *Real* during the period. The *Real* was down 52.3% against U.S. Dollar during 2002 compared to 18.7% during the same period in 2001. The depreciation in 2002 generally reflected uncertainties concerning the presidential elections in Brazil and concerns about market conditions generally. The depreciation impacted both revenue, particularly income on U.S. Dollar-linked marketable securities, and expenses, particularly on U.S. Dollar-denominated borrowings and onlendings.

The results of the Bank for the year ended December 31, 2002 were further affected by the implementation of a new valuation and accounting criteria determined by the Central Bank through Circular Letters Nos. 3,068 and 3,082, dated November 8, 2001 and January 30, 2002 ("Circular Letters Nos. 3,068 and 3,082") respectively. These regulations established new accounting policies for the valuation of marketable securities and financial derivative instruments of financial institutions. See "— Critical Accounting Policies Used by the Bank—Classification of Securities" and "— Critical Accounting Policies Used by the Bank—Fair Value of Financial Instruments" above. The application of this new accounting policy had a net negative impact of R$954.2 million on stockholders' equity, which stood at R$9.197 billion as of December 31, 2002. See Note 5c to 2002 Financial Statements.

As a result, amounts presented in certain line items of Banco do Brasil's consolidated audited financial statements for 2001 may not be directly comparable to amounts presented in such line items of Banco do Brasil's consolidated audited financial statements for 2002. Investors should be aware of the foregoing in considering the financial information presented herein and assessing period-to-period trends and comparisons.

Banco do Brasil reported an overall net income for the year ended December 31, 2002 of R$2.028 billion compared to R$1.082 billion for the year ended December 31, 2001, an increase of 87.4% Banco do Brasil reported a gross income of R$8.071 billion from financial intermediation for 2002 compared to a gross income from financial intermediation of R$4.869 billion for 2001, an increase of 65.8% The more significant components of the increase are described below.

Revenues from Financial Intermediation

Gross financial revenues increased to R$36.727 billion for the year ended December 31, 2002 from R$19.417 billion for 2001, an increase of 89.1%.

Banco do Brasil's income from lending operations increased to R$13.828 billion for the year ended December 31, 2002 from R$10.625 billion for the year ended December 31, 2001, an increase of 30.1%. This increase mainly reflects an increase in the income from consumer lending, credit cards transactions (as a result of the merger of the credit card business into the Bank in November 2001) and an increase in the income from foreign exchange loans due to a higher devaluation of the *Real* against the U.S. Dollar during 2002 (52.3%) compared to

2001 (18.7%). Additionally, the income from discounted bills transactions of Banco do Brasil increased by 44.0% to R$1.3 billion during 2002 as a result of the devaluation of the *Real* affecting U.S. Dollar denominated bills, of an increase in the volume of such transactions and an increase in the rates used to adjust such bills.

Income (net) from the Bank's leasing operations remained stable with a slight decrease to R$106.1 million for 2002 from R$109.2 million for the prior comparable period, a decrease of 2.8%

Income from Banco do Brasil's marketable securities operations increased 150.8% to R$13.940 billion for 2002, from R$5.558 billion for 2001. This increase mainly stems from a 114.8% increase in income from the fixed rate securities portfolio as a result of the greater depreciation of the *Real* against the U.S. Dollar during 2002 (52.3%) compared to 2001 (18.7%), affecting the US Dollar-linked securities held by Banco do Brasil and an increase in the interest rates on marketable securities.

Income from Banco do Brasil's derivatives trading amounted to an expense of R$1.664 billion in 2002. This expense results from adjustments made in April 2002 in accordance with Circulars No. 3,068 and 3,082 from the Central Bank that provided for a separate line item for accounting expenses related to valuation to market value of certain U.S. Dollars linked public securities affected by the greater depreciation of the *Real* against the U.S. Dollar (52.3%).

Banco do Brasil's gains on trading in its foreign exchange portfolio increased by 309.8% from R$2.021 billion in 2001 to R$8.282 billion in 2002. This increase is due to a higher increase in the value of the U.S. Dollar against the *Real* during 2002 (52.3%) compared to 2001 (18.7%) and the resulting increase in the volume of transactions involving foreign currency denominated assets of Banco do Brasil such as the export financing in the form of ACCs and ACEs (advances on foreign exchange contracts for exporters).

Banco do Brasil's income from compulsory investments increased to R$2.234 billion for the year ended December 31, 2002 from R$1.103 billion for the year ended December 31, 2001, an increase of 102.5%. This increase is mainly due to an increase in average balance of compulsory reserves relating to time deposits required to be maintained by Banco do Brasil at the Central Bank, an increase in the average balance of compulsory reserves relating to judicial deposits and an increase in the IGPM, which is the interest rate applicable to these compulsory investments (20.8% for the year ended December 31, 2002 and 10.1% for the year ended December 31, 2001).

Expenses of Financial Intermediation

Banco do Brasil's expenses incurred in connection with financial intermediation increased 97.0%, to R$28.655 billion for 2002 from R$14.548 billion for 2001.

Banco do Brasil's expenses from deposits and funds obtained in the market, including gains on repurchase operations, increased to R$13.617 billion during the year ended December 31, 2002 from R$9.547 billion for 2001, an increase of 42.6%. This increase results mainly from an increase in the average balance of savings accounts and an increase in the TR index, which is the interest rate applicable to savings accounts (2.8% in 2002 and 2.3% in 2001). In addition, there was an increase in the average balance of time deposits and repurchase transactions.

Banco do Brasil's expenses from borrowings and onlendings consist of costs relating to the foreign funding and expenses of funding foreign currency denominated assets, among others. Banco do Brasil's expenses in connection with these transactions increased to R$12.030 billion for 2002 compared to R$3.462 billion for 2001. This 247.5% increase results from the appreciation in real terms of the existing foreign exchange denominated obligations of Banco do Brasil as a result of the appreciation of the U.S. Dollar and of the Japanese Yen against the *Real* (52.3% and 68.2% in 2002 compared to 18.7% and 3.7% in 2001, respectively).

Banco do Brasil's provision for credit losses increased 95.5% to R$3.009 billion for the year ended December 31, 2002 compared to R$1.539 billion in the year ended December 31, 2001. The increase in the overall amount of provisions for credit losses, which are mostly related to direct consumer financing, discounted bills and agricultural transactions, results from the general increase in the volume of such transactions.

Gross Profit from Financial Intermediation

As a result of the foregoing factors, Banco do Brasil recorded a gross profit from financial intermediation in 2002 of R$8.071 billion compared to a gross profit from financial intermediation of R$4.869 billion in 2001, although the positive results of Banco do Brasil in that period may not be fully indicative of the spreads earned by Banco do Brasil on its financial operations during such period.

Other Operating Income/Expenses

Banco do Brasil's income from banking services rendered includes (i) commissions earned on collection services, (ii) investment fund management fees and other private sector banking service charges, and (iii) commissions earned by Banco do Brasil as an agent of the Federal Government in its role as national clearing agent. Banco do Brasil's income from banking services rendered increased to R$4.453 billion for the year ended December 31, 2002 from R$3.760 billion for the year ended December 31, 2001, an increase of 18.4%. The increase results mainly from an increase in service fee income resulting from Banco do Brasil's "*Plano Ouro de Serviços*" (service package, designed to attract and maintain clients) (see "Business of Banco do Brasil S.A.—Banking Activities—Retail Banking—Service Fees") and management fees associated with credit cards transactions as a result of the merger of the credit card business into the Bank in November 2001.

Personnel expenses remained stable, at R$5.548 billion for 2002 from R$5.575 billion for 2001, a slight decrease of 0.5%.

Other administrative expenses increased to R$4.097 billion for 2002, from R$3.586 billion for 2001, an increase of 14.2% mainly due to the expansion of the business of the Bank during the period, resulting in an increase in its administrative expenses items, such as third parties services (79.3%), promotion and public relations (35.5%), communication expenses (26.8%) and data processing (23.7%).

Tax expenses, consisting of State taxes, CPMF, ITR, IPTU, ISSQN, and COFINS and PASEP, increased to R$819.7 million for 2002 from R$685.6 million for 2001, an increase of 19.5%. The increase principally relates to the expansion of Banco do Brasil's operating income for tax purposes in the year ended December 31, 2002.

Equity in the earnings of Banco do Brasil's associated and subsidiary non-financial companies increased from R$1.601 billion for 2001 to R$2.304 billion for 2002. This 43.9% increase results from the effect of the greater depreciation of the *Real* during 2002 compared to 2001 (18.7% in 2001 against 52.3% in 2002) and the corresponding appreciation in real terms of the U.S. Dollar-denominated capital of Banco do Brasil's offshore branches which are recorded in this line item and are not recorded under the line item gains from trading in foreign exchange. During 2002, Banco do Brasil repatriated U.S.$106.2 million (equivalent to R$255.0 million) of excess capital held in its offshore branches, compared to U.S.$3.1 billion (equivalent to R$7.1 billion) during 2001 (repatriated as resources from foreign branches and subsidiaries at the disposal of the head office).

Other operating income decreased to R$1.679 billion for 2002 from R$4.307 billion for 2001, a 61.0% decrease. This decrease results from a 83.6% decrease in the income from specific credits (such as National Treasury related credits) from R$1.007 billion in 2001 to R$165.6 million in 2002. Additionally, in 2001, Banco do Brasil had certain revenues that were not generated in 2002, such as income from debt owed by INSS to Banco do Brasil (R$873.2 million in 2001, which was fully paid on December 31, 2001) and income related to the reversion of certain provisions implemented in June 2001 related to losses from dealing in Federal Government securities (R$469.1 million in 2001) that was recorded under this line item. The associated expense was recorded under "Other operating expenses" (see below).

Other operating expenses decreased to R$2.854 billion for 2002 from R$3.320 billion for 2001, a 14.0% decrease. This decrease mainly results from a 57.7% decrease in provision for adjustment of taxes and contributions from R$269.8 million in 2001 to R$114.0 million in 2002 as a result of additional provisions taken in the first half of 2001. In addition, the Bank incurred expenses in 2001 relating to a loss generated by a repo transaction involving certain National Treasury securities with the Federal Government. The loss generated an expense of R$653.8 million for Banco do Brasil and a corresponding provision related to the above transaction was also recorded in and

impacted this line item. This provision was reversed in July 2001 and the associated income was recorded under "Other operating income" (see above).

Non-operating income of Banco do Brasil increased 115.3% to R$170.7 million for 2002 from R$79.3 million for 2001. This increase is mainly due an increase in the revenues from the sale of properties and an increase in the IGPM, which is the interest rate applicable to these receivables (20.8% for the year ended December 31, 2002 and 10.1% for the year ended December 31, 2001).

Profit Sharing

For the year ended December 31, 2002, Banco do Brasil recorded a profit of R$3.361 billion before income tax and social charges for financial accounting purposes (compared to that of R$1.449 billion for the year ended December 31, 2001). Banco do Brasil's income tax and social charges tax expense in 2002 was R$1.188 billion compared to R$300.8 million in 2001. Banco do Brasil distributed profit sharing to its employees in the amount of R$144.9 million in 2002 (R$66.3 million in 2001). Such distribution of profit to the Bank's employees was a result of the increase of profits in the year 2002.

Overall Net Income

As a result of the above factors, Banco do Brasil registered net income of R$2.028 billion for 2002 compared to net income of R$1.082 million for 2001.

Source of Funds

Between 1964 and 1986, Banco do Brasil was funded to a substantial extent by an open account (*Conta Movimento*) with the Central Bank, from which it obtained funds as needed to fund both its commercial bank operations and Federal Government-related activities. Banco do Brasil offered only demand deposit accounts and issued an insignificant amount of certificates of deposit to customers. In February 1986, the open account was closed, and since then Banco do Brasil has had to rely increasingly on other sources for its non-Federal Government-related operations and on the Federal Government for lending for specific purposes.

Banco do Brasil's Brazilian currency funding operations are the responsibility of the Finance Division, the domestic treasury unit, which acts through the Retail Division to accomplish its funding objectives. See "Business of Banco do Brasil S.A.—Organizational Structure". Banco do Brasil has developed a market risk model and in January 2002 completed the process of implementing the risk model to manage Banco do Brasil's assets and liabilities to manage mismatches between the interest rates and terms of Banco do Brasil's funding and its lending. See "— Open Market Operations" below. Banco do Brasil's foreign currency funding operations are the responsibility of the International Division (see "Business of Banco do Brasil S.A.—Banking Activities—Wholesale Banking—International Operations"). The Bank implemented a market risk management model in order to accurately measure and manage its treasury's market risk in domestic and foreign currency transactions and also in funding management. These areas produce daily V@R ("Value at Risk") reports and have processes in place that allow Banco do Brasil to control trader's market risk limits.

The main sources of funding for Banco do Brasil's Brazilian-currency-based, domestic-lending operations, not including Federal Government-related lending or trade financing, are demand and savings deposits, *Certificados de Depósito Bancário* ("CDBs") sold to individuals or non-financial institution customers, CDIs sold to financial institutions and earnings on its own capital base. In addition, Banco do Brasil, from time to time, will raise funds from the inter-bank market, or from short-term operations in the money markets (repurchases or "repos") to take advantage of opportunities arising from Banco do Brasil's holding of government securities.

The following table shows the sources of Brazilian currency funding for Banco do Brasil's commercial and Federal Government-related activities on a consolidated basis as at December 31, 2003, 2002 and 2001.

	December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Non-Federal Government sources			
Demand deposits	27,140	24,342	18,831
Savings accounts	27,425	26,918	21,242
Interbank CDs	7,276	3,876	4,221
Customer CDs	48,173	42,117	29,142
Total deposits	110,014	97,253	73,436
Open market	40,063	48,327	43,753
Total non-Federal Government sources	150,077	145,580	117,189
Federal Government sources			
Repassed funds	7,458	5,921	4,663
Funds as agent	2	2	2
Total Federal Government sources	7,460	5,923	4,665
Total funding	157,537	151,503	121,854

Deposit Accounts

At December 31, 2003, the volume of total deposits on behalf of individuals and of legal entities, including demand deposits, savings accounts, interbank CDs and customer CDs amounted to R$110.0 billion, a 13.1% increase compared to R$97.3 billion at December 31, 2002 (R$73.4 billion at December 31, 2001). The Brazilian currency deposit accounts of individuals and corporations, which include demand deposits and savings accounts, accounted for 36.4% of total non-Federal Government funding at December 31, 2003 (35.2% at December 31, 2002 and 34.2% at December 31, 2001). Banco do Brasil had a total volume of currency deposit accounts of R$54.6 billion at December 31, 2003, a 6.4% increase from R$51.3 billion at December 31, 2002. See "Business of Banco do Brasil S.A.—Banking Activities—Retail Banking—Demand and Saving Accounts".

Demand Deposits

Demand deposits, which are largely credit balances in current accounts with Banco do Brasil, on which no interest is paid to the depositor, amounted to R$27.1 billion at December 31, 2003 (R$24.3 billion at December 31, 2002 and R$18.8 billion at December 31, 2001) and accounted for 24.7% of total deposits by amount (25.0% at December 31, 2002 and 25.6% at December 31, 2001). On December 31, 2003, Banco do Brasil had approximately 18.8 million demand deposit accounts (15.4 million at December 31, 2002 and 13.8 million at December 31, 2001), of which approximately 93.5% are in the name of individuals (93.5% at December 31, 2002 and 93.4% at December 31, 2001).

At December 31, 2003, Banco do Brasil had 33.1% of the volume of total demand deposits in Brazil (33.0% at December 31, 2002 and 33.7% at December 31, 2001), according to the latest information published by the Central Bank taken from its electronic system—SISBACEN on December 31, 2003, making it the largest demand deposit base in Brazil.

The Central Bank mandates uses for funds in demand deposit accounts and other sources, such as tax and other collections, at all Brazilian banks and requires Banco do Brasil to deposit 45.0% of the daily average balance of demand deposits in excess of R$2.0 million on a non-interest bearing basis with the Central Bank. An additional 25.0% of such funds must be lent at reduced interest rates to a designated sector of the economy (currently the crop

farming industry). See “Business of Banco do Brasil S.A.—Banking Activities—Retail Banking—Demand and Savings Accounts”.

Savings Deposits

As at December 31, 2003, savings accounts deposits (*cadernetas de poupança ouro*) were equivalent to R$27.4 billion (R$26.9 billion at December 31, 2002 and R$21.2 billion at December 31, 2001) and accounted (in terms of amounts) for 24.9% of total deposits maintained at Banco do Brasil (30.6% at December 31, 2002 and 28.9% at December 31, 2001).

Banco do Brasil had a total of 10.7 million savings accounts at December 31, 2003 (9.5 million at December 31, 2002 and 8.7 million at December 31, 2001), of which 99.2% were in the names of individuals (98.2% at December 31, 2002 and 99.2% at December 31, 2001). The increase in savings accounts during the period reflects the increase in demand deposits held by individuals resulting from Banco do Brasil’s efforts during this period to increase its client base.

Savings account deposits held by Banco do Brasil accounted for 19.1% of the total savings account market (in terms of amounts) in Brazil at December 31, 2003 (19.2% at December 31, 2002 and 17.9% at December 31, 2001). Savings accounts pay a rate of interest mandated by the Central Bank and made applicable to all savings accounts. The rate of interest is currently 0.5% *plus* TR per month for individuals and 1.5% *plus* TR per quarter for corporations. Under Central Bank regulations, banks in Brazil can offer two types of savings accounts, which have identical terms but differ as to the economic sector to which the deposited funds must be applied: housing or agriculture. In order to maximize the funding available for its rural sector lending, Banco do Brasil offers only savings accounts in which the deposited funds are applied to the agricultural sector and does not believe that it suffers any competitive disadvantage in taking deposits in urban and metropolitan areas as a result of this policy. Banco do Brasil is one of only three banks offering such savings accounts in Brazil, and according to information published by the Central Bank, 98.3% of the country’s savings accounts deposits in which funds are applied to agriculture were maintained at Banco do Brasil at December 31, 2003 (98.4% at December 31, 2002 and 91.9% at December 31, 2001). The Central Bank requires that savings account deposits in Brazil have a term of 30 days for individuals and a term of three months for corporations in order to earn interest. Interest earned on individuals’ savings accounts is tax free, whereas interest earned on corporate savings accounts incurs 20.0% income tax. All banks must place a specified percentage of savings account deposits with the Central Bank (currently 30.0% of the savings deposit). These compulsory deposits bear interest at a flat rate of TR *plus* 6.17% per annum. A further 40.0% of Banco do Brasil’s savings accounts must be applied to lending in the rural sector. The remaining 30.0% is at the Bank’s discretion; Banco do Brasil utilizes it for financing agricultural and agroindustrial products and investing in Federal Government securities.

Since April 28, 1982, Banco do Brasil has had an agreement with the Savings and Loan Association, managed by the Brazilian Army, to offer a special savings account named POUPEX. Holders thereof may apply for real estate loans based on the average of their deposits. Banco do Brasil is compensated through fees for the service rendered to the Housing Foundation for the Army. As at December 31, 2003, the balance of POUPEX was R$839.5 million compared to R$837.1 million at December 31, 2002 and R$693.9 million at December 31, 2001 and represented 0.6%, 0.6% and 0.6%, respectively, of the total national savings (in terms of amounts).

Time Deposits

Banco do Brasil issues two types of time deposits through certificates of deposit: CDBs to non-financial institution customers and CDIs to financial institutions in the inter-bank market. As at December 31, 2003, CDBs and CDIs together constituted 44.2% (41.5% at December 31, 2002 and 38.5% at December 31, 2001) of Banco do Brasil’s total non-Federal Government funding, with CDBs constituting 36.4% (33.0% at December 31, 2002 and 31.6% at December 31, 2001) and CDIs constituting 7.7% (8.6% at December 31, 2002 and 6.9% at December 31, 2001).

Most CDBs have maturities of between one and 1,080 days and earn interest at a fixed rate set by reference to market rates at their issuance. Banco do Brasil also issues a smaller number of floating rate CDBs which have terms of between one and 1,080 days. These floating rate CDBs earn interest at a minimum margin of 70.0% over

CDI. Banco do Brasil experienced a significant increase in demand for its CDBs following the implementation of the *Real* Plan. The CPMF was lifted during the first half of 1998, which accounted for the overall increase in the total number of CDBs issued by Banco do Brasil during that year and during 1999, especially short term CDBs. See "Risk Factors—Risks Relating to the Bank—Changes in taxes and other fiscal assessments may adversely affect the Bank's financial position and results of operations".

The total market for CDBs in Brazil at December 31, 2003 amounted to approximately R$194.0 billion (R$181.4 billion at December 31, 2002 and R$145.8 billion at December 31, 2001) of which Banco do Brasil's share was 15.21% (18.3% at December 31, 2002 and 20.0% at December 31, 2001). Competition among banks for CDBs is intense. However, due to Banco do Brasil's large network of operating outlets and its reputation in the market, it has been able to obtain funds at slightly below market rates in its desired quantities, particularly from retail clients, who owned approximately 30.8% of total CDBs by value issued by Banco do Brasil at December 31, 2003 compared to 39.5% at December 31, 2002 and 26.5% at December, 2001.

Banco do Brasil is one of 30 banks consulted by the Central Bank on offered rates, and volumes issued of CDBs in order to allow it to determine the TR, a widely used index for financial contracts in Brazil. Banco do Brasil is also one of a limited number of financial institutions consulted daily in the determination of the ANDIMA rate, which serves as a reference rate for the CDI market.

Banco do Brasil uses CDIs to match fund its overnight loans to major corporations (so-called "hot money" loans) to take advantage of arbitrage opportunities between the spreads on its CDIs and those of other banks and as a cash management tool to take advantage of the one day settlement period in the CDI market. As at December 31, 2002, approximately 66.5% of the CDIs issued by Banco do Brasil had maturities of one day, approximately 1.95% had maturities of 121 days, approximately 1.11% had maturities of 123 days, approximately 5.03% had maturities of 129 days, 7.78% had maturities of 168 days, 1.94% had maturities of 172 days, 7.27% had maturities of 355 days and approximately 8.39% had maturities of 549 days. CDIs earn interest at a fixed rate set by reference to market rates at their issuance. As at December 31, 2003, approximately 76.6% of the CDIs issued by Banco do Brasil had maturities of one day, approximately 5.4% had maturities of 124 days, approximately 1.3% had maturities of 126 days, approximately 2.5% had maturities of 129 days, 2.9% had maturities of 130 days and 11.3% had maturities of 355 days.

The Central Bank currently imposes a reserve requirement of 15.0% in Securities plus an additional of 8.0% in cash on the funds raised through the issuance of CDBs. If high reserve requirements are imposed, some of the raised funds must be deposited in securities with the Central Bank. There are no reserve requirements on the use of funds raised through the issue of CDIs.

Open Market Operations

Banco do Brasil is registered with the Central Bank and is one of the largest dealers in the Brazilian Federal Government debt market. Banco do Brasil participates in the Federal Government debt market in order to obtain funds for its commercial lending operations, principally using its portfolio of Federal Government securities to obtain liquidity from the market through repurchase and other similar transactions. As a dealer, Banco do Brasil posts rates at the time of the Central Bank auctions of new debt and is an active participant in those auctions. Banco do Brasil has one of the largest portfolios of Brazilian public sector debt, amounting to approximately R$64.4 billion at December 31, 2003 (R$68.8 billion at December 31, 2002 and R$60.8 billion at December 31, 2001), much of which was derived from the settlement payment made to Banco do Brasil by the National Treasury. See "Business of Banco do Brasil S.A.—Government Affairs". Banco do Brasil raises funds by borrowing under repurchase agreements secured on this portfolio in the inter-bank overnight market. It also lends in the overnight market under repurchase agreements, and will accept as collateral a wider range of public sector debt than most of its competitors. Daily turnover in the federal public sector debt market averages approximately R$143.6 billion at December 31, 2003 (R$144.8 billion at December 31, 2002 and R$175.8 billion at December 31, 2001). Banco do Brasil also participates actively in the public securities market at the request of clients.

Repassed Funds

Banco do Brasil acts as a financial agent for entities of the Federal Government, on-lending special purpose funding to targeted groups of borrowers. Such operation is referred to as "repassing". In these circumstances Banco do Brasil will borrow funds from the relevant Federal Government source and on-lend those funds at a spread determined by the Federal Government to the targeted sector of the economy. Banco do Brasil makes lending decisions based on its lending criteria within parameters laid down by the Federal Government. Banco do Brasil bears risks in some transactions, principally with respect to lending to the rural sector and to a lesser extent to the industrial and commercial sectors. Repass lending occurs only when Banco do Brasil has received the funds from the Federal Government for on-lending (see "Business of Banco do Brasil S.A. – Government Affairs – Repassed Funds Lending").

Special Operations Sources of Funds

Banco do Brasil has acted as agent of the National Treasury in making loans on behalf of the Federal Government. These loans flow through Banco do Brasil and until December 31, 1993 had appeared on Banco do Brasil's balance sheet. In accordance with Central Bank requirements (document DEBRA/REFIS-I-GEFIS-II-94/0166 of April 6, 1994), Banco do Brasil no longer accounts on its balance sheet for assets and liabilities for which it has acted as an agent of the Federal Government and it bears no risk. As at December 31, 2003 these operations amounted to R$341.2 billion (R$326.1 billion at December 31, 2002 and R$272.2 billion at December 31, 2001). Unlike the repassed funds lending described in "Repassed Funds" above, Banco do Brasil exercises no discretion in placing special operation funds. The assets and liabilities of Banco do Brasil's special operations are closely matched and Banco do Brasil makes payment to the National Treasury in repayment of the loan only when it receives monies from the borrower. Interest on the loans is not booked as income of Banco do Brasil. Banco do Brasil receives a commission from the National Treasury for its agency role.

Transactions with Securities Issued by States and Municipalities

In the past, Banco do Brasil was instructed by the Central Bank to trade with securities issued by States and Municipalities both for its own account and to facilitate operations of the Federal Government (such as debt restructuring of States). In 1994, Banco do Brasil purchased *Letras Financeiras do Tesouro Estadual* ("LFTEs") of the State of Rio de Janeiro held by Banco do Estado do Rio de Janeiro – BANERJ as they matured, receiving in return an equivalent principal amount of *Letras do Banco Central* ("LBCs") of the Central Bank, a considerably more liquid security. In 1994, the LFTEs held by Banco do Brasil, in an amount equivalent to R$11.6 billion were exchanged for freely tradable LFTs issued by the Federal Government. Banco do Brasil has since ceased trading with those LFTEs.

Banco do Brasil was also involved in dealing in securities issued by the City of São Paulo. Up until 1994, Banco do Estado de São Paulo S.A. ("BANESPA") had financed the City of São Paulo by trading through repurchase agreements involving securities issued to repay legal costs relating to lawsuits in which the Municipality is involved (securities relating to *precatórios*). When the Central Bank intervened in BANESPA at the end of 1994, the City of São Paulo requested Banco do Brasil to start trading through repos with such securities, in return transferring payments relating to the payroll of its employees to Banco do Brasil. Such trading did not involve the acquisition of the securities but temporary purchases followed by sales On December 13, 1999, the Federal Government and the City of São Paulo entered into an agreement to refinance the debts of the City of São Paulo owed to the Federal Government in the total amount of R$10.5 billion (which included part of the debt of the City of São Paulo relating to the issue of securities in the amount of R$6.6 billion). The agreement provided for the exchange of City of São Paulo securities for 8-year- *Letras Financeiras do Tesouro* ("LFTs") issued by the Federal Government which are freely tradable and pay interest equivalent to the average monthly SELIC rates. The Federal Senate approved the agreement on May 2, 2000 and the assumption by the Federal Government of 99% of the City of São Paulo debt represented by securities took place on May 3, 2000.

On May 4, 2000, the Brazilian Congress approved Complementary Law No. 101 (*Lei de Responsabilidade Fiscal*). Pursuant to this law, States and Municipalities may only fund themselves through arrangements similar to the one between Banco do Brasil and the City of São Paulo in very limited circumstances. On March 30, 2000, Provisional Measure No. 1,969/15 (reissued as Provisional Measure No. 2,185/35) authorized the Federal

Government to refinance debts represented by securities of municipalities for a term of 30 years adjusted by the IGP–DI *plus* 9% per annum interest.

Other Sources of Funds

Banco do Brasil derives float income from acting as a collection agent for various Federal and State taxes and for social security contributions. At December 31, 2003 Banco do Brasil collected approximately 30.8% of all Federal Government taxes, 33.0% of State taxes and 13.5% of social security contributions in Brazil. In addition, Banco do Brasil acts as a paying agent for the social security system.

In addition to the operations described above, Banco do Brasil engages in other borrowings, to fund its domestic and international operations (see "Business of Banco do Brasil S.A.—Banking Activities—Wholesale Banking—International Operations").

In addition to its traditional deposit products, Banco do Brasil offers its customers through BB DTVM access to a wide range of funds tailored to the needs of each market segment: individuals, corporations, public sector, institutional investors and non resident investors (see "Business of Banco do Brasil S.A.—Banking Activities—Wholesale Banking—Asset Management Operations—Fund Management"). Although these operations do not directly generate liquidity available for use in Banco do Brasil's lending operations, Banco do Brasil believes that they are extremely important in terms of providing a competitive range of products and generating fee income.

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

Use of Funds

As a result of the restructuring of Banco do Brasil since 1996, and in particular, because of Banco do Brasil's receipt of Federal Government securities in settlement of outstanding liabilities of the National Treasury, the percentage of Banco do Brasil's assets represented by Federal Government securities increased from 9.7% at December 31, 1996 to 36.7% at December 31, 2001. However, the percentage of Banco do Brasil's assets represented by Federal Government securities has since decreased to 33.6% at December 31, 2002 and 28.9% at December 31, 2003.

As a consequence of the Asian financial crisis in 1997, the Russian financial crisis in 1998 and the devaluations of the *Real* in January 1999, the percentage of Banco do Brasil's assets represented by lending operations (gross of provisions) decreased from 31.1% at December 31, 1998 to 25.7% at December 31, 2001. However, the percentage of Banco do Brasil's assets represented by lending operations (gross of provisions) has since increased to 26.7% at December 31, 2002 and 30.2% at December 31, 2003.

The following table sets out the breakdown of Banco do Brasil's lending operations by type of financial product made available.

Lending Operations

	As at December 31,		
	2003	**2002**	**2001**
	(in thousands of *Reais*)		
Loans and Discounted Bills			
Advances to depositors	20,731	126,960	43,276
Loans	25,770,221	23,651,620	19,419,351
Discounted bills	5,347,475	4,092,759	3,457,701
	31,138,427	27,871,339	22,920,328
Financing (1)			
Financing	7,395,576	5,994,497	4,325,197
Export financing	2,413,665	1,658,806	1,325,955
Financing in foreign currency	1,517,924	1,955,690	1,738,465
Financing conducted with intervenient	—	—	23
Financing conducted with the Federal Government	127,640	118,319	94,590
	11,454,805	9,727,312	7,484,230
Rural and Agroindustrial Financings			
Rural financing – Optional investments	27,741	29,044	38,744
Rural financing – Mandatory investments	12,985,065	6,862,264	5,373,208
Rural financing – Restructured financing	11,179,033	9,467,431	6,490,417
Agroindustrial financing	2,786,505	652,390	103,281
	26,978,344	17,011,129	12,005,650
Total	69,571,576	54,609,780	42,410,208

Note:—

(1) Banco do Brasil 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".

Banco do Brasil utilizes its funds mainly in its lending operations. Loans by Banco do Brasil are extended principally to the agricultural sector as a consequence of its policies and of mandatory requirements imposed on banks in Brazil (including Banco do Brasil) by the Central Bank. (The Central Bank requires that 25.0% of all demand deposits and 40.0% of all rural savings account deposits be lent to the agricultural sector or be utilized to acquire Federal Government securities.) See "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending" below and "The Brazilian Financial System—Reserve and Related Requirements". Banco do Brasil applies the balance of its funding available for lending operations to the extension of working capital loans primarily to retail clients.

The following table sets out the breakdown of Banco do Brasil's "Other Receivables".

Other Receivables

	As at December 31,		
	2003	**2002**	**2001**
	(in thousands of *Reais*)		
Receivables on guarantees honored	30,285	38,056	27,874
Foreign exchange portfolio	8,859,458	10,160,566	6,037,005
Income on receivables	400,659	299,174	245,769
Negotiation and intermediation of securities	88,314	16,568	30,174
Specific credits[(1)]	494,182	433,718	6,662,110
Special operations	1,355	4,587	4,094
Sundry[(2)]	18,679,999	19,339,707	17,835,711
Total[(3)]	28,554,252	30,292,376	30,842,737

Notes:—

(1) Amounts relating to the 1996 Special Agriculture Loan Restructuring (as defined under "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending").

(2) Amounts included under "Sundry" comprise salary advances, tax credits and loans due to Banco do Brasil. See Note 8.c to the 2003 Financial Statements.

(3) Amounts are gross of provision for other receivables of R$1,245,529 thousand, R$508,406 thousand and R$453,232 thousand at December 31, 2003, 2002 and 2001, respectively.

Lending

General

Banco do Brasil's lending activities, including special operations undertaken for the Federal Government, are divided into several categories. Banco do Brasil lends domestically in Brazilian currency to the private sector, principally at its own risk, and to the public sector, principally at the risk of the Federal Government. Within the private sector, it lends to companies, businesses and individuals in three principal areas: industrial and commercial, agricultural and retail lending. Part of Banco do Brasil's lending to the private sector includes the repassing of loans made to it by Federal Government entities to borrowers in Brazil both at Banco do Brasil's risk and at the Federal Government's risk. Banco do Brasil's trade financing activities are described under "Business of Banco do Brasil S.A.—Banking Activities—Wholesale Banking—Trade Financing".

Concentrations

Macrosector [1]	Dec/03	Part.%	June/04	Part.%	Chg.%
Services	6,420	15.0	6,920	15.3	2.1
Foods of Vegetal Origin	4,224	9.9	4,401	10.0	0.8
Metallurgy and Siderurgy	3,425	8.0	4,116	9.4	17.0
Petroleum	2,581	6.0	2,397	6.4	5.8
Automotive	3,078	7.2	2,885	6.3	(12.3)
Foods of Animal Origin	2,594	6.1	2,788	6.1	(0.2)
Paper and cellulose	2,004	4.7	1,741	4.7	0.3
Retail Commerce	1,837	4.3	1,961	4.5	4.0
Textile	1,964	4.6	1,929	4.2	(8.3)
Agricultural inputs	1,866	4.4	1,724	4.2	(4.3)
Electronics	1,498	3.5	1,874	3.9	10.5
Others	1,606	3.8	1,789	3.8	0.3
Construction	1,576	3.7	1,674	3.5	(4.0)
Telecommunications	1,478	3.5	1,606	3.3	(3.6)
Chemical	1,272	3.0	1,391	3.3	10.3
Electric energy	1,282	3.0	1,181	2.8	(7.0)
Wood and Furniture	968	2.3	1,027	2.3	0.4
Transports	827	1.9	1,088	1.9	(3.0)
Wholesale	1,015	2.4	667	1.8	(23.2)
Leather and Footwear	728	1.7	794	1.6	(6.3)
Beverage	451	1.1	532	1.0	(8.4)
	42,694	100.0	44,485	100.0	0.2

Note:—
(1) In million of *Reais,* except percentages.

Under Resolution No. 2,844 of the CMN, no Brazilian bank may lend more than 25.0% of its referential equity value (subject to certain adjustments) to one customer or group of customers under the same control (see "Lending" above). In the case of Banco do Brasil, this limit excludes loans made by Banco do Brasil as the agent of, and at the risk of the National Treasury. Banco do Brasil's internal policy (which is more conservative than regulatory requirements) restricts lending to one customer or group to a maximum of 5.0% of its referential equity value and lending to other banks to 15.0% of Banco do Brasil's referential equity value. At October 30, 2001, the credit policy was updated. In addition to such internal policy restrictions, the maximum aggregate percentage of Banco do Brasil's borrowings for clients or economic groups which individually have more than 2.0% of referential equity value cannot exceed 120.0% of the referential equity value. At December 31, 2003, the amount referred to the new policy had an aggregate outstanding of R$5.111 billion or 29.8% of referential equity value.

Using the Central Bank's definition of customer under Resolution No. 2,844 of the CMN, which groups together all Federal Government related entities (including government-owned companies (*empresas públicas*) and

companies with government-owned and privately-owned shares (*sociedades de economia mista*)), Banco do Brasil's largest single borrower was the Federal Government. At December 31, 2003, the largest single customer of Banco do Brasil, excluding Federal Government-related entities, had loans outstanding in the amount of R$1.153 million and accounted for 6.72% of Banco do Brasil's referential equity value (loans outstanding in the amount of R$778.0 million at December 31, 2002) as a result of the foreign exchange variation thus exceeding the maximum of 5.0% established by the Bank.

Average maturities of loans depend upon the sector to which the loan has been made. Banco do Brasil believes it currently lends for terms compatible with the private sector banks. Loans are generally made at pre-fixed rates or index based rates such as the *Taxa Anbid* ("ANBID rate") or the *Taxa de Juros de Longo Prazo* (Long Term Interest Rate "TJLP") rate *plus* a spread. Spreads fluctuate depending principally upon the source of funding, but also upon the sector, the type of borrower and the program under which the loan is made.

Loan Loss History

Pursuant to Resolution No. 2,682 of the CMN of December 21, 1999, as amended, Brazilian financial institutions are required to classify their lending transactions at different levels and constitute provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the client, the terms and conditions of the relevant transaction and also the period of time during which the transaction has been in arrears, if that is the case, according to the criteria set out in Resolution No. 2,682. Transactions are classified as any of levels AA, A, B, C, D, E, F, G and H, with AA being the highest classification. Required provisions vary from 0.5% of the value of the transaction, in the case of level A transactions, to 100.0% in the case of level H transactions. See "The Brazilian Financial System—Treatment of Overdue Debts".

In certain situations Banco do Brasil will reschedule the payment of principal and interest on overdue loans in order to improve the probability of collection. Approval criteria for loan rescheduling vary on a case-by-case basis. In many cases enhanced security will be taken. Before Resolution No. 2,682, rescheduled loans did not appear as loans in arrears unless the loan had become overdue on rescheduled maturity and remained unpaid for 60 days or more. Interest and monetary correction which are capitalized into loans in arrears which had been rescheduled could only be recognized as income when paid.

From March 2000 to June 2000, Banco do Brasil did not set aside additional provisions since the existing level was compatible with the terms of Resolution No. 2,682. After September 2000, when the procedures of that regulation were fully established by Banco do Brasil, some operations migrated from one risk level to another.

Due to Banco do Brasil's significant industry concentrations in its loan portfolio, especially in the rural sector, Banco do Brasil's levels of non-performing loans and provisions have fluctuated significantly depending on factors affecting the industries in which the portfolio is concentrated. For a discussion of the restructuring of Banco do Brasil's rural loan portfolio, and of the special federal restructuring program of R$6.2 billion which was completed during 1997, and which was complemented by a further program for the purpose of renegotiating rural loans of R$200,000 or more incurred prior to June 20, 1995, see "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending".

The following table presents a breakdown of the Bank's loan portfolio as at December 31, 2003, 2002 and 2001.

	As at December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Total portfolio	77,636	62,900	49,894
Retail	15,958	12,569	11,329
Business	16,192	14,012	11,622
Agribusiness	27,155	16,803	11,708
International[1]	7,408	7,602	6,156
Abroad[2]	9,481	10,315	7,432
Other	1,442	1,598	1,646

Notes:—
(1) Amounts related to international transactions carried out in Brazil.
(2) Amounts related to international transactions carried out outside Brazil.

The Bank is a creditor of certain companies of the Parmalat group in Brazil. Part of the Bank's transactions with such Parmalat companies is secured. The Bank has already started judicial proceedings to recover its secured credits. Regarding its unsecured credits, the Bank is still waiting for the court's decision on whether to institute a "*concordata*" proceeding (judicial restructuring) of such Parmalat companies in order to file its statement of credit (secured credits would not be included in such *concordata* proceeding). The Bank has already made provisions in relation to all its credits against Parmalat in accordance with applicable legislation and the impact of the Bank's transactions with Parmalat which are in default have already been accounted for in the financial statements of the Bank.

In the past, Banco do Brasil has faced problems with respect to the quality of its rural lending portfolio. Commencing in 1996, with the assistance of the National Treasury, the Bank restructured a significant proportion of its rural loan portfolio through special programs. Please see "Business of Banco do Brasil S.A.—Banking Activities—Rural Lending—Restructuring of the Rural Loan Portfolio".

On June 29 and December 27, 2001 and March 28, 2002, 5,781 transactions were transferred to the Federal Government. Of these transactions, 5,358 were contracts involving funding from the Federal Government itself (totaling R$ 4.356 million) and 423 were related to BNDES-FINAME funding (totaling RS$ 66.0 million).

The following table shows the total Brazilian currency loans of Banco do Brasil, the percentage of provisions and the percentage of charge offs, in each case at December 31, 2003, 2002 and 2001. Loans include all Brazilian currency rural, industrial, commercial and service sector loans.

	December 31,		
	2003	2002	2001
	(in thousands of *Reais*, except percentages)		
Total Bank loans[1]	69,571,576	54,609,780	42,410,208
Private sector	65,207,461	48,992,523	38,431,919
Public sector	4,364,115	5,617,257	3,978,289
Provisions[1]	(3,980,123)	(3,202,464)	(2,184,871)
As a percentage of total Bank loans	5.7%	5.9%	5.2%
Charge offs[1]	(2,078,247)	(1,771,195)	(1,868,835)
As a percentage of total loans	3.0%	3.2%	4.4%

Note:—
(1) Excludes leasing and other receivables.

The following tables show overdue loans by rating, broken down by days as of December 31, 2003, and total overdue amounts at December 31, 2003 and 2002.

Banco do Brasil's loan portfolio has grown substantially in the past few years. Any corresponding rise in Banco do Brasil's level of past due loans may lag behind the rate of loan growth, because loans typically do not become past due within a short period of time after their origination. Rapid loan growth may also reduce Banco do Brasil's ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. In addition, while Banco do Brasil believes that its actual credit loss history has remained fairly constant in recent years, its level of provisioning has increased somewhat during this period due to changes in its provisioning methodology to address shortcomings in prior methodologies, thus making comparisons across the period more difficult. Please see "— Critical Accounting Policies Used by the Bank—Allowance for Loan Losses".

BB-Consolidated
Operations over due

(in thousands of *Reais*, except percentages)

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total December 31, 2003	Share %	Total December 31, 2002
B	45,961	374,766	21,716	6	350	540	102	443,441	12	844,882
C	7,552	94,501	329,394	11,967	6,098	684	73	450,269	12	460,102
D	2,529	107,283	124,132	206,953	33,662	1,239	175	475,973	13	335,008
E	1,357	22,766	29,395	51,017	177,818	47,941	368	330,662	9	362,826
F	1,485	8,508	12,823	16,708	187,423	6,932	—	233,879	7	216,592
G	693	5,936	8,372	8,485	201,757	3,945	75	229,263	6	173,462
H	5,393	42,681	61,560	38,206	190,813	992,573	160,954	1,492,180	41	1,408,254
Total	64,970	656,441	587,392	333,342	797,921	1,053,854	161,747	3,655,667	100	3,801,148

The following tables show the loans (including lending operations, leasing and certain other receivables with lending characteristic recorded under "Other Receivables") and corresponding provisions as of December 31, 2003 and December 31, 2002 after changes introduced by Resolution No. 2,682/99 of the CMN:

	As at December 31, 2003		
Rating	**%**	**Portfolio**	**Provision**
AA	—	16,047,001	—
A	0.5	34,538,746	172,694
B	1	15,555,533	155,555
C	3	5,384,921	161,548
D	10	2,567,030	256,703
E	30	554,516	166,355
F	50	329,915	164,957
G	70	330,717	231,502
H	100	2,327,983	2,327,983
Subtotal		77,636,362	3,637,297
Additional provision in Brazil		—	491,827
Total additional provision abroad		—	66,323
Total		77,636,362	4,195,447

	As at December 31, 2002		
Rating	**%**	**Portfolio**	**Provision**
AA	—	15,693,190	—
A	0.5	26,269,067	131,345
B	1	11,390,057	113,901
C	3	4,500,079	135,002
D	10	1,578,467	157,847
E	30	899,077	269,723
F	50	313,772	156,886
G	70	262,462	183,723
H	100	1,993,347	1,993,348
Subtotal		62,899,518	3,141,775
Additional provision in Brazil		—	259,153
Total additional provision abroad		—	104,653
Total		62,899,518	3,505,581

The classifications set forth above are based upon a determination made by Banco do Brasil in accordance with Resolution No. 2,682/99 of the CMN and may not necessarily be comparable with classifications made by other Brazilian banks.

The following tables show the provisions made by Banco do Brasil with respect to its lending operations, leasing operations and other receivables, and an overall table for its lending operations and other outstanding loans and full and partial recoveries of credits previously provisioned or charged off and certain other adjustments for the three years ended December 31, 2003, 2002 and 2001, respectively.

***Total Bank Loans*[(1)]**

	December 31,		
	2003	**2002**	**2001**
	*(***in thousands of *Reais)***		
Provision for credit losses, opening balance	3,202,464	2,184,871	2,676,905
Expense (Addition/Reversal), net	2,935,427	2,696,287	1,290,439
Charge off	(2,078,247)	(1,771,195)	(1,868,835)
Merger of BB Cartões	—	—	45,600
Foreign exchange rates variation	(79,521)	92,501	40,762
Provision for credit losses, closing balance	3,980,123	3,202,464	2,184,871

Note:—
(1) Excludes leasing and other receivables.

Leasing and Other Receivables

	December 31,		
	2003	**2002**	**2001**
	*(***in thousands of *Reais)***		
Provision for credit losses, opening balance	523,337	470,091	387,321
Expense (Addition/Reversal), net	330,976	312,332	248,425
Reclassification[(1)]	444,285	—	—
Reclassification[(2)]	220,189	—	—
Foreign exchange rates variation	(2.021)	—	—
Charge off	(254,481)	(259,086)	(165,655)
Provision for credit losses, closing balance	1,262,285	523,337	470,091

Notes:—

(1) The amount of R$444,285 thousand relates to the provision for updating the judicial deposits reclassified from “Provision for contingent liabilities – IR/CS – Off-Set of tax losses” to “Provisions for other receivables without lending characteristic”, with the respective reclassification of the expense from “Other operational expenses” to “Expenses for provisions for other receivables without lending characteristic”.

(2) The amount of R$220,189 thousand relates to provisions for transactions with several debtors which are not in compliance with CMN Resolution No. 2,682/99 reclassified from "Sundry debtors - Domestic", "Sundry creditors - Domestic" and "Securities and Receivables" to “Provisions for other receivables without lending characteristic”, with the respective reclassification of the expense from “Other operational expenses” to “Expenses for provisions for other receivables without lending characteristic”.

Total Bank Loans, Leasing and Other Receivables

	December 31,		
	2003	**2002**	**2001**
	*(***in thousands of *Reais)***		
Provision for credit losses, opening balance	3,725,801	2,654,962	3,064,226
Expense (Addition/Reversal), net	3,266,403	3,008,619	1,538,864
Reclassification[(1)]	444,285	—	—
Reclassification[(2)]	220,189	—	—
Charge off	(2,332,728)	(2,030,281)	(2,034,490)
Merger of BB Cartões	—	—	45,600
Foreign exchange rates variation	(81,542)	92,501	40,762
Provision for credit losses, closing balance	5,242,408	3,725,801	2,654,962
Recoveries	1,034,120	721,514	876,849

Notes:—

(1) The amount of R$444,285 thousand relates to the provision for updating the judicial deposits reclassified from “Provision for contingent liabilities – IR/CS – Off-Set of tax losses” to “Provisions for other receivables without lending characteristic”, with the respective reclassification of the expense from “Other operational expenses” to “Expenses for provisions for other receivables without lending characteristic”.

(2) The amount of R$220,189 thousand relates to provisions for transactions with several debtors which are not in compliance with CMN Resolution No. 2,682/99 reclassified from "Sundry debtors - Domestic", "Sundry creditors - Domestic" and "Securities and Receivables" to “Provisions for other receivables without lending characteristic”, with the respective reclassification of the expense from “Other operational expenses” to “Expenses for provisions for other receivables without lending characteristic”.

Balance Sheet Maturity and Currency Profile

As part of its asset and liability management, Banco do Brasil aims to minimize the negative impact of interest rate and foreign exchange rate fluctuations on its financial results by selectively matching assets and liabilities. The following tables set forth information regarding Banco do Brasil's balance sheet maturity and currency profile as at December 31, 2003 and December 31, 2002. Amounts contained in the *Real* columns reflect assets and liabilities that are either denominated in or whose value is determined by reference to the *Real*. Amounts contained in the U.S. Dollar columns reflect assets and liabilities that are either denominated in or whose value is determined by reference to the U.S. Dollar, adjusted into the *Real* at the year ended exchange rate. Such amounts are referred to as "U.S. Dollar-denominated" in this section and the following table for ease of reference. As at December 31, 2003, Banco do Brasil had certain operations outstanding that were denominated in foreign currencies other than U.S. Dollars. Banco do Brasil has minimized its net exposure to fluctuations in the exchange rate of such other currencies and all these operations are reflected in the appropriate U.S. Dollar column in the tables below.

	As at December 31, 2003[1]									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Assets										
Cash	1,327.4	9,461.8	10,789.2	—	—	—	—	—	—	10,789.2
Investments	4,381.2	20,786.5	25,167.6	855.5	7,064.8	7,920.3	315.3	4.2	319.5	33,407.4
Lending	15,751.6	2,830.2	18,581.8	11,349.8	3,950.3	15,300.1	29,107.1	3,007.6	32,114.8	65,996.7
Loans/Repasses	15,677.7	2,827.8	18,505.5	11,265.6	3,943.3	15,208.9	28,880.3	2,996.7	31,877.0	65,591.5
Leasing	73.9	2.4	76.2	84.3	6.9	91.2	226.8	11.0	237.8	405.2
Foreign Exchange	—	—	—	—	—	—	—	—	—	—
Portfolio[2]	2,279.3	965.7	3,245.0	8,547.5	3,303.1	11,850.5	51,654.5	2,840.1	54,494.6	69,590.1
Other Assets	26,652.2	3,494.7	30,146.9	659.9	320.7	980.6	14,414.0	4,819.5	19,233.5	50,361.0
Total assets	50,391.7	37,538.9	87,930.6	21,412.7	14,638.9	36,051.6	95,490.9	10,671.4	106,162.3	230,144.4
U.S.$ Hedging Positions (Forwards, Options, Swaps, etc.)	—	740.9	740.9	—	(2,235.6)	(2,235.6)	—	(439.1)	(439.1)	(1,933.9)

	As at December 31, 2002[1]									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Assets										
Cash	3,529.4	8,052.7	11,582.1	—	—	—	—	—	—	11,582.1
Investments	8,923.2	7,444.9	16,368.1	1,055.8	210.6	1,266.5	124.9	4.7	129.6	17,764.1
Lending	11,909.8	4,091.3	16,001.0	10,154.2	3,632.9	13,787.1	19,018.3	3,210.4	22,228.7	52,016.9
Loans/Repasses	11,844.8	4,076.3	15,921.1	9,954.3	3,595.1	13,549.4	18,748.7	3,188.1	21,936.8	51,407.3
Leasing	65.0	14.9	79.9	199.9	37.8	237.7	269.6	22.3	291.9	609.6
Foreign Exchange	—	—	—	—	—	—	—	—	—	—
Portfolio[2]	4,082.8	527.2	4,609.9	10,278.4	1,616.7	11,895.1	50,284.6	4,153.2	54,437.7	70,942.8
Other Assets	27,980.5	9,268.5	37,249.0	1,216.4	27.3	1,243.7	13,318.2	477.9	13,796.1	52,288.8
Total assets	56,425.5	29,384.6	85,810.1	22,704.9	5,487.5	28,192.3	82,746.0	7,846.2	90,592.1	204,594.6
U.S.$ Hedging Positions (Forwards, Options, Swaps, etc.)	—	245.1	245.1	—	(1,240.2)	(1,240.2)	—	(828.9)	(828.9)	(1,824.1)

	As at December 31, 2003[1]									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Liabilities										
Demand Deposits[3]	25,290.3	1,849.8	27,140.1	—	—	—	—	—	—	27,140.1
Savings Deposits	27,425.4	—	27,425.4	—	—	—	—	—	—	27,425.5
Time Deposits	25,820.0	10,487.9	36,307.9	1,952.9	826.6	2,779.6	8,427.7	657.6	9,085.2	48,172.7
Interbank Deposits	594.3	3,720.2	4,314.5	160.7	2,369.6	2,530.3	335.6	95.0	430.6	7,275.4
Notes and Securities	—	296.7	296.7	—	561.1	561.1	—	779.0	779.0	1,636.7
Amounts in Transit	413.2	1,437.2	1,850.3	—	1.4	1.4	—	—	—	1,851.7
Securities and Repurchase Agreements	33,295.4	14.9	33,310.3	1,485.7	506.9	1,992.7	4,057.3	702.9	4,760.2	40,063.2
Borrowed Funds and Relending	2,652.0	2,417.3	5,069.3	694.7	819.6	1,514.3	4,118.4	6,739.8	10,858.2	17,441.9
Other Payables	12,673.0	13,678.6	26,351.6	1,026.4	1,795.1	2,821.6	6,350.2	11,315.7	17,666.0	46,839.1
Total liabilities	128,163.7	33,902.5	162,066.2	5,320.6	6,880.3	12,200.9	23,289.3	20,290.0	43,579.2	217,846.3
Deferred Income	—	—	—	—	—	—	126.3	—	126.3	126.3
Stockholders' equity	—	—	—	—	—	—	12,171.8	—	12,171.8	12,171.8
Total liabilities and stockholders' equity	128,163.7	33,902.5	162,066.2	5,320.6	6,880.3	12,200.9	35,587.3	20,290.0	55,877.3	230,144.4

	As at December 31, 2002[1]									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Liabilities										
Demand Deposits[3]	22,125.6	2,216.7	24,342.3	—	—	—	—	—	—	24,342.3
Savings Deposits	26,917.8	—	26,917.8	—	—	—	—	—	—	26,917.8
Time Deposits	21,946.3	10,478.3	32,424.6	1,837.5	788.3	2,625.9	6,473.5	593.5	7,067.0	42,117.4
Interbank Deposits	158.8	2,582.2	2,741.0	65.0	883.3	948.3	21.0	165.6	186.6	3,875.9
Notes and Securities	—	364.4	364.4	—	3.1	3.1	—	685.8	685.8	1,053.3
Amounts in Transit	423.7	1,007.8	1,431.5	0.8	8.2	9.0	—	—	—	1,440.5
Securities and Repurchase Agreements	41,004.0	299.2	41,303.2	2,251.0	509.3	2,760.2	4,208.5	55.3	4,263.9	48,327.3
Borrowed Funds and Relending	754.3	8,917.4	9,671.6	76.3	421.0	497.3	5,115.8	4,070.6	9,186.4	19,355.4
Other Payables	9,493.3	215.0	9,708.3	1,293.8	4,873.1	6,166.9	9,306.4	2,683.9	11,990.2	27,865.4
Total liabilities	122,823.7	26,080.9	148,904.6	5,524.4	7,486.4	13,010.7	25,125.2	8,254.6	33,379.8	195,295.2
Deferred Income	—	—	—	—	—	—	102.4	—	102.4	102.4
Stockholders' equity	—	—	—	—	—	—	9,197.1	—	9,197.1	9,197.1
Total liabilities and stockholders' equity	122,823.7	26,080.9	148,904.6	5,524.4	7,486.4	13,010.7	34.424.6	8,254.6	42,679.3	204,594.6

Notes:—

(1) The allocation of maturities in this table is based on information in the management accounts of Banco do Brasil.

(2) Securities portfolio, allocated according their maturities, consists of liquidity instruments that can be negotiated anytime.

(3) Demand deposits are due on demand. For purposes of this table, amounts due under demand deposits have been allocated to a maturity period based on a statistic model based on historical payments of demand deposits.

The following table sets out the analysis of the mismatch between assets and liabilities:

	As at December 31, 2003									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Total assets	50,391.7	37,538.9	87,930.6	21,412.7	14,638.9	36,051.6	95,490.9	10,671.4	106,162.3	230,144.4
Total liabilities[(1)]	128,163.7	33,902.5	162,066.2	5,320.6	6,880.3	12,200.9	35,587.3	20,290.0	55,877.3	230,144.4
Total liabilities as a percentage of total assets	254.33	90.31	184.31	24.85	47.00	33.84	37.27	190.13	52.63	100.0
Gap between assets and liabilities	(77,772.0)	3,636.3	(74,135.6)	16,092.1	7,758.6	23,850.6	59,903.6	(9,618.6)	50,285.0	
Cumulative gap	(77,772.0)	3,636.3	(74,135.6)	(61,679.9)	11,394.9	(50,285.0)	(1,776.3)	1,776.3	—	

Note:—

(1) Included in total liabilities are demand deposits of R$25.3 billion, time deposits of R$27.4 billion, saving deposits of R$25.8 billion and securities and repurchase agreements of R$33.3 billion of a maximum tenor of 90 days which are periodically rolled over (non-consolidated).

	As at December 31, 2002									
	Three months or less			Three to Twelve months			Over Twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in millions of *Reais*)									
Total assets	56,425.5	29,384.6	85,810.1	22,704.9	5,487.5	28,192.3	82,746.0	7,846.2	90,592.1	204,594.6
Total liabilities[(1)]	122,823.7	26,080.9	148,904.6	5,524.4	7,486.4	13,010.7	34,424.6	8,254.6	42,679.3	204,594.6
Total liabilities as a percentage of total assets	217.67	88.76	173.53	24.33	136.43	46.15	41.60	105.21	47.11	100.0
Gap between assets and liabilities	(66,398.2)	3,303.7	(63,094.5)	17,180.5	(1,998.9)	15,181.6	48,321.3	(408.5)	47,912.8	
Cumulative gap	(66,398.2)	3,303.7	(63,094.5)	(49,217.7)	1,304.8	(47,912.8)	(896.3)	896.3	—	

Note:—

(1) Included in total liabilities are demand deposits of R$22.1 billion, time deposits of R$21.9 billion, saving deposits of R$26.9 billion and securities and repurchase agreements of R$41.0 billion of a maximum tenor of 90 days which are periodically rolled over (non-consolidated).

The difference between assets and liabilities presented in the table above does not represent a liquidity risk, as it arises from the contractual maturities of the transactions. A substantial portion of short-term liabilities, for example, demand and savings deposits, do not change substantially as most accountholders invest for periods longer than three months and no substantial fluctuations in the volume of deposits occur. Furthermore, the Bank's securities portfolio is composed of liquid instruments that can be negotiated at anytime to raise funds for any liquidity need. Banco do Brasil continuously reviews its policy with respect to the matching of assets and liabilities.

Derivative Financial Instruments

Financial swaps consist of contracts entered into between Banco do Brasil and a counterparty whereby Banco do Brasil agrees to pay the counterparty an amount related to one particular interest rate, inflation index rate or currency exchange rate (as applied to a notional principal amount) and, in return, receives from the counterparty

an amount related to a different interest rate, inflation index rate or currency exchange rate (as applied to such notional principal amount). Banco do Brasil's contingent liability in respect of such a transaction is not the notional amount of the transaction but the balance between the interest rate, inflation index rate or currency exchange rate which Banco do Brasil agrees to pay and the interest rate, inflation index rate or currency exchange rate which the counterparty agrees to pay. At December 31, 2003, the aggregate notional principal amount of these contracts amounted to R$14.0 billion (R$15.5 billion at December 31, 2002 and R$16.5 billion at December 31, 2001). In some cases Banco do Brasil mitigates the market risk in relation to a swap contract by matching its position in such swap contract by taking an opposite position in another swap contract. In such cases, Banco do Brasil's actual exposure only consists of the credit risk in relation to the swap counterparties.

Futures transactions consist of the purchase of futures contracts, the sale of futures contracts and transactions with financial assets – forwards (i.e., forward transactions). Banco do Brasil generally enters into contracts and forwards to buy and sell currency futures (generally U.S. Dollars at a future date) and interest rate futures, or enters into contracts linked to movements in certain stock market or financial indexes. Banco do Brasil also enters into financial option transactions, including the sale of put and call options to buy or sell U.S. Dollars and other currencies. As with Banco do Brasil's swap transactions, Banco do Brasil often matches its futures contracts and financial option transactions with opposite positions in a matching transaction and where futures contracts or financial option transactions are not matched, the resulting market exposure counts towards Banco do Brasil's trading limits. As of December 31, 2003, Banco do Brasil's futures contracts and financial options contracts amounted to R$2.8 billion, compared to R$3.6 billion at December 31, 2002 and R$3.6 billion at December 31, 2001.

In addition, third party guarantees extended by Banco do Brasil amounted to R$3.3 billion at December 31, 2003 (R$3.6 billion at December 31, 2002 and R$2.4 billion at December 31, 2001). Banco do Brasil has other contingent liabilities, estimated to be approximately R$3.5 billion at December 31, 2003 (R$2.4 billion at December 31, 2002 and R$1.8 billion at December 31, 2001), related to certain legal proceedings to which it is a party. See "Business of Banco do Brasil S.A.—Litigation".

Capital Adequacy

Pursuant to CMN Resolution No. 2,099 of August 17, 1994 ("Resolution No. 2,099"), the capital adequacy guidelines of the Basel Accord were incorporated into the Brazilian financial system with effect from January 1, 1995. Brazilian financial institutions are currently required to have net equity of at least 11.0% of their risk–weighted assets. This figure represents an increase from the 10.0% level previously required to be maintained in response to the Asian financial crisis that began in 1997. See "The Brazilian Financial System—Capital Adequacy and Leverage" included in this Offering Circular.

The following table sets out Banco do Brasil's risk-weighted assets and certain information regarding Banco do Brasil's compliance with capital adequacy regulations at December 31, 2003, 2002 and 2001, respectively.

	December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Risk Factor 300%[1]			
Total Portfolio	9,406	11,847	12,206
Risk-Weighted	28,219	35,541	36,618
Risk Factor 100%[1]			
Total Portfolio	73,320	57,531	45,540
Risk-Weighted	73,320	57,531	45,540
Risk Factor 50%[1]			
Total Portfolio	35,067	17,711	11,129
Risk-Weighted	17,533	8,856	5,565
Risk Factor 20%[1]			
Total Portfolio	9,503	9,658	5,526
Risk-Weighted	1,901	1,932	1,105
Total Risk-Weighted Assets	120,973	103,859	88,828
Referencial Equity Value[2]	17,162	13,377	12,062
Swap Risk	758	712	
Net Worth Requirement over Swap Risk	152	142	112
Net Worth Requirement over Interest Rate Exposure	313	457	588
Required Net Worth[3]	13,772	12,024	10,471
Capital Ratio (%)	13.7	12.2	12.7

Notes:—

(1) Regulated by Central Bank Circular 2,916, dated August 6, 1999.

(2) For purposes of determining capital adequacy, Referential Equity Value is calculated in accordance with Resolution No. 2,099 (revised by Central Bank Circular No. 2,568, of May 4, 1995 and Circular No. 2,784, of November 27, 1997) and Resolution No. 2,837 of May 30, 2001 and may not match the amount reported as consolidated Stockholders' Equity in Banco do Brasil's audited financial statements for the relevant periods. Referential Equity Value = Net Worth + Net Income + Subordinated Debt. See Note 19 to the 2003 Financial Statements, Note 13 to the 2002 Financial Statements and Note 14 to the 2001 Financial Statements for further explanations.

(3) In 2003, Required Net Worth = 11% of the Risk Weighted Assets + Requirement of the Net Worth Over Swap Risk + 50% Over Foreign Exchange (this factor is to be applied when the exchange exposure exceeds 5% of the Referential Net Worth) + Interest Rate Exposure. In July 2003, the Central Bank enacted Circular No. 3,194, which reduced the factor applied over foreign exchange from 100% to 50%, when the exchange exposure exceeds 5% of the Referential Net Worth. In 2002, Required Net Worth = 11% of the Risk Weighted Assets + Requirement of the Net Worth over Swap Risk + 100% Over Foreign Exchange (this factor is to be applied when the exchange exposure exceeds 5% of the Referential Net Worth) + Interest Rate Exposure. In 2001, Required Net Worth = 11% of the Risk Weighted Assets + Requirement of the Net Worth Over Swap Risk + 50% Over Foreign Exchange (this factor is to be applied when the exchange exposure exceeds 5% of the Referential Net Worth) + Interest Rate Exposure.

At December 31, 1995, Banco do Brasil's capital was 5.7% of assets determined on a risk-weighted basis. The failure to match the required standard of capital adequacy at the end of 1995 was one of the principal factors underlying the adoption of Banco do Brasil's Restructuring Program in early 1996. As part of the Restructuring Program, in June 1996, the capital of Banco do Brasil was increased by R$8.0 billion. As a result of the increase, Banco do Brasil's capital rose to 11.1% of risk-weighted assets on December 31, 1996. Nevertheless, as a result of certain changes in the applicable regulation by the Central Bank, as at December 31, 2000, Banco do Brasil's capital was again below the minimum capital adequacy level and corresponded to 8.8% of risk-weighted assets.

In May 2001, the Central Bank enacted Circular No. 3,031, which set (a) a zero% risk-weight for lending operations with the Federal Government, (b) 50% risk-weight for lending operations or guarantees with other financial institutions or other institutions regulated by the Central Bank, (c) 100% risk-weight for lending operations or guarantees with state and municipal governments and the federal capital and (d) 50% risk-weight for assets represented by Brazilian real estate certificates.

Due in part to Banco do Brasil's applications to Central Bank for a reclassification of the risk-weight factor associated with certain of its assets, the Federal Government announced a series of measures designed to ensure that Banco do Brasil achieves compliance with minimum capital adequacy requirements. See "Risk Factors—Risks Relating to the Bank—Minimum capital adequacy requirements imposed on the Bank may negatively impact the Bank's results of operations and financial condition". These measures aggregately reduced the risk-weighted assets by approximately R$7.0 billion and increased Banco do Brasil's capital to 12.1% of assets determined on a risk-weighted basis (figures calculated based on Banco do Brasil June 30, 2001 financial statements).

In August 2001, the Central Bank enacted Circular No. 3,054, and in September, 2001, enacted Circular-Letter No. 2,975, establishing a zero% risk-weight for lending operations or guarantees related to pledge agreements. As from June 2003, according to Circular No. 3,194 of the Central Bank, the calculation for the required net worth over which a 50.0% risk factor on foreign exchange exposure is applicable when this exposure represents more than 5.0% of the referential equity value. As from October 2002, according to Circular No. 3,156 of the Central Bank, the 50.0% risk factor on foreign exchange exposure over 5.0% of the referential equity value was raised to 100.0%.

Continuing the restructuring program implemented on June 30, 2001 by the Federal Government, on December 31, 2001, the following measures were also implemented by the Federal Government and Banco do Brasil: (a) the assignment to the Federal Government of the PESA in the amount of R$440.6 million, totaling R$4.2 billion during the year ended December 31, 2001; (b) transfer of Banco do Brasil's *Fundo de Desenvolvimento da Economia Cafeeira* ("FUNCAFÉ") on-lending transactions in the amount of R$1.04 billion; and (c) the value of the operations relating to *Fundo Constitucional de Desenvolvimento do Centro-Oeste* (the Federal Government's Fund for the Development of the Central-Western Region of Brazil or "FCO") on-lending transactions increased to R$324.6 million and the amounts classified as Tier II capital with the FCO funds repassed to Banco do Brasil totaled R$3.31 billion at December 31, 2001. See Note 14 to the 2001 Financial Statements. As a result of such measures implemented by the Federal Government, at December 31, 2001, Banco do Brasil's capital was 12.7% of assets determined on a risk-weighted basis.

In December, 2002, Resolution 3,059 was enacted establishing the exclusion, by financial institutions, from January 2004 to January 2008, of 20.0% of all tax credits to be used for more than five years in the calculation of Tier I capital. After January 2008, the total amount of tax credits cannot exceed 40.0% of Tier I capital. Should Banco do Brasil be unable to maintain its taxable income in the future, it may be required to write off its tax credits and could be compelled by the Central Bank to reduce its assets and shareholders' equity accordingly. Any such write off or reduction could have a material adverse effect on Banco do Brasil's financial condition and results of operations. On September 2003, the Central Bank enacted Circular 3,203, which reduced the risk weighted factor of tax credits excluded in the calculation of Tier I Capital from 300.0% to zero%. As from January 2004, the tax credits not included in the above mentioned Circular remain weighted at a 300.0% risk factor.

As a result of Central Bank's Circulars Nos. 3,068 and 3,082, dated November 8, 2001 and January 30, 2002, respectively, (see "— Results of Operations—Year ended December 31, 2002 compared to the year ended December 31, 2001") Banco do Brasil implemented a new valuation and accounting criteria of marketable securities and financial derivative instruments for the year ended December 31, 2002. The application of this new accounting policy had a net negative impact of R$954.2 million on stockholders' equity, which stood at R$9.197 billion as of December 31, 2002. See Note 5c to 2002 Financial Statements. As of December 31, 2002, Banco do Brasil's capital was 12.2% of assets determined on a risk-weighted basis. As of December 31, 2003, Banco do Brasil's capital was 13.7% of assets determined on a risk weighted basis.

Banco do Brasil's Reserves with the Central Bank

At December 31, 2003, reserves deposited with the Central Bank were R$18.5 billion (R$18.0 billion at December 31, 2002 and R$8.5 billion at December 31, 2001), representing mandatory deposits from Banco do Brasil's deposit and other accounts base. See "The Brazilian Financial System—Reserve and Related Requirements". Banco do Brasil recorded interest income of R$1,681.6 million with respect to such deposits for the year ended December 31, 2003, R$626.6 million for the year ended December 31, 2002 and R$152.0 million for the year ended December 31, 2001.

Liquidity

Should Banco do Brasil not be in compliance with the minimum capital requirements established by the Central Bank, Banco do Brasil could be compelled to curtail its lending activities and review its strategy. See "— Capital Adequacy" above. Banco do Brasil does not currently have liquidity constraints and its liquidity levels are currently compatible with its budgetary targets and objectives. See "— Capital Adequacy" above.

Tax Credit

For the year ended December 31, 2003, Banco do Brasil recorded a tax credit asset of R$9.406 billion (R$6.522 billion recorded in 2003 *plus* a carryforward of R$2.884 billion) compared to an asset of R$11.847 billion for the year ended December 31, 2002. These amounts were recorded in Banco do Brasil's balance sheet under "Other Receivables—Sundry". Since the fourth quarter of 2001 and through December 2003, Banco do Brasil, in order to accelerate the reduction of the recorded tax credits, has recorded complementary reductions of tax credits when the charges for withholding income tax and social contribution tax provisions (including those relating to deferred taxes), are lower than those calculated by the application of the sum of the rates in effect (currently 34.0%) on corporate net income of the year before taxation, until this percentage is reached. During 2003, the expenses with withholding income tax and social contribution tax were higher than 34.0% hence it was unnecessary to record complementary reductions of tax credits. With the issue of Bacen Resolution No. 3,059/02, more objective regulations were established to recognize and maintain tax credits, including the gradual exclusion, for calculation purposes of Tier I of the referential equity value, of those tax credits that are estimated to be realized in over five years, beginning with the exclusion of 20% of those credits in January 2004 and reaching 100% in 2008. Accordingly, as from January 2004, the Bank no longer records the complementary reductions mentioned in order to avoid a double impact on the calculation of the index of capital adequacy. See paragraph 6 of the report of independent accountants on the financial statements for the 2003 Financial Statements, and Notes 8.c and 17 to the 2003 Financial Statements.

Credit and Risk Control

Following the reorganization of Banco do Brasil in early 1995, the Credit Division was organized in order to establish guidelines to limit the risk on credit that Banco do Brasil would be prepared to assume and to supervise the process of granting and monitoring credit. The Credit Division has disseminated credit guidelines throughout the branch network by using policy manuals, computer software programs, internal training programs and updates. These guidelines are intended to apply to all lending operations undertaken at Banco do Brasil's risk.

Banco do Brasil has segregated the establishment of the technical guidelines for setting credit limits applicable to all the clients (rating analysis) from the actual credit granting (transaction analysis). The guidelines for establishing credit limits and loan approval criteria vary according to the type of the loan and borrower. Guidelines and credit review systems are frequently updated in response to recommendations from branch staff, changes in economic conditions and Banco do Brasil's policy. The corporate loan approval criteria are based on statistical models and financial indexes related to the company's economic sector. For loans to individuals, the Bank developed a credit scoring system based on statistical, financial and economic aspects.

The credit limits for companies with annual sales of up to R$1,200,000 are determined in the relevant branches through a system for credit analysis of small businesses. A credit scoring system based on information on the company, its owners and its relationship with Banco do Brasil will determine the client's risk grade. Companies

with annual sales in excess of R$1,200,000 are analyzed by the Credit Division through a specific system for credit review and analysis. This system takes into account the company's financial performance, behavior of the client and other information available, and was last updated in August 2002. The technical analysis involves both a review of the financial position of the loan applicant, the loan history of the applicant and a forecast of the applicant's likely default rate based on a comparison of the applicant's business, location, size, sector and financial condition against a sample portfolio maintained by Banco do Brasil. Some companies, such as financial institutions, brokerage firms, agricultural and governmental entities, as a result of their nature or the nature of their activities, have distinct and specific factors included in their risk grade analyses. For the rural sector, for example, greater emphasis is placed on cash flow. As a result of the technical analysis, companies are awarded a grade ranging from "A" (the most creditworthy) to "E" (the least creditworthy). Loans are not extended to "E" category applicants except in a credit recovery context, using a credit structure to reduce Banco do Brasil's exposure to certain risks and focusing on deals with automatic liquidation. Credit limits for individuals not engaged in rural activities are determined at the branch level.

After determination of the risk grade, a credit limit (the maximum exposure that Banco do Brasil may have on the applicant for both short and long-term transactions) is calculated. The final credit limit for each company resulting from this process therefore combines a technical and a qualitative analysis, as described above. All decisions at all levels are taken with the approval of the majority of the members of the relevant committee. All decisions relating to credit limits higher than 15% of the reference capital (for financial institutions), 5% of the reference capital (for legal entities) and 1% of the reference capital (for individuals) are submitted to the Administrative Council (*Conselho de Administração*). Additionally, risk management at Banco do Brasil is centralized in the Global Risk Committee, which is responsible for the integrated view of the risks of the Bank, as well as the interdependence between the various risk categories. It is also responsible for deciding the exposure levels and limits to the various categories of risks, as well as contingency plans.

Banco do Brasil's credit loan approval procedures were established by Banco do Brasil's Board of Directors in November 1996 and published in a manual in 1997. Since then, these procedures have been the basis for all credit related decisions by Banco do Brasil, with on-line updates. The central credit analysis management in São Paulo was awarded an ISO 9001/2000 quality certificate in 2001, in connection with the process of risk assessment and credit limit extension to companies, financial institutions, cooperatives, entities of the public sector and rural producers. Since 1997, the central credit analysis and credit analysis regional units have received an ISO quality certificate. In 2002, the five credit analysis regional units were rewarded with an ISO 9001/2000 quality certificate. During 2002, certain credit risk management groups of Banco do Brasil were awarded with ISO 9001/2000 quality certificates in connection with, among other things, their internal client consulting procedures and process of analyzing and monitoring investment projects. In 1998 and 2002, the Credit Division received Federal Government Quality Awards (*Prêmio Qualidade do Governo Federal)* at a silver level, and in 2003 the Credit Division received the Federal Government Quality Awards at a gold level.

Banco do Brasil believes it is important to segregate credit approval and analysis from the business areas of Banco do Brasil. The actual granting and formalization of credit by Banco do Brasil (*função operação de crédito*) is based on the structure of the proposed transaction, the term, the repayment ability of the borrower and cashflow projections.

In addition, lending operations are classified by Banco do Brasil by taking into account client risk, credit limits, levels of indebtedness, amounts of relevant transactions, security and guarantees offered, term for the transactions, nature of the transactions and payment capacity. In accordance with CMN Resolution No. 2,682 dated December 21, 1999, operations are classified in risk bands ranging from AA (less risk) to H. see "The Brazilian Financial System—Treatment of Overdue Debts". The Credit Division carries out short-term and long-term analyses of sectors of the Brazilian economy to determine the emphasis to be placed by Banco do Brasil on lending to the different economic sectors. It is Banco do Brasil's policy for credit committees to require, whenever Banco do Brasil deems appropriate, that emphasis be placed on guarantees (such as letters of credit, receivables and real estate) which provide liquidity should a loan not be repaid.

The Credit Division is also responsible for analysis of all financial institutions (foreign and domestic) with which Banco do Brasil deals. Banco do Brasil has developed a market risk model and an asset and liability management model. The market risk model is fully implemented and operational for domestic and foreign currency

treasury transactions and for fund management. In December 1999, Banco do Brasil set up the Risk Management Division, responsible for (i) the daily market risk measurement, including V@R, (ii) sensitivities and stress tests, (iii) monitoring and controlling traders market risk limits, (iv) implementing the asset and liability management model and (v) supporting the Global Risk Committee.

Credit Monitoring

Banco do Brasil's current policy is that a separate credit approval process must be completed each time a client seeks a loan. A full review of a corporate borrower's financial situation is required at least once a year. However, under special circumstances (such as an economic crisis, for instance), these reviews may occur with more frequency. A review combines an analysis of guarantees, interest rates, average maturities and economic conditions, in addition to the aspects observed in a credit analysis. Banco do Brasil provides branches with information on economic sectors and other factors relevant to the loan approval process through the corporate Intranet, with periodic updates, or with press reports. Banco do Brasil's client database is constantly being updated.

Banco do Brasil has contracted a consulting firm, A.T. Kearney, to jointly with several divisions of the Bank review and improve the practices relating to credit risk management, with a view to upgrading Banco do Brasil to a "*benchmark*" status on this segment in Latin America. The specification, evaluation and comparison phase of the existent modules with the best "*benchmarks*" of the market was concluded in 2002. The validation and implementation of the clients and transactions is expected to be done in the second half of 2004.

In accordance with Central Bank regulations, the Internal Control Division of Banco do Brasil is responsible for managing the operational risk within Banco do Brasil and its subsidiaries. To do so, it has developed an Operational Risk Management Module which, inserted in an environment with control culture and strengthened compliance, permits identification, evaluation, monitoring, reduction and control of risks involved in various operational processes. To consolidate this environment, Banco do Brasil acts through 332 controlling managers in its branches which are, in its turn, connected to 17 operational centers responsible for verifying the levels of compliance of business and operations. Banco do Brasil also acts in its Divisions and Units through a compliance agent who is responsible for conducting the process of identifying risks and establishing controls under the supervision of the Internal Controls Unit. In 2003, certain procedures were established to ensure the credibility and accuracy of information and to thereby more efficiently utilize resources so as to: (i) revise the methodology used to calculate the operational risks inherent to the branches; and (ii) continue the implementation of the Operational Risk Management Model regarding the Divisions and Units of the Bank through the establishment of key risk factors ("*Indicadores-chave de Risco*" – ICRs). The ICRs are controlling tools that signal any changes that may occur in relation to that which was expected from the specific operational processes, with special attention being paid to those which may expose an institution to a large risk and therefore generating greater losses. These indicators will be used to adjust the allocation of capital required by Basel II, the terms of which are predicted to be in force in 2006. In addition, the consulting firm McKinsey was contracted to, jointly with Banco do Brasil and based upon measure modules, help the Bank define capital quotas to support the expected and unexpected losses and insurance strategies for losses identified as severe.

Credit Recovery

The Restructuring of Operational Assets Division (*Diretoria de Reestruturação de Ativos Operacionais – DIRAO*) is responsible for managing Banco do Brasil's portfolio of defaulted loans. In addition to its head office in Brasília, this division is comprised of 57 autonomous regional collection units (*Unidades Regionais de Reestruturação*) located throughout Brazil. The Restructuring of Operational Assets Division manages the Bank's loan recovery process by taking into account specific loan and client characteristics as follows. For loans classified as "wholesale credit", Banco do Brasil offers to the borrower automatic renegotiation options which take into account the borrower's ability to repay the debt. In providing this options, Banco do Brasil continues to focus on maintaining its relationship with the particular client. If, after renegotiation, the debt is not paid within 91 days, Banco do Brasil uses external collection companies to assist in collecting on the debt. For loans made to the Bank's corporate clients, Banco do Brasil uses the relevant regional collection unit and its head office in Brasília to recover the loan, aiming to maximize the volume of collections.

Banco do Brasil has contracted a consulting firm, A.T. Kearney, to work with several divisions of the Bank (including the Restructuring of Operational Assets Division) to review and improve the Bank's practices relating to credit risk management. Target areas include the monitoring and recovery of outstanding loans, with a view to upgrading Banco do Brasil to a "*benchmark*" status within this segment in Latin America.

Litigation may be conducted by either in-house or external legal counsels and in both cases coordinated through Banco do Brasil's Legal Advisory Division (*Diretoria Jurídica*). During 2003, Banco do Brasil recovered R$1,034.1 million (R$721.5 million at December 31, 2002 and R$876.8 million at December 31, 2001). See "— Loan Loss History".

RECENT DEVELOPMENTS AND ANALYSIS

Results of Operations

Introduction

The following discussion contains an analysis of the consolidated results of operations of Banco do Brasil for the six-month periods ended June 30, 2004 and 2003 and, subject to the considerations described below, should be read in conjunction with the consolidated audited financial statements of Banco do Brasil as of and for the six-month periods ended June 30, 2004 and 2003 included herein. The financial statements of Banco do Brasil have been prepared in accordance with Accounting Practices Adopted in Brazil, as further described under "Presentation of Financial Information and Summary Financial Information".

Six-month period ended June 30, 2004 compared to the six-month period ended June 30, 2003

Banco do Brasil's results for the six-month period ended June 30, 2004 were affected by various factors in addition to operational and business considerations, including some of the major events discussed below, the conditions of the Brazilian economy and financial markets during such period and the regulatory environment in which it operated.

As a result, amounts presented in certain line items of Banco do Brasil's consolidated audited financial statements for the six-month period ended June 30, 2003 may not be directly comparable to amounts presented in such line items of Banco do Brasil's consolidated audited financial statements for six-month period ended June 30, 2004. Investors should be aware of the foregoing in considering the financial information presented herein and assessing period-to-period trends and comparisons.

Banco do Brasil reported overall net income for the six-month period ended June 30, 2004 of R$1.421 billion compared to R$1.079 billion for the six-month period ended June 30, 2003, an increase of 31.7%. Banco do Brasil reported a gross profit of R$4.834 billion from financial intermediation for the first six months of 2004 compared to gross income from financial intermediation of R$3.974 billion for the same period in 2003, an increase of 21.6%. The more significant components of the increase are described below.

Revenues from Financial Intermediation

Gross financial revenues decreased to R$15.725 billion for the first six months of 2004 from R$16.476 billion for the same period in 2003, a decrease of 4.6%.

Banco do Brasil's income from lending operations increased to R$8.560 billion for the six-month period ended June 30, 2004 from R$7.654 billion for the same period in 2003, an increase of 11.8%. This increase reflects an 8.1% increase in the income from lending activities of Banco do Brasil (mainly attributable to CDC, *BB Giro Rápido* and transactions carried out under CMN Resolution No. 2,770). Additionally, income from rural lending increased 25.3% during the first six months of 2004 compared with the same period in 2003 as a result of an increase of approximately R$3.8 billion in the volume of rural lending operations.

Revenues from the Bank's leasing operations decreased to R$40.5 million for the first six months of 2004 from R$44.4 million for the prior comparable period, a decrease of 8.8%.

Gains on marketable securities transactions decreased to R$5.755 billion for the first six-months of 2004, from R$8.098 billion for the same period in 2003 (a decrease of 28.9%), mainly due to a 26.7% decrease in income from fixed income securities as a result of a 10.7% (R$7.5 billion) decrease in the average balance of the portfolio for the six-month period ended June 30, 2004 compared to the same period in 2003 and the lower levels of the SELIC and TR, interest rates applicable to those securities (from 11.8% and 2.6% during the first six months of 2003 to 7.6% and 0.8% during the first six months of 2004, respectively). The results were also affected by a 62.6% decrease in income from Banco do Brasil's third-party portfolio as a result of a decrease in the average balance of the portfolio. Additionally, Banco do Brasil's results from marketable securities decreased due to a loss of R$123.4

million during the first six months of 2004 resulting from the negative adjustment of certain hedge transactions in accordance with valuation on accounting rules set forth by the Central Bank's Circular No. 3,082.

Income from Banco do Brasil's financial instruments and derivatives declined to an expense of R$231.1 million for the six-month period ended June 30, 2004 from an expense of R$215.8 million for the six-month period ended June 30, 2003, an increase 7.1%. This increase mainly reflects a 3.1% increase in expenses related to swap transactions to R$236.1 million for the six-month period ended June 30, 2004 from R$229.0 million for the six-month period ended June 30, 2003, which, in turn, is primarily due to expenses related to currency exchange swap transactions resulting from the 7.6% depreciation of the *Real* against the U.S. Dollar during the first six months of 2004 compared to an appreciation of 18.7% of the *Real* against the U.S. Dollar in the same period in 2003. It also reflects expenses related to forward agreements in respect of foreign currency in the amount of R$4.5 million in the first half of 2004. The Bank did not enter into forward agreements of this type in the first half of 2003.

Income from the trading and foreign exchange portfolio increased from an expense of R$1.103 billion in the six-month period ended June 30, 2003 to an income of R$980.7 million in the same period of 2004. This increase mainly reflects the 7.6% depreciation of the *Real* against the U.S. Dollar during the first six months of 2004 compared to an appreciation of 18.7% of the *Real* against the U.S. Dollar in the same period in 2003. The results of the depreciation or appreciation in *Reais* of foreign currency denominated assets of Banco do Brasil located in Brazil are also recorded in this line item.

Banco do Brasil's gain from compulsory investments decreased by 30.8% to R$619.7 million for the six-month period ended June 30, 2004 from R$894.9 million for the six-month period ended June 30, 2003. This decrease is mainly due to the decrease in the SELIC and the TR rates, interest rates applicable to such compulsory investments (from 11.8% and 2.6% during the first six months of 2003 to 7.6% and 0.8% during the first six months of 2004, respectively).

Expenses from Financial Intermediation

Banco do Brasil's net expenses incurred in connection with financial intermediation decreased 12.9% to R$10.890 billion for the first six months of 2004 from R$12.502 billion for the same period in 2003.

Banco do Brasil's expenses from deposits and funds obtained in the open market decreased to R$6.118 billion for the six-month period ended June 30, 2004 from R$9.093 billion for the same period in 2003, a decrease of 32.7%. This decrease reflects the 16.8% decrease in the average balance of repurchase transactions carried out by Banco do Brasil with Federal Government securities in the first six months of 2004 compared to the same period of 2003. This reduction is also due to a decrease in the expenses for judicial, time and saving deposits mainly as a result of a decrease in their average balances (except for the saving deposits) and applicable rates (the inter-bank certificate of deposit "CDI" rate decreased from 11.8% for the first six months of 2003 to 7.6% for the same period of 2004 and the TR decreased from 2.6% for the six-month period ended June 30, 2003 to 0.8% for the six-month period ended June 30, 2004).

Banco do Brasil's expenses from borrowings and onlendings consist of costs relating to foreign funding, BNDES repass lending operations and expenses of funding foreign currency denominated assets, among others. Banco do Brasil's expenses in connection with these transactions increased to R$2.212 billion for the first six months of 2004 compared to R$651.9 million for the same period in 2003. This 239.4% increase results mainly from the appreciation in *Real* terms of the existing foreign exchange denominated obligations of Banco do Brasil due to the 5.9% appreciation of the Japanese Yen against the *Real* during the first six months of 2004 compared to a 19.4% depreciation in the same period in 2003 and to the 7.6% appreciation of the U.S. Dollar against the *Real* during the first six months of 2004 compared to a 18.7% depreciation in the same period in 2003. This increase also stems from the reclassification of the income of negative foreign exchange adjustments to "Other Operating Expenses" in the amount of R$3.963 billion implemented by Banco do Brasil in the first six-months of 2003 in accordance with Circular Letter No. 2,541 from the Central Bank.

Banco do Brasil's provision for credit losses increased 54.8% to R$2.560 billion for the six-month period ended June 30, 2004 compared to R$1.654 billion in the six month period ended June 30, 2003. The 54.8% increase stems from: (i) a change in the methodology used to classify risks involved in operations up to R$50,000 (see

"Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies Used by the Bank – Allowance for Loan Losses"); (ii) provisions related to the difference in the methodology of calculation of interests rates (between Banco do Brasil and the Central Bank) of *Proagro Velho* transactions; (iii) additional provisions related to (a) expected losses of micro business companies in anticipation of Basel II and (b) the reclassification of the credit risk level of renegotiated transactions with characteristics not fitting in with specific standard lines of renegotiation in order to better align such transactions with the CMN Resolution No. 2,682, and (iv) an increase in the provisions for contingent liabilities included in "Provisions for Contingent Liabilities" – IR/CS – Off-Set of tax losses (see "Risk Factors – Risk Relating to 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").

Gross Profit from Financial Intermediation

As a result of the foregoing factors, Banco do Brasil recorded a gross profit from financial intermediation in the first half of 2004 of R$4.834 billion compared to a gross profit from financial intermediation of R$3.974 billion for the same period of 2003, an increase of 21.6%. However, these results of Banco do Brasil may not be fully indicative of the spreads earned by Banco do Brasil's financial operations during such period.

Other Operating Income/Expenses

Other operating income/expenses increased to an expense of R$2.678 billion for the six-month period ended June 30, 2004 from an expense of R$1.823 billion in the same period in 2003, an increase of 46.9%. Banco do Brasil's income from services rendered increased to R$3.195 billion for the six-month period ended June 30, 2004 from R$2.561 billion for the six-month period ended June 30, 2003, an increase of 24.8%. This increase results mainly from: (i) a 43.3%. increase in income from Banco do Brasil's "Plano Ouro de Serviços" (a service package designed to attract and maintain clients); (ii) a 36.0% increase in investment funds management fees; (iii) a 35.1% increase in collection services fees; and (iv) a 24.7% increase in assets operations contracted.

Personnel expenses increased 18.0% to R$3.527 billion for the six-month period ended June 30, 2004 from R$2.990 billion for the same period in 2003. This increase mainly reflects: (i) 12.6% of salary adjustment agreed in the Collective Bargaining of 2003/2004 and (ii) the creation of provisions for expenses with the "Plano de Estímulo ao Afastamento – PEA" (a retirement incentive plan created for qualifying employees who are 50 years or older and have a contribution time to PREVI of 15 years or more), in the amount of R$277.4 million.

Other administrative expenses increased to R$2.507 billion for the first half of 2004 from R$2.125 billion for the first half of 2003, or 18.0%, mainly due to a general increase in Banco do Brasil's administrative expenses items; in particular, communications (R$44.5 million); third party services (R$51.1 million); and provision for judicial claims/expenses with respect to tax and civil lawsuits (R$59.8 million).

Tax expenses increased to R$678.9 million for the first six-months of 2004 from R$533.7 million for the first six-months of 2003, an increase of 27.2%. The increase principally relates to the expansion of Banco do Brasil's operating income for tax purposes in the six-month period ended June 30, 2004.

Equity in the earnings of Banco do Brasil's associated and subsidiary non-financial companies increased from an expense of R$1.036 billion for the first six-months of 2003 to an income of R$463.3 million for the same period in 2004. This increase is mainly due to the depreciation of the *Real* against the U.S. Dollar during the first six-months of 2004 (7.6%) compared to the appreciation of the *Real* against the U.S. Dollar during the same period of 2003 (18.7%) and the corresponding appreciation in *Reais* of the U.S. Dollar-denominated investments in offshore branches which are recorded in this line item.

Other operating income decreased to R$1.500 billion for the first six months of 2004 from R$4.908 billion for the same period in 2003. This 69.4% decrease mainly reflects the reclassification of the income of negative foreign exchange adjustments in the amount of R$3.963 billion, accounted for the six-month period ended June 30, 2003 to this line item, derived from certain transactions linked with U.S. Dollar-denominated and Japanese Yen-denominated obligations as per Central Bank's Circular Letter No. 2,541 of May 5, 1995. This decrease was

partially off-set by an increase in income from the recovery of charges and expenses due to the recovery of tax indebtedness under "Finsocial", in the amount of R$564.6 million.

Other operating expenses decreased to R$1.125 billion for the six-month period ended June 30, 2004 from R$2.608 billion for the same period in 2003, a 56.9% decrease. This decrease is mainly due to the R$1.255 billion reclassification of the negative foreign exchange adjustments to this line item derived from certain transactions linked with US Dollar-denominated investments as per Central Bank's Circular Letter No. 2,541, made in the first half of 2003.

Overall Net Income

As a result of the above factors, Banco do Brasil reported overall net income for the six-month period ended June 30, 2004 of R$1.421 billion compared to R$1.079 billion for the six-month period ended June 30, 2003, an increase of 31.7%.

BUSINESS OF BANCO DO BRASIL S.A.

General

Banco do Brasil is the leading bank in Brazil ranked by volume of assets under management and by volume of funds obtained in the market as of December 31, 2003. In addition, Banco do Brasil is the leading financial agent in the Brazilian agricultural sector, with approximately 60.0% of the sector's market share. See "Rural Lending".

Banco do Brasil and its subsidiaries provide a full range of banking products and financial services in Brazil, including retail and wholesale banking, rural lending, deposit taking, trade financing, leasing, foreign exchange brokerage, credit card and travelers' check services, consumer lending, investment banking, fund management, insurance, pension fund management, capital markets services, and leasing and insurance brokerage. Banco do Brasil also carries out U.S. Dollar and other foreign currency denominated deposit-taking, trade financing, lending and leasing services through its branches and subsidiaries outside Brazil. In addition, Banco do Brasil has traditionally acted as agent of the National Treasury and other Federal Government agencies in implementing policies and programs which are intended to benefit the country as a whole. Banco do Brasil, with the agreement of the National Treasury, in addition to Banco do Brasil's historic emphasis on promoting the economic and social development of Brazil (particularly in the rural sector), is emphasizing Banco do Brasil's obligation to provide its customers with high quality services and its stockholders with an improved return on their investment. Banco do Brasil is seeking to provide a wide range of retail banking products and services through Brazil's largest branch network, utilizing advanced technology to improve the quality and reduce the cost of such products and services.

Certain information included in this section is derived from management accounting records. See "Risk Factors—Risks Relating to the Bank—The presentation of the financial information contained in this Offering Circular may vary from what investors typically review".

History

Banco do Brasil was founded on October 12, 1808 and its *Estatuto Social* was registered with the Commercial Board on April 7, 1942 as No. 17,298. It was the first bank to operate in Brazil and the fourth in the world to issue currency. From its foundation until 1964 it performed the role of the central bank of Brazil. In 1938, it extended the first lines of agricultural credit in Brazil and after 1945 it was heavily involved in the industrialization of Brazil. From 1965 to 1986, Banco do Brasil continued to act as an arm of the monetary authorities of Brazil and its operations were funded largely through an open-ended account (see "Summary—Relationship with the Government") with the National Treasury. In 1986 that account was closed, and Banco do Brasil began to fund its lending operations partly from resources allocated for particular purposes by the National Treasury or other Federal Government agencies and from alternative sources for non-Federal Government related activities.

After 1986, Banco do Brasil was authorized to establish subsidiaries, through which it entered into new areas of business and launched new products, particularly savings accounts, the balances of which are used to fund agricultural lending. As a result, Banco do Brasil became a financial conglomerate, while retaining its responsibility as the Federal Government's principal financial agent.

From the early 1980's until the adoption of the *Real* Plan in 1994, the highly inflationary environment in Brazil enabled the Brazilian banking system as a whole, including Banco do Brasil, to generate significant profits from float income on deposited funds. The economic stability and dramatically reduced rates of inflation resulting from the implementation of the *Real* Plan in 1994 eliminated these inflationary profits. The liquidity squeeze applied by the Federal Government in order to promote the economic adjustments necessary for successful implementation of the *Real* Plan led to a rise in the levels of insolvency in many sectors of the Brazilian economy, and to a dramatic increase in Banco do Brasil's level of non-performing loans. As a result of these factors and others, Banco do Brasil suffered significant losses during 1995 and 1996.

In 1995, Banco do Brasil's newly appointed Administrative Council adopted a strategy intended to increase Banco do Brasil's revenues and to modernize and properly structure Banco do Brasil to operate in the new and changed economic environment in Brazil. The measures taken to implement this strategy in 1995 proved insufficient

to reverse Banco do Brasil's declining profitability and in early 1996, the Restructuring Program was initiated to restore the capital and profitability of Banco do Brasil. One of the principal components of this restructuring plan was completed on June 17, 1996 when Banco do Brasil issued 608,638,160,239 new common shares and preferred shares for cash. Other measures were also taken, such as the recognition of foreign exchange losses arising from Banco do Brasil's U.S. Dollar holdings abroad as a result of an appreciation of the value of the *Real* against the U.S. Dollar in 1997, settlement of the National Treasury's indebtedness to Banco do Brasil, the restructuring of Banco do Brasil's rural loan portfolio and recognition of its pension obligations to its Pre-1967 Employees. This restructuring was completed during 1998 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Restructuring Program and its Continuous Implementation" and "Management and Employees — Employees"). In 2000, Banco do Brasil launched its Internet web site and consolidated its position as the financial institution in Brazil with the largest presence on the World Wide Web. In 2001, Banco do Brasil was changed from a "commercial bank" to a "multiple banking institution", thus permitting Banco do Brasil to participate directly, as opposed to through subsidiaries and other affiliates, in securities, leasing and other markets outside of commercial banking. As a result, BB-Financeira and part of BB-Cartões (Banco do Brasil's subsidiaries) were merged into Banco do Brasil. At a meeting on August 27, 2001, stockholders of Banco do Brasil approved the new management structure of Banco do Brasil, with the goal of increasing compliance with corporate governance rules and adjusting Banco do Brasil's structure to its client segmentation (retail, wholesale, government and asset management).

Strategy

Banco do Brasil's strategy is to maximize its client, employees and shareholder's value by increasing its relationship with them and consolidating its position as the leader in the retail market in Brazil. The Bank also wants to increase its market share in international business and corporate clients. In order to implement this strategy, Banco do Brasil is: (i) investing in training its employees and establishing a premium working environment in the Bank; (ii) maintaining its commitment to technological improvement; (iii) integrating distribution channels to better serve its clients; and (iv) developing high quality risk and compliance management tools. Banco do Brasil plays its role in the Brazilian economy with social and environmental responsibility. Banco do Brasil aims to combine results for its investors and social responsibility in the development of a profitable company in tune with market demands as well as the local community and society.

Banco do Brasil continues to place emphasis on its retail banking activities with the intention of providing its retail clients with a full range of retail banking services, including insurance and asset management services. Banco do Brasil's asset management activities are carried out through its subsidiary BB DTVM, which manages those resources derived from investments funds and securities portfolio. Since 2001, BB DTVM operates independently from Banco do Brasil following the segregation rules of the Central Bank regarding its own resources and those of third parties. The Bank believes that to retain its leadership in retail banking, it must also be a leader in wholesale banking due to the fact that wholesale banking relationships generate retail banking transactions such as those relating to payroll management and deposits. As a result, the Bank has been focusing on providing its wholesale clients with full wholesale banking services. In 2003, Banco do Brasil invested R$878.5 million in technology and infra-structure (R$704.7 million for the year ended December 31, 2002 and R$615.8 million for the year ended December 31, 2001). Banco do Brasil has budgeted investments of R$1,200.0 million in technology and R$499.79 in infra-structure for 2004. Banco do Brasil views such investments as essential to enable it to compete with private sector retail and commercial banks. See "—Technological Resources".

Organizational Structure

Although Banco do Brasil has a conglomerate structure (developed since 1986) under which, directly and through its subsidiaries, it offers a full range of banking products and financial services in accordance with Brazilian laws and regulations and in accordance with high standards of corporate governance, the subsidiaries through which products and services are offered do not generally operate as distinct commercial entities; their operations are fully integrated into the operations of Banco do Brasil and are conducted through the relevant business units of the Bank. Notwithstanding this full integration of activities, up to April 30, 2001, unlike most other Brazilian commercial banks, Banco do Brasil was not organized as a multiple service bank (*banco múltiplo*) offering banking products and financial services through a single legal entity. In order to allow Banco do Brasil to make use of tax credits, on April 30, 2001, stockholders of the Bank voted to have Banco do Brasil converted from a commercial bank to a multiple service bank. This conversion has been approved by the Central Bank enabling Banco do Brasil to participate

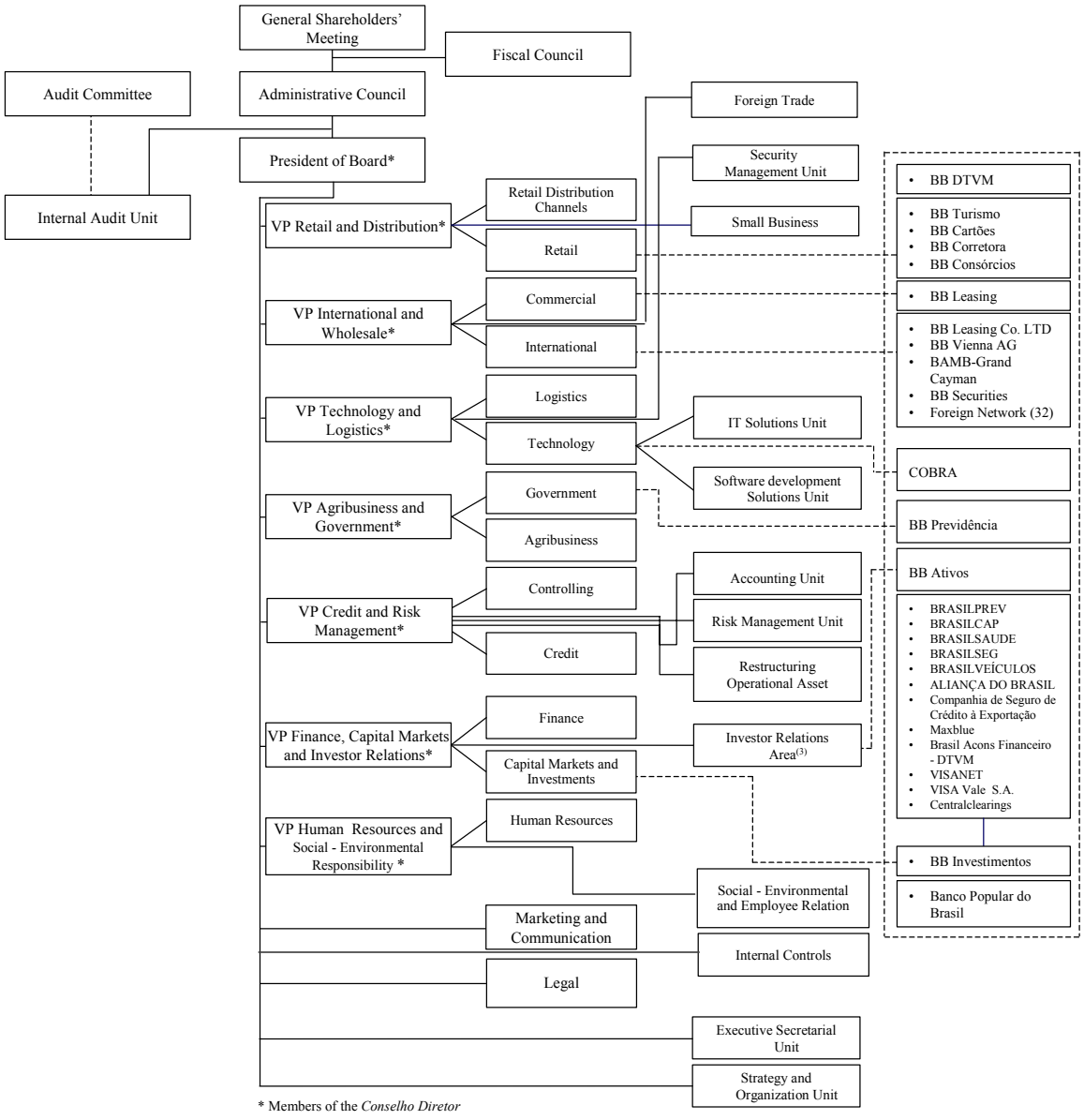
directly (instead of through subsidiaries and other affiliates) in securities, insurance and other markets outside commercial banking.

In April 1995 Banco do Brasil initiated the process of restructuring its organization. This process was directed toward providing Banco do Brasil with quicker decision-making processes, improving information flow for better decision making, and facilitating the coordination of activities among the various strategic business units.

The new management structure of the Bank was approved by the stockholders of the Bank on August 27, 2001 with a view to increase its compliance with corporate governance rules and adjust Banco do Brasil's structure to its client segmentation (retail, wholesale, government and asset management). This structure was further reviewed in February 2003 and May 2004 in order to increase efficiency. Banco do Brasil is currently managed by up to 30 directors: one chairman, up to seven vice-presidents and up to 22 directors. The chairman and the vice-presidents of Banco do Brasil are the members of the *Conselho Diretor*. This committee is in charge of strategic decisions and the institutional relationship of Banco do Brasil. The directors (20) are each responsible for one of the Divisions of the Bank, which are: Foreign Trade, Small Business, Distribution and Retail Channels, Retail, Commercial, International, Logistic, Technology, Government, Agribusiness, Credit, Human Resources, Finance, Capital Markets and Investments, Controlling, Internal Controls, Social-Environmental and Employee Relations, Restructuring of Operational Assets, Marketing and Communication and Legal. Banco do Brasil also has seven Units: , Executive Secretariat, Strategy and Organization, Risk Management, Accounting, Security Management , IT Solutions and Software Development Solutions units (both under Technology).

Banco do Brasil Organizational Structure

Banco do Brasil's current organizational structure is shown in the chart set out below.[(1) (2)]



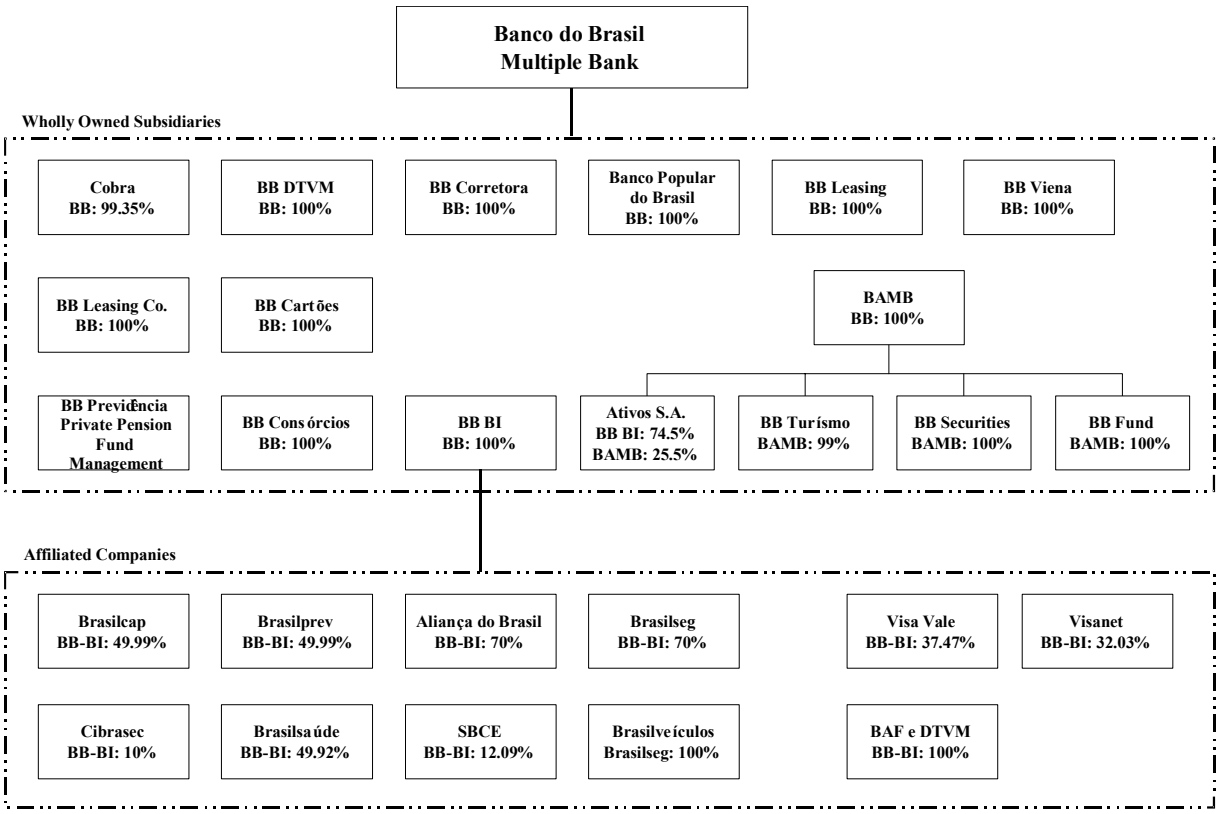
Notes:—

(1) For a description of the functions of the Administrative Council, the Fiscal Council and the Board of Directors, see "Management and Employees—Management".

(2) The dotted structure relates to subsidiaries and affiliated companies of Banco do Brasil.

(3) The Investor Relations Area is managed independently, reporting to the Vice President of Finance, Capital Markets and Investors Relations.

Banco do Brasil's current subsidiary and affiliated company structure is shown in the chart set out below.



Based on the financial information of the Bank and its subsidiaries, prepared in accordance with accounting practices adopted in Brazil, (i) the Bank's and its other subsidiaries' investments in and advances to any one subsidiary does not exceed 10 percent of the total assets of the Bank and its subsidiaries (consolidated as of December 31, 2003) and (ii) the Bank's and its other subsidiaries' proportionate share of the total assets (after intercompany eliminations) of any one subsidiary does not exceed 10 percent of the total assets of the Bank and its subsidiaries (consolidated as of December 31, 2003).

Directors

The Board of Directors is made up of 30 members: a Chairman, up to seven Vice-Presidents and up to 22 Directors. Under the revised structure, the *Conselho Diretor* (composed of the Chairman and the Vice-Presidents) reach important decisions by consensus. Each Director assumes primary responsibility for one Division of Banco do Brasil. Under the responsibilities of the VPs are the following Divisions/Units:

VP Retail and Distribution

- Distribution Channels – is responsible for the management of the distribution channels of the retail network;
- Retail – manages Banco do Brasil's business with individuals Banco do Brasil's credit card subsidiary (BB Cartões), consumer credit subsidiary (BB Corretora) and the subsidiary responsible for tourism (BB Turismo) operate in this unit;
- Small Business – is responsible for the transactions with the micro and small business companies;

VP International and Wholesale

- Commercial – manages business with middle market and corporate clients as well as the distribution channels of the wholesale network. BB Leasing is part of this unit;
- International – manages Banco do Brasil's business with foreign financial institutions in Brazil and clients abroad, foreign exchange and foreign trade businesses, and the branches, agencies, representative offices and subsidiaries of Banco do Brasil located outside Brazil;
- Foreign Trade – promotes Brazilian's foreign trade and manages the Regional Centers of Support of the International Business.

VP Technology and Logistics

- Logistics– is responsible for supplying products, equipment and services to Banco do Brasil's network of outlets, to provide engineering, security, clearing system, treasury and data processing services and to support Banco do Brasil's business in general;
- Technology – is responsible for Banco do Brasil's computers and data systems (including IT Solutions and Software Development Solutions units);
- Security Management Unit – is responsible for the management of the corporate security of Banco do Brasil;

VP Agribusiness and Government

- Government – manages Banco do Brasil's business with public sector clients as well as the distribution channels of the Government Division. BB Previdência is also a part of this division;
- Agribusiness (Rural) – manages Banco do Brasil's products to Brazil's agricultural sector;

VP Credit and Risk Management

- Credit – is responsible for establishing the detailed rules for granting credit;
- Risk Management Unit – is responsible for financial risk management as per Banco do Brasil's policies and guidelines;
- Controlling – is responsible for the assessment of economic performance of the management of Banco do Brasil, its units and its products;
- Accounting Unit – is responsible for the accounting of Banco do Brasil and its subsidiaries, and tax management issues;
- Restructuring of Operational Assets– renegotiates and collects non-performing credits. BB Ativos is part of this unit;

VP Finance, Capital Markets and Investor Relations

- Finance – is responsible for Banco do Brasil's treasury, funding and market operations;
- Capital Markets and Investments – manages Banco do Brasil's business with domestic capital markets-related products and is responsible for managing Banco do Brasil's interest in other companies and wholly owned subsidiaries. BB Investimentos and Banco Popular do Brasil are parts of this unit;

VP Human Resources and Social-Environmental Responsibility

- Human Resources – is responsible for Banco do Brasil's personnel management, including professional development, wages and salaries and the valuation of employees development;
- Social-Environmental and Employee Relations – intend to enhance the employees' value and commitment towards the Bank, as well as to respond for management and coordination of the

implementation of policies and regulations for the social-environmental responsibility of the Banco do Brasil's group;

Division related to the Administrative Council and supervised by the Audit Committee

- Internal Audit – is responsible to carry out due diligence exercises focusing on risks and verifying the quality and compliance of Banco do Brasil's internal controls;

Division and Units related to the President

- Marketing and Communication – is responsible for marketing and advertising for Banco do Brasil and managing Banco do Brasil's home page on the Internet;
- Legal – provides legal services and represents Banco do Brasil before courts and administrative tribunals;
- Executive Secretariat Unit – provides secretarial and administrative support to the *Conselho Diretor*;
- Strategy and Organizational Unit – manages planning, organizational and management strategy for development of Banco do Brasil; and
- Internal Control – is responsible for the internal control policies and compliance, in addition to the Bank's image and legal policies.

Domestic Network

Banco do Brasil has the largest network of operating outlets in Brazil of any commercial bank. At December 31, 2003, Banco do Brasil had 13,220 operating outlets, 3,241 of which were full service branches and the remainder of which were outlets with immediate access to customer information and general information such as interest rates and product updates. Information from all outlets is collated at 19 regional infrastructure centers, 15 of which take part in the National Check Clearing System. At December 31, 2003, Banco do Brasil had 37,018 terminals for accessing account information (*terminais de extrato*), of which 24,132 are also cash dispensers ("ATM"), and Banco do Brasil's customers had access to 2,216 24-hour banking stations (*Banco 24 Horas*) in 218 towns. Outlets are located in all areas of Brazil. However, 60% of Banco do Brasil's service outlets are located in towns with less than 50,000 inhabitants and Banco do Brasil is the only financial institution in 859 towns. Banco do Brasil's service outlets in the States of Rio de Janeiro, São Paulo, Minas Gerais and Rio Grande do Sul and in the Federal District generated approximately 68.0% of Banco do Brasil's total deposits at December 31, 2003 (67.0% at December 31, 2002 and 67.0% at December 31, 2001).

Banco do Brasil, in line with other private sector retail banks, has focused on the need to identify and provide solutions to problems in the retail banking sector and to improve customer service. The Retail Division has primary responsibility of making the products available on the network, while the Distribution Division has the responsibility of distributing and managing such products. Other Divisions (such as the Commercial and Governmental Division) also use the service outlet network to sell products and deliver services in addition their own net work. The Distribution Channels Division is responsible for maintaining productivity throughout the service outlet network and ensuring that client needs are processed efficiently and at minimum cost. This entails an ongoing analysis of the performance of each of the service outlets as well as pre-marketing to determine whether there is a need for a certain type of product to be sold in a specific geographical area. Branches are classified into four levels according to their complexity and the profit potential of the market they serve. This classification serves as a basis for decision-making regarding investment, closure, downsizing and relocation of branches or substitution of their management.

In an attempt to redefine its service outlet and sub-office network and in order to enhance Banco do Brasil's reputation as a retail bank, Banco do Brasil has invested in automated banking services generally and is in the process of relocating back-office activities to data processing and regional processing centers so that Banco do Brasil's branch profile is one of customer service points that specialize in the sale of specific products to a particular market sector. As a result, Banco do Brasil has been downsizing its larger branches or converting other full-scale branches into smaller-scale service outlets. This restructuring has helped to reduce costs. As a result of that process

certain branches were downsized or converted into *pontos de atendimento*. *Pontos de atendimento* are operating outlets which are not full-scale branches but which are equipped so as to provide clients full access to their checking accounts and to the range of banking services offered by Banco do Brasil. Banco do Brasil has customer-site operating outlets located on the premises of companies to service the employees of such companies, and these are referred to as *pontos de atendimento bancário*. Banco do Brasil is the only financial institution to have "pioneer" operating outlets in about 859 Brazilian municipalities (in the case of branches, 421 "pioneer" branches at December 31, 2003; in the case of other outlets, 438 *pontos de atendimento avançado* at December 31, 2003). The costs of maintaining such outlets in remote and sparsely populated areas are considerable. As a result, Banco do Brasil has entered into arrangements with local authorities whereby certain physical facilities are made available to Banco do Brasil in order to reduce operational costs. Banco do Brasil also has electronic operating outlets (*pontos de atendimento eletrônico*), in which clients have access to Banco do Brasil's services through electronic stations.

During 2003, Banco do Brasil opened 81 new branches, 12 *pontos de atendimento avançado*, 91 *pontos de atendimento bancário* and 1,011 *pontos de atendimento eletrônico*. During 2003, Banco do Brasil invested R$242.293 million in the restructuring of its branch network, spent R$217.798 million during 2002 and plans to spend R$450.1 million during 2004 for this purpose.

In the second half of 1999, the Central Bank allowed Brazilian banks to enter into service agreements with companies that would act as "banking correspondents". Banco do Brasil is negotiating similar arrangements with entities having extensive networks of outlets and with companies specialized in banking services. This kind of service is already spread out for all over the country totaling 146 operational outlets, in 27 states, with 1,848 stores and 11,754 check outs. From the beginning of these operations until December 31, 2003, the arrangements with these banking correspondents had reached R$8.687 billion. The main objectives of this association are to:

- increase financial revenue
- enlarge the number of operating outlets (pontos de atendimento)
- offer banking services in towns without financial institution
- reduce costs by sharing structure with other entities

Banco do Brasil operates the entire national check clearing system, in accordance with Law 4,595, which is administered by the Infrastructure Division. The Infrastructure Division's responsibilities include the management of data processing and checking the financial results of each bank, with such information passed to the Central Bank. With the exception of those checks cashed at bank branches, all checks issued in Brazil are cleared in Banco do Brasil's clearing system. Checks below R$300 face amount are settled on the next day, and all checks of or above this amount are settled on the same day. Details of the amounts to be settled are transmitted electronically to Banco do Brasil by other banks via a centralized electronic data processing facility. Banco do Brasil clears an average of 8.9 million checks per day with an aggregate average daily value of R$4.3 billion as of December 31, 2003. Banco do Brasil earns no income from operating this system. All expenses incurred by Banco do Brasil are equal to the administration fee that it charges.

The process of implementing a new structure for inter-bank settlements in Brazil was completed in 2002.

The restructuring of the Brazilian Payment System ("SPB") generated some significant changes in financial institutions and clearing houses in order to become modern and faster. Such restructuring incorporated directives enacted by the Bank for International Settlements ("BIS"). A year after its introduction, the financial market considers it to be a success. Some of the benefits of the new SPB are: (a) increased market transparency; (b) reduced operational process; (c) reduced systemic risk by increasing security as to the transactions carried out in the systems, the counter parties to the transactions and the systems themselves. The clearing systems created or adapted to the new SPB contributed to mitigate such risks and to make risk management efficient. In May, 2004, the BM&F established a securities clearing house, an electronic environment for the negotiation of public securities, allowing better price building and contributing for increasing market liquidity. Banco do Brasil as one of the main players, actively participated in the structuring of such environment. Banco do Brasil is one of the main shareholders in several clearing systems and is responsible for a large number of transactions carried out in those systems. Banco do Brasil is also the manager of the System of Settlement of Checks and Other Services (*Centralizadora de*

Compensação de Cheques e Outros Papéis or "Compe"). A second phase for the SPB, the implementation schedule of which has not yet been defined, will focus on, among other things, a shared ATM network and the improvement of payment systems in the retail sector. Banco do Brasil, having the largest ATM network in Brazil, will play an important role in this project.

By December 31, 2003, Banco do Brasil had supplied 524,735 companies with on-line banking services (444,998 at December 31, 2002 and 333,094 at December 31, 2001) and 5,960,132 individuals with personal banking services (4,279,488 at December 31, 2002 and 3,672,732 at December 31, 2001). At December 31, 2003, approximately 86.4% of all Banco do Brasil's transactions were being processed through automated banking facilities (84.0% at December 31, 2002 and 78.0% at December 31, 2001).

Banking Activities

Banco do Brasil classifies its banking activities and operations into (i) retail, if made to individuals and small businesses, (ii) rural lending, and (iii) wholesale, if made to corporations and entities, which includes commercial and industrial lending, leasing transactions, capital markets operations and international transactions. In addition, Banco do Brasil carries out operations with the Federal Government and insurance activities. In its effort to increase its client base and for purposes of effectively competing in the Brazilian banking market with private sector banks, Banco do Brasil has emphasized servicing specific client needs and requirements and developing products tailored to those needs and requirements. Banco do Brasil believes that it is important that clients take advantage of its broad range of products and services constantly and tries to offer tailored products to meet clients' demands.

Market Segmentation

In its efforts to service and meet specific client requirements, Banco do Brasil has developed specialized delivery structures for different categories of clients within Banco do Brasil's segmentation model. Some of these delivery standards are outside the outlet network. Products are tailored to meet the needs of the different categories of clients and, in the case of some categories, the specific needs of one client.

Retail clients are classified based on profile, income potential for Banco do Brasil and prior relationships. Standardized products and services are offered to each of the various retail client segments within the branch network structure. Banco do Brasil operates an automated credit approval process pursuant to which most types of retail credit are automatically approved provided they fall within the pre-approved credit limit (which Banco do Brasil established and continually monitors) based on advanced credit and behavior scoring models. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Credit and Risk Control". Higher income individual customers are provided with fairly standard products and a more personalized level of service, while the highest net worth individual customers receive specifically tailored service.

Commercial and industrial-lending clients are serviced through the Commercial and Retail Divisions and have been classified by Banco do Brasil since 1997 based on sales and their level of relationship with Banco do Brasil. Companies with annual gross sales of up to R$10 million are classified as "small business" clients, and are offered standardized banking services. Those clients are managed by the Retail Division. Companies with annual gross sales of between R$10 million and R$100 million are grouped in the "middle market" segment and are offered differentiated banking service through specialized account managers. Companies with gross annual sales in excess of R$100 million are classified as "corporate" and are offered personalized banking services. The middle market and corporate clients are managed by the Commercial Division. Public sector clients are divided in accordance with their strategic and political importance.

Retail Banking

The retail operations of Banco do Brasil are conducted mainly through its outlet network and are the responsibility of the Retail Division, which was created in 1996. The Retail Division has six main business areas: investments, savings, demand accounts and consortium; insurance, pension funds and premium bonds; consumer lending to individuals and companies; credit cards and electronic cards; client segmentation; and tourism. Utilizing its services units as outlets to market its retail products, Banco do Brasil is placing emphasis on the development of

these products, and has also integrated the operations of its subsidiaries, including BB Cartões and BB Turismo, into the Retail Division.

Demand and Savings Accounts

Banco do Brasil provides its clients with demand and savings accounts. Banco do Brasil has the largest number of demand accounts in Brazil (26.2% of all demand accounts in the country at December 31 2003, 32.0% at December 31, 2002 and 22.0% at December 31, 2001) based on annually published information by the Central Bank, which is available through the Central Bank's electronic systems (SISBACEN), or from the Brazilian Federation of Bank Associations (*Federação Brasileira das Associações de Bancos*—FEBRABAN) at the end of each year. Banco do Brasil's market share stems principally from its reputation, the extent of its service network and its relationship with the Federal Government. Banco do Brasil benefits from the general perception in Brazil that as a result of its relationship with the Federal Government, Banco do Brasil is less exposed to the liquidity problems that periodically affect other Brazilian banks. As at December 31, 2003, Banco do Brasil had a total of 18.8 million demand accounts (15.4 million at December 31, 2002 and 13.8 million at December 31, 2001).

Banco do Brasil provides checking accounts with overdraft facilities, which are differentiated as *Cheque Ouro Executivo* for higher income clients, *Cheque Ouro* for middle income clients and, since September 1996, *Cheque Especial Classic* for lower income customers.

During the second half of 1999, Banco do Brasil created the *Conta Especial Eletrônica* with an overdraft limit of R$600 for lower income clients. Withdrawals under this account are effected through debit cards. On December 31, 2003 Banco do Brasil had a total volume (*Cheque Ouro, Cheque Ouro Executivo*, *Cheque Especial Classic* and *Conta Especial Eletrônica*) of R$2.2 billion and 11.9 million transactions. For further information on the volume of demand deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Source of Funds—Demand Deposits".

Banco do Brasil also offers its customers savings accounts. Banco do Brasil is one of only three banks in Brazil that applies the funds deposited in savings accounts to agricultural lending. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Source of Funds—Savings Deposits". Banco do Brasil has experienced a significant increase in its savings account deposits since 1994, attributable to the success of the *Real* Plan in reducing inflation and encouraging higher savings rates (R$27.4 billion as at December 31, 2003, compared to R$26.9 billion as at December 31, 2002 and R$21.2 billion as at December 31, 2001). Banco do Brasil's share of the Brazilian savings account market in terms of volume of deposits has increased to approximately 19.1% at December 31, 2003 compared to 19.2% at December 31, 2002 and 17.9% at December 31, 2001. Notwithstanding that savings account deposit maturities are relatively short term, Banco do Brasil lends these funds on a longer term basis because of the stability over time of its aggregate rural savings account deposits. The Central Bank also provides a line of credit funded from the mandatory deposit with the Central Bank of a portion of each savings account (intended to cover shortfalls if an extraordinary fall in savings account deposits occurs). Banco do Brasil has never had cause to resort to this line of credit. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Source of Funds—Savings Deposits".

Collections

The Commercial Division is also responsible for collection services rendered to private sector clients, which is a collection service that permits product and services providers to collect more dynamically and safely their sales made in installments by enabling its customers to make the relevant payments in any bank in Brazil until maturity. Banco do Brasil's total volume of collection services increased, 25.11% as at December 31, 2003 if compared to December 31, 2002. Banco do Brasil's integrated collection unit provides services for clients of various economic sectors. As at December 31, 2003, Banco do Brasil had a 26.10% increase in the number of companies, States and Municipalities to which it has provided collection services if compared to the same period in 2002. For the year ended 2003, revenues from collection services increased 25.01% compared to the same period in 2002.

Consumer Lending

Banco do Brasil, through its service outlet network, offers consumer credit to its clients in the form of loans for the purchase of automobiles and consumer goods. Consumer lending is typically for a term of up to 42 months, with interest rates varying from approximately 2.0 to 5.2% a month. Income from interest earned on such consumer lending transactions was R$1.9 billion for the year ended December 31, 2003 (R$1.8 billion for the year ended December 31, 2002 and R$1.53 billion for the year ended December 31, 2001). The total outstanding volume of Banco do Brasil on December 31, 2003 for consumer lending amounted to R$8.0 billion (R$8.6 billion at December 31, 2002 and R$5.79 billion at December 31, 2001).

Banco do Brasil has offered since November 1996 "automated credit" (*Crédito Automático*) which are credit lines that target clients who hold overdraft accounts and who have been previously selected on account of their good credit histories. These clients are automatically granted credit limits previously established under the "Credit Scoring" methodology used by Banco do Brasil as a means of minimizing credit risks. As at December 31, 2003, R$9.0 billion of automated credit was outstanding, compared to R$8.2 billion at December 31, 2002 (R$7.5 billion at December 31, 2001).

Since April 1996 Banco do Brasil has been making loans repayable in installments available to accountholders that have an employment relationship with entities previously registered with Banco do Brasil ("*Empréstimo Consignação em Folha*"). In 2003, R$943.1 million was disbursed under this type of financing compared to R$567.3 million for the same period in 2002 (R$247.9 million during 2001). Since 1999, Banco do Brasil has been granting other loans to clients whose salaries are deposited in accounts maintained with Banco do Brasil ("*CDC Salário*"). Loans are granted for terms of up to 24 months at interest rates of 3.98% to 4.86% per month. Banco do Brasil considers the credit risks of such operations to be low because such loans are generally provided to borrowers with high credit ratings as determined by the Central Bank.

The volume of Banco do Brasil's consumer lending operations has been materially affected by changes in regulation and by interest rate fluctuations. Shortly after the implementation of the *Real* Plan, the Federal Government introduced a tight monetary policy to control the growth of certain types of credit, including consumer credit. See "The Brazilian Financial System—Reserve and Related Requirements". At December 31, 2001, interest rates varied from 2.8% to 5.3% per month and the outstanding volume of consumer lending was R$5.8 billion. At December 31, 2002, interest rates varied from 3.6% to 6.2% per month and the outstanding volume of consumer lending was R$9.8 billion. At December 31, 2003, interest rates varied from 2.0% to 5.23% per month and the outstanding volume of consumer lending was R$11.1 billion. The default rate for consumer lending during 2003 was approximately 9.26% of transactions or R$1.0 billion compared to approximately 9.9% of transactions or R$976 million during 2002 compared to approximately 8.3% of transactions or R$747.0 million during 2001. Banco do Brasil attributes this improving trend to better economic conditions as well as improved management of its consumer lending portfolio.

Commercial and Industrial Lending

During 1999, Banco do Brasil developed a standardized and automated credit facility designed for small business clients requiring working capital (*BB Giro Rápido*). For the year ended December 31, 2003 Banco do Brasil carried out 534.704 BB Giro Rápido transactions in the amount of R$6.117 billion (352.631 transactions in the amount of R$3.681 billion at December 31,2002 and 64,893 transactions in the amount of R$730.4 million at December 31, 2001). Small business clients are serviced in a standardized and automated manner through Banco do Brasil's branch network.

Banco do Brasil also acts as an agent of *Programa de Geração de Emprego e Renda Urbana* (Urban Federal Employment and Income Generation Program "PROGER-Urbano"), small-scale businesses credit line for purchase of equipment and ancillary machinery (R$876 million at December 31, 2003 compared to R$337.0 million at December 31, 2002 and R$416 million at December 31, 2001).

Credit Cards, Electronic Payment Cards and Visa Electron Cards

Banco do Brasil carries out its credit card operations as part of the Retail Division. Banco do Brasil's credit card products are offered through its branches and paired with other retail banking products and services, as well as through the Internet and a call center, to provide a modern, competitive assortment of products to Banco do Brasil's retail customers.

Banco do Brasil was the first Visa card issuer in Brazil (since 1988). By December 31, 2003, BB Cartões had issued approximately 4.2 million Visa cards. This represents 20.0% increase from 3.5 million Visa cards issued at December 31, 2002 and 2.5 million Visa cards issued at December 31, 2001.

Since September 1996, Banco do Brasil has also been issuing MasterCard Gold credit cards. At December 31, 2003, Banco do Brasil had issued 1.154 million MasterCards (1.139 million at December 31, 2002 and 1.239 million at December 31, 2001).

Total volume of transactions using credit cards issued by Banco do Brasil during the year ended December 31, 2003 was R$11.3 billion, an average of R$998.0 million per month (R$9.1 billion, an average of R$755.0 million per month at December 31, 2002). As at December, 2003, Banco do Brasil required its cardholders to pay each month at least 10.0% of the outstanding balance of withdrawals and domestic purchases and the full amount of finance charges. Interest on outstanding balances is charged at a rate of 2.56 to 7.57% per month. Banco do Brasil allowed its card holders to purchase goods in up to 24 monthly installments with monthly interest of 6.2%, in which case each installment is included in the monthly invoice. When payments are in arrears, an extra charge of 2.0% per month is made on the unpaid amount. Banco do Brasil charges annual fees for its credit cards, including financing fees should card balances not be paid in full during the usual 30-day settlement period. Banco do Brasil earns remuneration on credit card transactions through its 31.99% equity stake in Visanet (interest on capital of R$2.6 million and dividends of R$6.2 million in 2003 compared to R$14.5 million in 2002 and R$2.5 million in 2001), a company formed by an association of banks using the Visa flag, which manages the relationship between banks and merchants.

Banco do Brasil also issues debit cards, the most popular of which are the Visa Electron and Maestro debit card. At December 31, 2003, Banco do Brasil was the second largest issuer of debit cards in Brazil, with approximately 20.1 million cards issued (18.4 million cards at December 31, 2002 and 16.5 million cards at December 31, 2001). Those cards allow cardholders to access their current accounts and make withdrawals or purchase goods through the Visa or MasterCard systems, to which these cards are linked. Banco do Brasil also issues Visa Travel money cards to customers and non-customers (a form of pre-payment card that allows money to be withdrawn at any of the 800,000 Visa ATM's worldwide). The volume of transactions carried out through the Visa Travel money card and Visa travelers checks was equivalent to R$73.0 million in six-month period ended December 31, 2003 (R$188.5 million for the year ended December 31, 2002 and R$350.8 million for the year ended December 31, 2001).

Marketing

Banco do Brasil's marketing activities consist of strategic planning and evaluation of the market, conducting research into the needs of its clients and other market requirements, and reviewing the activities of competitor banks.

The marketing activities of Banco do Brasil are also based upon the planning, support and conducting of advertising and institutional marketing campaigns and the promotion and sponsorship of cultural, social and sports activities of Banco do Brasil; in making an uniform branding of Banco do Brasil and its subsidiaries to the public, mainly through business affairs and similar events focused in agriculture activities; in the coordination of corporate communication procedures and public relations in the structuring and management of Banco do Brasil's main web site and other web sites relating to its range of products. Additionally, the marketing division coordinates internal corporate communication of Banco do Brasil by using several types of media, including the Intranet, television, magazines and oriented bulletins to inform its employees.

The Marketing Division is also responsible for liaising with consumer protection entities and proposing guidance for the process of receiving, distributing and managing complains, suggestions, private claims and compliments of the clients and other consumers of financial products.

Tourism

Banco do Brasil conducts its tourism-related activities through its subsidiary, BB Turismo. Tourism-related revenues were approximately R$60.6 million for the year ended December 31, 2003 (R$42.6 million for the year ended December 31, 2002 and R$31.6 million for the year ended December 31, 2001), of which 73.4% was derived from the issue of flight tickets and the remainder from the sale of tourist packages, hotel bookings and automobile rentals. Banco do Brasil, through its wholly-owned subsidiary BB Cartões, (incorporated in 1987 and operated as part of the Retail Banking and Services Division) is the only issuer of travelers checks in Latin America.

Service Fees

Since December 1998 Banco do Brasil has offered its retail clients a package of banking services (such as check books, statements and home-banking), by means of the "*Plano Ouro de Serviços*", for a monthly service fee. Depending on the level of a customer's activities with Banco do Brasil, discounts of up to 100.0% of the fees payable may be obtained. Fees attributable to the "*Plano Ouro de Serviços*" amounted to R$830.4 million for the year ended December 31, 2003 (R$561.9 million for the year ended December 31, 2002 and R$362.7 million for the year ended December 31, 2001).

Microlending and Financing to Low-income Clients

On June 25, 2003 the Federal Government authorized Banco do Brasil to set up subsidiaries to provide financial services to low income clients and provide financing for the acquisition of durable goods. This financial service was further regulated by CMN Resolution No. 3,109 of July 24, 2003, as amended, and Circular No. 3,182 of the Central Bank dated March 6, 2003.

In 2003, Banco do Brasil's Administrative Council has approved the incorporation of Banco Popular do Brasil. On December 5, 2003, Banco Popular do Brasil obtained the authorization from the Central Bank to start its operations and in February of 2004 began its activities in three different cities. The purpose of Banco Popular do Brasil is to accomplish the microlending strategy of the Bank, which is the inclusion of low income clients into the Bank's business and the provision of banking services to potential customers that are currently excluded from the financial services industry, but to do so through the use of a separate bank in a manner that provides transparency as to activities of Banco do Brasil as compared to Banco Popular do Brasil. Banco Popular do Brasil will provide, amongst other services, demand accounts, debit and credit cards, as well as investment products. Banco Popular do Brasil was established with an equity capital of R$24.5 million and will fund its activities through the balance of demand deposits of Banco do Brasil. Banco Popular do Brasil is scheduled to start full retail activities in July, 2004.

The Bank's Administrative Council, at a meeting on May 3, 2004, approved the revision of the Business Plan for Banco Popular do Brasil. The revised plan indicated a need for capital of R$157.57 million in addition to the R$24.5 million invested in 2003, of which R$92.05 million has been invested in 2004 and R$65.52 million is to be invested in 2005.Currently, Banco Popular do Brasil has an equity capital of R$116.55 million.

Due to the fact that lending to such potential customers will involve different standards than Banco do Brasil currently uses in extending credit to other segments of the consumer market in Brazil, such lending may involve risks not present in lending to sectors of the consumer market with which Banco do Brasil has more experience.

Rural Lending

General

The figures and percentages presented in this section, unless otherwise expressly stated, are wholly based on the management accounts of Banco do Brasil. Investors should be aware that, although these accounts are prepared in accordance with Brazilian Corporate Legislation, some of the information presented is not traceable to the financial accounts of Banco do Brasil.

The agribusiness sector currently represents approximately 31.0% of the Brazilian GDP. The agribusiness sector increased from R$424.32 billion in 2002 to R$ 508.3 billion in 2003, an increase of 19.8%. In addition to that, the agribusiness sector has a strategic role in the Brazilian economy, specifically in generating export-related funds for the country's trade balance. Banco do Brasil is involved in lending at various stages in the agricultural process, providing below market-rate loans to buy seed and machinery, produce crops, finance crop storage and finance domestic sales of crops and exports. The Agribusiness Division has responsibility for implementing Banco do Brasil's rural strategy of working closely with agribusiness segments and agents.

Historically, Banco do Brasil's rural sector lending has accounted for approximately 60.0% of the total loans made by all Brazilian financial institutions to the rural sector. As at December 31, 2003, Banco do Brasil's rural sector lending amounted to 60.0% of the total loans to the rural sector extended by Brazilian financial institutions (49.0% for December 31, 2002 and 43.0% for December 31, 2001) (such figures exclude transactions under the 1996 Special Agricultural Loan Restructuring, the 1998 Special Agricultural Loan Restructuring and defaulted transactions). Banco do Brasil has traditionally lent to the rural sector mainly at its own risk and to a lesser degree as agent for and at the risk of the Federal Government and State governments. At December 31, 2003, rural sector lending at Banco do Brasil's own risk totaled approximately R$22.3 billion (R$15.2 billion at December 31, 2002 and R$10.2 billion at December 31, 2001) and at third party risk (Federal Government and State government) totaled R$2.9 billion (R$1.9 billion at December 31, 2002 and R$1.5 billion at December 31, 2001). Lending at Banco do Brasil's risk and at third party risk totaled R$25.2 billion at December 31, 2003 (R$17.1 billion at December 31, 2002 and R$11.7 billion at December 31, 2001).

Banco do Brasil and the Federal Government

Banco do Brasil has two principal reasons for its heavy involvement with the rural sector. First, it is largely responsible for implementing much of the Federal Government's agricultural policy, which encompasses not only lending but also minimum price support programs for basic crops such as rice, beans, corn and wheat and, to a lesser extent, soybeans, cotton and manioc, as well as the selling of such crops. Second, Banco do Brasil has traditionally had access to comparatively inexpensive funding for rural loans through its demand and rural savings account deposit base, the balances of which must, due to Central Bank regulations, be applied to lending to the rural sector and government funds and programs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Source of Funds—Deposit Accounts". The amount of credit made available by Banco do Brasil to the rural sector has a direct impact on the size of the harvest produced in Brazil. In 2003, R$22.3 billion was allocated by Banco do Brasil to the agricultural sector, of which R$12.4 billion was applied to crop financing, R$3.3 billion to investment financing, R$5.1 billion to commercial loans and R$1.5 billion to *Cédulas de Produto Rural* ("CPR"). Please see "— Banco do Brasil's Agribusiness Transactions". These loans were funded mainly by FAT (R$2.8 billion), FUNCAFÉ (R$201.0 million) BNDES/FINAME (R$932.0 million), FCO (R$698.0 million), the National Treasury of the Federal Government (R$486.0 million) and other funds out of demand deposits required to be used for agricultural lending under regulations imposed by the Central Bank ("MCR 6.2") (R$5.4 billion), *Poupança Ouro* (the funds from rural savings account) (R$10.0 billion) and other funds (R$250.0 million).

The interest rates agricultural borrowers are charged under Federal Government programs are lower than the costs of obtaining and onlending such funds by Banco do Brasil (with the difference between the interest rate charged and the costs to Banco do Brasil varying, depending on the type of loan). As a result, Banco do Brasil is in constant negotiation with the Federal Government for payment by the Federal Government of the difference between funding costs and lending rates. In 2003 such payments amounted to R$637.0 million (compared to R$531.3 million in 2002 and R$401.0 million in 2001). Interest rate charged by Banco do Brasil varies from 1.15% per year for *Programa Nacional de Fortalecimento da Agricultura Familiar* (National Program to Strengthen

Family Agriculture "PRONAF") "A" program to TR plus 22.8% per year for certain loans using funds out of *Poupança Ouro* savings accounts, but most of rural lending transactions charge 8.75% per year.

Banco do Brasil has also been involved since October 1999 in financing agrarian reform projects in the southern and central regions of Brazil through the *Fundo de Terras e de Reforma Agrária—Banco da Terra*. As at December 31, 2003 this fund had released R$844.0 million to Banco do Brasil in 18,000 transactions (compared to a total of 14,461 transactions as at December, 2002).

The following table sets out the various sources of the funds utilized for rural lending by Banco do Brasil for each of the three years ended December 31, 2003, 2002 and 2001.

Origin of funds	December 31, 2003		2002[1]		2001	
	(in millions of *Reais*[2] and percentages[3])					
Bank's own funds	13,872	55.0	7,122	41.6%	5,172	45.3%
Funding from National Treasury Budget	1,057	4.2	729	4.3	472	4.1
Other (including Federal Government)	8,891	35.2	8,325	48.6	5,259	46.1
1998 Special Agricultural Loan Restructuring	842	3.4	346	2.0	—	—
Recoop[4]	566	2.2	597	3.5	510	4.5
Total[5]	25,228	100%	17,119	100.0%	11,413	100.0%

Notes:—

(1) As a result of Provisional Measure No. 2,196-3 dated August, 24, 2001, Banco do Brasil, among other transactions, transferred to the Federal Government all the securities received under the 1996 Special Agricultural Loan Restructuring and 1998 Special Agricultural Loan Restructuring, carried out to improve the quality of the loan portfolio of Banco do Brasil. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy".

(2) The amounts presented in the tables are based on the management accounts of Banco do Brasil. Therefore, these amounts may not be reconcilable to the financial accounts of Banco do Brasil.

(3) Percentages calculated based on actual disbursements of the funds for rural lending.

(4) Funds from the Federal Government included in this line item are included in Banco do Brasil's financial statements under "Asset Management". See "— Restructuring of the Rural Loan Portfolio" below.

(5) Does not include Agroindustrial loans.

Banco do Brasil's Agribusiness Transactions

Banco do Brasil's outstanding agricultural loan portfolio of R$25.2 billion at December 31, 2003 can be broken down by loan type into three categories: crop financing (*custeio*) of R$10.0 billion, investment of R$9.2 billion and commercial lending of R$1.3 billion.

The following table sets out the outstanding balances of agricultural loans by type extended by Banco do Brasil for each type of agricultural loan for the three years ended December 31, 2003, 2002 and 2001.

	December 31,		
	2003	2002[1]	2001
	(in millions of *Reais*)		
Rural lending[2]			
Crop financing (8–12 months avg. tenor)	9,996	7,209	5,822
Investment loans (5–6 years avg. tenor)	9,271	6,954	4,245
Commercial loans (3–6 months avg. tenor)	1,394	908	381
Other (Agroindustrial)	3,159	1,105	455
1998 Special Agricultural Loan Restructuring–PESA Program[3] (15-20 years term)	842	346	—
1999 Recoop[4]	566	597	510
Total[5]	25,228	17,119	11,413

Notes:—

(1) As a result of Provisional Measure No. 2,196-3 dated August, 24, 2001, Banco do Brasil, among other transactions, transferred to the Federal Government all the securities received under the 1996 Special Agricultural Loan Restructuring and 1998 Special Agricultural Loan Restructuring, carried out to improve the quality of the loan portfolio of Banco do Brasil. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy".

(2) The amounts presented in the tables are based on the management accounts of Banco do Brasil. Therefore, these amounts may not be reconcilable to the financial accounts of Banco do Brasil.

(3) Since the measure mentioned in note (1) above was enacted, Banco do Brasil started to manage PESA and where new transactions are of the risk of Banco do Brasil the deal is guaranteed by public securities.

(4) Funds from the Federal Government included in this line item are included in Banco do Brasil's financial statements under "Asset Management". See "— Restructuring of the Rural Loan Portfolio" below.

(5) Does not include Agroindustrial loans.

The following table sets out the total amount of funds disbursed during the period for the various types of agricultural loans:

	December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Crop Financing	12,398.0	7,258.7	5,699.3
Investment Loans	3,286.0	3,360.9	2,347.4
Commercial Loans	5,140.0	1,769.3	718.0
CPR	1,533.0	1,061.0	826.0
Total	22,357.0	13,449.9	9,590.7

Banco do Brasil applies to the rural sector the same lending criteria as it does to its other loans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit and Risk Control" and "—Credit and Risk Control—Credit Monitoring". In addition, Banco do Brasil uses the Agricultural Technical Risk System (*Risco Técnico Agrícola or* "RTA") in the analysis of risks involved. The RTA system takes into account several variables of a transaction such as region, crop, production, technology and productivity. The system is supported by information provided by 300 technicians, veterinarians and zoologists, who also provide technical assistance on transactions in which Banco do Brasil is involved.

Crop Financing

Crop financing loans are seasonal, have average terms of between eight and 24 months (the normal term is ten months) and are used to purchase supplies such as seed, fertilizer, fuel and crop treatment. The interest rate charged on these loans depends on a matrix of factors, including the source of the funds, the amount of the loan, the size and credit limit of the farmer and the availability of Federal Government to equalize such interests.

In respect of Banco do Brasil's crop financing portfolio, the Federal Government generally makes credit support available to Banco do Brasil to cover the difference between the cost of Banco do Brasil's funds *plus* the agreed margin and the interest charged on the loan.

Investment Loans

Investment loans are medium to long-term, with average terms of two to twelve years. These loans are used to buy machinery, livestock and to develop the land. Most investment loans are funded through Federal Government programs involving BNDES/FINAME and FCO. See "—Government Affairs—Repassed Funds Lending". Lending rates typically vary from 8.75% per annum to TJLP *plus* 13.95% per annum in the case of BNDES/FINAME. FCO lending rates are pre-fixed in accordance with the farmers scale, but lending rates have varied from 4.0% to 10.75% per annum with a 15.0% rebate on all interest payments returned to the borrower if all payments are duly made in full at its relevant maturity dates.

Commercial Loans

Commercial loans are used to assist farmers and their cooperatives to finance storage of their harvested crops until prices justify their sale; storage also ensures that supply of the crops is available throughout the year. The usual term for commercial loans is six months, and such loans are primarily funded through savings account balances, the funds of which are mandated for use in agriculture and MCR 6.2. As is the case for crop financing loans, the Federal Government subsidizes interest to cover the difference between the cost of Banco do Brasil's funds *plus* the agreed margin and the interest charged on the loan.

CPR Program

Banco do Brasil established the CPR Program ("BB-CPR") on a trial basis in 1994 and expanded the program in 1995 and 1996 to meet what Banco do Brasil considers to be an important business opportunity in Brazil. BB-CPR provides a new source of funding to the rural sector through a financial instrument representing agricultural commodities (soybean, coffee, cattle and corn) produced by farmers, rural associations and cooperatives. CPRs are negotiable instruments, which may be electronically traded, with each CPR representing an obligation of the issuer (i.e. the farmer) to provide the holder with agricultural produce of a specified grade and amount at a specified time and place or to settle the CPR at a pre-fixed price at the issue date or at a price fixed rate on the settlement date. During 2000, Banco do Brasil started to trade with CPR Export (*CPR Exportação*), allowing the producer to sell part of its production directly to the purchaser with the commitment to deliver the goods in accordance with the foreign trade terms – INCOTERMS 2000. Under the BB-CPR, Banco do Brasil may elect to attach performance guarantees to CPRs issued by the farmers, pursuant to which Banco do Brasil will guarantee a specific percentage of the performance obligations of the farmers. Banco do Brasil funds CPR purchasers, such as food processors and exporters, to assist them in purchasing CPRs, and permits the CPRs themselves to serve as collateral for these financings, as long as they are acknowledged as such by Banco do Brasil. Banco do Brasil only deals in CPRs that are registered with a clearing house for securities and financial transactions (*Central de Custódia e de Liquidação Financeira de Títulos*, or "CETIP").

CPRs have also been used as collateral by exporters in ACC transactions. See "—Wholesale Banking—Trade Financing" below. During 1999 Banco do Brasil extended guarantees and partially funded CPR purchasers in the amount of R$146.3 million, in 2000 in the amount of R$594.0 million, in 2001 in the amount of R$826.0 million, in 2002 in the amount of R$1.06 billion and in 2003 in the amount of R$1.5 billion. Default rates for CPR transactions are very low and in 2003 were equivalent to 0.99% of transactions (1.7% in 2002 and 0.7% in 2001). Banco do Brasil believes that BB-CPR provides farmers, food processors, exporters, suppliers and agricultural

sector creditors with less expensive financing than is generally available. It also enables Banco do Brasil to reduce its relative funding exposures to farmers and instead to increase its lending to food processors, exporters, suppliers and agricultural sector creditors and encourage greater third party financing of the agricultural sector.

In the future Banco do Brasil intends to expand BB-CPR in its Internet portal as part of its strategy of focusing on Brazil's agriculture and agroindustrial sectors.

Cooperation Agreements with Agribusiness and Agroindustrial Companies

Banco do Brasil has been adopting mechanisms to minimize the risks associated with rural lending and to reduce the cost of financing rural producers.

For this purpose, Banco do Brasil has entered into technical and financial cooperation agreements with agribusiness companies, i.e. companies that manufacture and supply goods and equipment necessary for agricultural production, such as tractors, fertilizers and tools. These agreements constitute the BB-Agro program. Banco do Brasil provides these companies' clients with crop financing loans, commercial loans or investment loans, and these companies agree to concentrate their loan portfolios with Banco do Brasil. During 2001 Banco do Brasil entered into new financings amounting to R$990.0 million. In 2002 such financings amounted to R$3.96 billion and in 2003 such financings amounted to R$3.8 billion.

Banco do Brasil also enters into agreements with agroindustrial companies and rural producers for financing the production of soybeans, corn, tobacco and milk ("*BB Convir*"). Under these agreements, the products are sold by the producer to the relevant agroindustrial company. This ensures that the rural producer has a pre-arranged market for his products at a pre-agreed price, provides the agroindustrial company with a guaranteed supply of products and reduces Banco do Brasil's operational costs with respect to the financing by providing a source of repayment for the loan. In many cases, the agroindustrial company will provide guarantees for the loans granted by Banco do Brasil to the rural producer and the risks for Banco do Brasil in the transaction are therefore minimized. During 2002, Banco do Brasil entered into approximately 42,000 of such transactions, during 2003 into approximately 70,000 of such transactions.

Other Activities

Since 1993 Banco do Brasil has operated an electronic system throughout its service network that interconnects the 28 futures and commodities exchanges in Brazil, allowing for the electronic auction of rural products. Throughout 2001, 2,940 electronic auctions took place with the resulting sale of 269.0 million liters of alcohol and 2,269 million tons of agricultural and cattle products, in the amount of R$1.3 billion. During 2002, 3,662 electronic auctions took place with the resulting sale of 1.3 thousand tons of agricultural and cattle products, in the amount of R$928 million. During 2003, 25,000 electronic auctions took place in the total amount of R$1.2 billion.

In July 2000, Banco do Brasil launched its agribusiness Internet portal. This service allows rural producers and other agents in this market to buy and sell products, raw material and equipment over the Internet. For the year ended December 31, 2001, the total amount of such transactions was R$256.0 million with more than 39,000 registered users. For the year ended December 31, 2002, the total amount of transactions was R$714.3 million. For the year ended December 31, 2003, the total amount of transactions was R$2.5 billion.

Restructuring of the Rural Loan Portfolio

In the past, Banco do Brasil has experienced problems in its agricultural lending which generally reflect the instability of the Brazilian economy and the resulting difficulties faced by Brazilian farmers. As a result of these problems, Banco do Brasil periodically has had to restructure its rural sector lending through several renegotiations of agricultural loans to small, medium and large-size farmers. These renegotiations have been carried out through rescheduling done on a case by case basis, through arrangements relating to entire classes of agricultural loans and through the so-called *securitização* programs, which are special restructuring programs involving the receipt of

Federal Government securities (the "1996 Special Agricultural Loan Restructuring" and the "1998 Special Agricultural Loan Restructuring—PESA").

On June 29 and December 27, 2001 and March 28, 2002, 5,781 transactions were transferred to the Federal Government. Of these transactions, 5,358 were contracts involving funding from the Federal Government itself (totaling R$ 4.356 million) and 423 were related to BNDES-FINAME funding (totaling RS$ 66.0 million).

On January 11, 1999, the Federal Government created the Revitalization of Agribusiness Associations Program (*Programa de Revitalização das Cooperativas de Produção Agropecuárias* or "RECOOP"), by means of Decree No. 2,936, which intends to restructure and capitalize agribusiness associations. RECOOP includes the payment of debts prior to June 30, 1997 and provides working capital finance. By December 31, 2001, out of a deferred amount of R$1.2 billion, R$932.3 million had been included in the program. As at December 31, 2002, out of a deferred amount of R$1.3 billion, R$1.2 billion had been included in the program. As at December 31, 2003, out of a deferred amount of R$1.3 billion, R$1.2 billion had been included in the program. On September 30, 2003, the Federal Government ended the process of including contracts in the Program.

The debts restructured under 1996 Special Agriculture Loan Restructuring, Securitizations, PESA and RECOOP, have been duly paid in accordance with the terms of each program.

Due in part to Banco do Brasil's applications to the Central Bank for a reclassification of the risk-weight factor associated with certain of its assets, on June 22, 2001 the Federal Government announced a series of measures designed to ensure that federal banks (including Banco do Brasil) achieve compliance with minimum capital adequacy requirements. The implemented measures that relate to Banco do Brasil included: (a) the reduction to zero of the risk-weight attributed to transactions: (i) under the 1996 Special Agricultural Loan Restructuring (granted originally with Banco do Brasil's own funds and with funds of Federal Government entities) by eliminating Banco do Brasil's credit risk in transactions restructured under the program in the amount of R$7.4 billion (reducing risk-weighted assets by R$4.6 billion), and (ii) under PESA by an exchange of the PESA transactions in Banco do Brasil's portfolio equivalent to R$3.8 billion for Federal Government securities (reducing risk-weighted assets by R$414 million); and (b) the assignment to the National Treasury of Banco do Brasil's FUNCAFÉ and PRODECER on-lending transactions in amounts of R$0.9 billion and R$0.1 billion respectively, thereby reducing Banco do Brasil's risk-weighted assets by such amounts. See "Banco do Brasil and the Federal Government" above, "—Government Affairs—Repassed Funds Lending" below and "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Restructuring Program and Its Continuous Implementation—Capital Adequacy". In addition, the CMN approved the classification of the FCO funds borrowed by Banco do Brasil as Tier II capital (balance of R$5.0 billion at December 31, 2003).

Strategy for Agricultural Sector

Banco do Brasil has segmented its agricultural business activities into two areas: rural lending and agribusiness. Each area will have its own targets and procedures which will be defined by Banco do Brasil. Banco do Brasil plans to expand its agricultural business to include other participants in the agricultural sector (producers, suppliers and *cooperativas*) using products and services offered by Banco do Brasil.

Banco do Brasil expects to continue to act as an agent of the Federal Government, but is doing so only in programs where the risk involved and the fees paid make such involvement worthwhile and profitable.

Banco do Brasil has also been involved in investing in friendly finance programs, such as the *BB Agricultura Orgânica*, whereby transactions that comply with certain guidelines relating to the environment are granted credit.

Wholesale Banking

Commercial and Industrial Lending

Banco do Brasil classifies lending to companies and certain other business entities as "commercial and industrial lending", and such operations are carried out by the Commercial and Retail Divisions, in addition to leasing transactions through BB-Leasing. Banco do Brasil has been seeking to analyze and establish credit limits in order to cross-sell its products and services suited to companies and certain other business entities that only hold demand deposit accounts with Banco do Brasil. As at December 31, 2002, the number of accounts of companies had further increased to 992,333 from 908,386 at December 31, 2001. As at December 31, 2003, the number of accounts of companies had further increased to 1,217,299.

Middle market clients are serviced by account managers, each manager having a client portfolio of approximately 34 companies. According to the market segmentation adopted by Banco do Brasil, at December 31, 2003, Banco do Brasil had 358 middle market managers with 12,108 middle market clients and 166 corporate managers responsible for 1,857 corporate clients.

Banco do Brasil has set up 17 corporate agencies and 56 company agencies for middle and large companies, respectively, totaling 73 specialized agencies located in the state of São Paulo, Paraná, Rio Grande do Sul, Santa Catarina, Rio de Janeiro, Ceará, Bahia, Espírito Santo, Pernambuco, Amazonas, Distrito Federal, Goiás, Minas Gerais, Mato Grosso do Sul and Pará. These agencies are distributed mainly in the south and southeast of the country where most of the target companies headquarters are located.

As at December 31, 1997, the commercial and industrial lending portfolio amounted to R$5.5 billion. The Russian crisis (whereby Russia defaulted on its foreign debt in August 1998) adversely affected the portfolio, which was reduced to R$4.4 billion by December 31, 1998. The Brazilian economic crisis that occurred at the end of 1998 and beginning of 1999 caused a further retraction of the portfolio, which recovered during the second half of 1999 as a result of improved economic conditions to R$12.2 billion as at December 31, 2001, to R$13.5 billion as at December 31, 2002 and to R$16.1 billion as at December 31, 2003. This portfolio includes only the loan transactions denominated in *Reais*, and does not include trade financing transactions.

At December 31, 2003, the lending portfolio for the middle and corporate market amounted to R$20.4 billion an increase of 36% compared to R$15.0 billion for the year ended December 31, 2002. This portfolio includes all loan transactions carried out in *Reais*, as well as all the trade financing transactions.

Loans are primarily divided into three categories: receivables, working capital and investment.

Receivables include transactions backed by some form of receivable, such as advances on credit card receivables and discounting of postdated checks. As at December 31, 2003, Banco do Brasil's portfolio of receivables-backed financings was R$8.2 billion compared to R$6.3 billion at December 31, 2002 and R$5.1 billion at December 31, 2001. Banco do Brasil considers transactions backed by receivables to involve very low default rates as compared to traditional working capital loans, as the risks associated with such transactions are spread over a larger number of debtors.

Working capital loans portfolio amounted to R$4.9 billion at December 31, 2003 compared to R$4.6 billion at December 31, 2002 and R$3.4 billion at December 31, 2001.

Investment loans consist of loans where the Bank acts as an agent of BNDES and *Agência Especial de Financiamento Industrial* ("FINAME"), and also includes financings with funds from FCO. Through such loans, Banco do Brasil finances long-term projects for the expansion, relocation or modernization of facilities, technological upgrades, personnel training and the purchase of machinery and equipment produced in Brazil. At December 31, 2003, the outstanding amount of these loans (BNDES and FINAME) totaled R$2.1 billion (R$1.9 billion at December 31, 2002 and R$1.6 billion at December 31, 2001). .

BB-Leasing

Banco do Brasil manages its domestic leasing operations through a wholly owned subsidiary, BB-Leasing, which operates through the Commercial Division and was incorporated in July 1987. At December 31, 2003 BB-Leasing's net worth was R$47.3 million compared to R$54.8 million at December 31, 2002 and R$62.3 million at December 31, 2001. At December 31, 2003 BB-Leasing had 14,294 contracts valued at approximately R$253.0 million (compared to 22,283 contracts valued at approximately R$317.3 million at December 31, 2002 and 29,579 contracts valued at approximately R$374.9 million at December 31, 2001). Lease terms are usually between 24 to 42 months. BB-Leasing has typically financed up to 100.0% of the purchase price of the leased goods. Leases are initiated through Banco do Brasil's branches or through personal banking automated facilities and relates to automobiles, machinery and computers. Defaults in the leasing portfolio decreased from R$21.5 million for the total lease portfolio of R$375.8 million at December 31, 2001, to R$19.4 million for the total leasing portfolio of R$317.3 million at December 31, 2002 and to R$17.8 million for the total leasing portfolio of R$253.0 million at December 31, 2003.

BBL

Banco do Brasil's international leasing operations are conducted through its wholly-owned subsidiary, BBL, which is managed by the International Division and was incorporated in December 1981 under the laws of the Cayman Islands and which enters into leasing transactions designed to provide capital goods to Brazilian companies utilizing financing from outside Brazil. At December 31, 2003 BBL had total assets of U.S.$29.2 million (U.S.$120.1 million at December 31, 2002 and U.S.$195.5 million at December 31, 2001), a net worth of U.S.$29.1 million (U.S.$104.1 million at December 31, 2002 and U.S.$96.3 million at December 31, 2001) and approximately 37 leasing contracts valued at U.S.$27.7 million (52 leasing contracts valued at U.S.$101.9 million at December 31, 2002 and 67 leasing contracts valued at U.S.$171.3 million outstanding at December 31, 2001). In 2003, BBL made a capital reduction of U.S.$ 80 million with repatriation of funds to BB Group in Brazil.

The terms of the leases, which include computers, machinery and aircrafts, are usually between 24 to 60 months and the leases are initiated through Banco do Brasil's Brazilian branches. BBL funds itself with its own funds and through Banco do Brasil's Group. BBL is usually able to match its funding costs against its lending rates and to match its funding terms against its lease terms. In 2003, BBL contributed U.S.$4.9 million to Banco do Brasil's consolidated net income (U.S.$7.8 million in the year 2002 and U.S.$9.6 million in the year 2001).

International Operations

Banco do Brasil's international operations are the responsibility of the International Division. Banco do Brasil is an important player in the implementation of the Federal Government's trade policies and strategies and such role is performed by the International Division.

The International Division, and Banco do Brasil's entities outside Brazil which report to it, are principally engaged in Brazilian trade-related finance and administration of Banco do Brasil's existing long-term foreign currency operations (securities and long term loans). Banco do Brasil also takes foreign currency deposits from corporate and retail clients and extends credit to Brazilian and non-Brazilian clients principally in connection with financing trade with Brazil. Transactions include structured finance operations, syndicated loans and other trade-related operations.

A priority activity for Banco do Brasil as a whole, and one which is being implemented through the International Division, is the development and location of additional sources of medium-term foreign currency funds for use in financing Brazilian companies. In this endeavor, the three principal areas of focus are U.S. Dollar-based leasing of capital goods, lending of U.S. Dollar-linked funds by means of repassed funds from abroad (via Central Bank Resolutions Nos. 63, 2,483, 2,683 and now 2,770, which revoked Resolutions Nos. 63, 2,483 and 2,683) and the purchasing of U.S. Dollar-denominated securities issued by leading Brazilian companies. Banco do Brasil is engaged to a limited extent in international leasing (see "—BBL" above), U.S. Dollar-linked funds and securities purchases.

The tables below set out the assets and funding sources of Banco do Brasil's foreign network at December 31, 2003, 2002 and 2001.

	December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Assets			
Liquid assets	769.0	1,412.2	147.5
Inter-bank deposits	27,469.4	7,579.1	5,518.1
Short term loans	3,625.3	4,470.8	3,567.4
Long term loans	5,841.5	5,785.8	3,811.5
(Allowance)	(428.4)	(492.4)	(187.8)
Securities	3,421.2	2,604.2	1,388.5
Inter-office (net)	(7,911.7)	11,900.0	8,862.5
Other assets	2,834.6	627.5	1,025.1
Permanent assets	225.4	234.6	163.3
Total	35,846.3	34,121.8	24,296.1

	December 31,		
	2003	2002	2001
	(in millions of *Reais*)		
Source of Funds			
Third parties			
Demand deposits	1,121.2	1,437.2	1,148.5
Time deposits	18,207.5	15,585.3	11,825.1
Borrowing	4,094.1	5,004.2	3,457.6
Others	2,383.4	1,412.7	772.5
Eurobonds	1,626.7	1,059.8	1,159.8
BB Issuing	3,974.7	3,793.4	1,739.7
Own resources			
Head office	17.7	68.3	22.1
Net equity	4,421.0	5,760.9	4,170.8
Total	35,846.3	34,121.8	24,296.1

Funding for Banco do Brasil's foreign assets is obtained mainly from deposits, proceeds from bond issues and funds transferred from Banco do Brasil in Brazil. Deposits are taken in the Interbank market, from corporate clients, individuals and Brazilian Federal Government entities to support specific lending operations undertaken by Banco do Brasil. Approximately 44.3% of the total funding represented by Demand Deposits and Time Deposits of Banco do Brasil's foreign network at December 31, 2003 was obtained from the Interbank market, 15.8% from corporate clients, 26.5% from individuals and 13.4% from Federal Government entities (34.2%, 19.3%, 31.9% and 14.6%, respectively, at December 31, 2002). Demand and time deposits represented 53.9% of Banco do Brasil's foreign network total liabilities at December 31, 2003 (49.9% at December 31, 2002). "Head office" and "net equity" refer to funds held on behalf of Banco do Brasil itself, which represented 12.4% of the International Division's total liabilities at December 31, 2003 (17.1% at December 31, 2002).

Banco do Brasil operates 39 branches, agencies, strategic business units and representative offices outside Brazil throughout more than 21 countries. In jurisdictions where it is permitted to do so, Banco do Brasil also engages in traditional commercial banking activities. In 2003, Banco do Brasil has established a new representative office in Mexico City and has started procedures to establish a new representative office in Shanghai and Luanda. Banco do Brasil has also started the procedures to set up a new subsidiary in New York (Banco do Brasil Securities LLC). Funds generated by retail clients in Japan, primarily held in deposit accounts, increased to U.S.$1.2 billion as at December 31, 2003 from U.S.$998.6 million as at December 31, 2002.

Short-term loans are made to operations of Brazilian companies and some credit is extended to foreign companies. This lending is grouped together with trade-related lending under "short term loans" and "long term loans" and represented 26.4% of total assets of the foreign network at December 31, 2003. Allowance for bad debts represented 4.5% of total loans.

The securities portfolio includes Brazilian Federal Government securities (see "—Banco do Brasil's Holding of Brazilian Sovereign Debt" below) and securities issued by Federal Government-owned companies that are held by Banco do Brasil. At December 31, 2003, securities issued by the Federal Government comprised 60.5% of the total amount of U.S.$1.2 billion of securities. At December 31, 2002, securities issued by the Federal Government comprised 74.8% of the total amount of U.S.$737.2 million of securities.

In addition to its commercial lending activities, Banco do Brasil's foreign network is involved in the management of short-term assets concentrated in Banco do Brasil's Grand Cayman, London, Tokyo and New York branches and in BAMB (these branches are also liquidity centers for Banco do Brasil's entire foreign network). Banco do Brasil's foreign inter-bank portfolio, which totaled U.S.$9.5 billion at December 31, 2003, U.S.$2.1 billion at December 31, 2002 and U.S.$2.4 billion at December 31, 2001, consists primarily of Federal Government funds and certificates of deposit, time deposits and overnight deposits placed with leading international banks.

At December 31, 2003, Banco do Brasil's long-term loan and securities portfolio amounted to U.S.$2.6 billion (U.S.$2.3 billion at December 31, 2002 and U.S.$2.0 billion at December 31, 2001). The decrease in 2001 was mainly due to the exchange of Brady bonds for Brazilian NTNs and LFTs with maturities of between 24 and 56 months. At December 31, 2003, Banco do Brasil's long-term loan and securities portfolio was comprised of loans to and securities of publicly and privately held entities in Brazil in the amount of U.S.$2.4 billion (U.S.$2.2 billion at December 31, 2002 and U.S.$1.7 billion at December 31, 2001) and loans to and securities of publicly and privately held entities outside Brazil in the amount of U.S.$205.2 million (U.S.$157.0 million at December 31, 2002 and U.S.$373.6 million at December 31, 2001). At December 31, 2003, 53.8% of Banco do Brasil's long-term loans were to public sector entities (compared to 68.7% at December 31, 2002 and 63.9% at December 31, 2001) while 46.2% of such loan were to private sector entities (compared to 31.3% at December 31, 2002 and 36.1% at December 31, 2001).

Banco do Brasil's market risk management control model (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit and Risk Control") was expanded in late 1998 to include Banco do Brasil's Cayman and New York branches as well as BAMB and BB Securities Ltd. Since that time, Banco do Brasil has had the ability to conduct a daily monitoring of market risks in its operations carried out abroad.

The Grand Cayman Branch

The Grand Cayman Branch was established in 1976, principally for the purpose of obtaining short term funding used to finance Brazilian trade-related transactions. The Grand Cayman Branch is located at Elizabethan Square 4th floor , Shedden Road, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Grand Cayman Branch is registered under Part IX of the Companies Law of the Cayman Islands and has a Class B banking license to operate in the Cayman Islands under the Banks and Trust Companies Law, which allows the Grand Cayman Branch to conduct all types of banking business in any part of the world, but does not allow the Grand Cayman Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary nonresident companies and other licensees. The Grand Cayman Branch's results of

operations are included in the Bank's consolidated and non-consolidated financial statements, which are audited by PricewaterhouseCoopers. The Grand Cayman Branch does not separately publish financial statements.

The liabilities of the Grand Cayman Branch are first covered by the total resources in U.S. Dollars of the Grand Cayman Branch, but under Brazilian law the Bank is ultimately responsible for all obligations of the Grand Cayman Branch. The Grand Cayman Branch is part of the Bank and has no separate legal status or existence. The CMN has issued regulations with respect to the operating and maintaining of offshore branches by Brazilian financial institutions as prescribed by Resolution No. 2,723 of May 31, 2000, as amended.

The Grand Cayman Branch is currently engaged in the business of sourcing funds in the international banking and capital markets to provide credit lines for the Bank which are then extended to the Bank's customers for working capital and trade related financings. The Grand Cayman Branch also takes deposits in foreign currency from corporate and individual clients not resident in the Cayman Islands and extends credit to Brazilian and non Brazilian clients, principally in relation to trade finance with Brazil. All strategic decisions and operations carried out by the Grand Cayman Branch have to be previously approved by the International Division at the Bank's head offices in Brazil.

Trade Financing

One of Banco do Brasil's principal objectives is to support Brazil's foreign trade. Banco do Brasil recognizes the strategic importance of such activities for the country and to itself and plays a leading role in this market. This area of Banco do Brasil's business is operated on a purely commercial basis. Banco do Brasil competes with private Brazilian and foreign commercial banks for customers. Besides engaging in pre-export, export and import financing as described below, Banco do Brasil's foreign branches are also active in trade-related financing in hard currency, including the provision of working capital loans to companies which export or import to or from Brazil. Foreign branches and subsidiaries also engage in forfaiting, whereby companies that export to Brazil can borrow funds from Banco do Brasil through the discounting of trade bills.

In order to implement the Federal Government's policies of promoting exports, Banco do Brasil has developed strategic programs such as the PGNI (*Programa de Geração de Negócios Internacionais*, the program for the generation of international business) which aims at introducing medium sized enterprises into the international commercial market. Introduced in 2003, PGNI – MPE (*Programa de Geração de Negócios Internacionais para Micro e Pequenas Empresas*), aims at broadening the options for small sized companies and increases access to new and exclusive benefits, including those currently available through the *Balcão de Comércio Exterior* and the services of International Business Consulting. The *Balcão de Comércio Exterior* provides a forum for international business developed via the Internet by Banco do Brasil, in order to simplify the arrangement of deals between Brazilian exporters and the global market. The *Balcão de Comércio Exterior* permits the Brazilian exporting entity (BB's client) to execute business and facilitates the performance of all stages of exportation in deals that often amount up to US$10,000.00. In this regard, *Balcão de Comércio Exterior* addresses a range of issues, from the promotion of products to the closing of the exchange currency, including general logistics, multilingual communications involving the importer and mechanisms for the reduction of commercial risks.

In addition to its lending activities, Banco do Brasil administers certain segments of the National Brazilian Export Financing Program ("PROEX") on behalf of the National Treasury. For instance, as the only agent of the National Treasury repassing Federal Government funds ("*PROEX Financiamento*"), Banco do Brasil conducts direct trade financing using Federal Government funds provided for in the annual budget. Also, under the Interest Rate Equalization System ("*PROEX Equalização de Taxa de Juros*"), as occurs with other Brazilian banks, Banco do Brasil uses its own funds to lend under the PROEX, after which the National Treasury pays Banco do Brasil an amount equivalent to the difference between the interest charged under PROEX and market interest rates (these amounts are referred to as "equalization"). At December 31, 2003, the amount of *PROEX Financiamento* outstanding was U.S.$3.0 billion as compared to U.S.$3.0 billion outstanding at December 31, 2002 and U.S.$3.2 billion outstanding at December 31, 2001. At December 31, 2003 *PROEX Equalização de Taxa de Juro*s loans amounted to U.S.$88.5 million compared to U.S.$16.9 million at December 31, 2002 and U.S.$115.8 million at December 31, 2001. Since this lending is at the risk of the National Treasury, with Banco do Brasil merely acting as an agent, outstanding balances do not appear on Banco do Brasil's balance sheet. Banco do Brasil is remunerated by the National Treasury for its role as a PROEX agent.

Banco do Brasil conducts trade finance and related foreign exchange trading activities. It ranked first among all banks in Brazil in each of the years from 1997 through 2003 in terms of volume of foreign exchange transactions involving exports and imports and financial transactions. Of such transactions, Banco do Brasil had a 27.9% share of the market for the year ended December 31, 2003 (23.0% share for the year ended December 31, 2002 and 19.5% share for the year ended December 31, 2001). Of all Brazilian trade transactions involving foreign exchange as at December 31, 2003, December 31, 2002 and December 31, 2001, Banco do Brasil's export finance transactions accounted for 29.0%, 23.2% and 20.1% and import transactions accounted for 26.1%, 22.7% and 18.7%, respectively.

In 2002, Banco do Brasil changed the conduct of its trade finance activities. Trade finance is now conducted through 14 Regional Centers of Support of International Business (*Núcleo Regional de Apoio a Negócios Internacionais* or "NURIN"). These centers superseded the activities of the former International Business Agencies (*Agências de Negócios Internacionais* or "AGNIN") and ancillary units (*agências tronco*) in the conduct of trade finance and foreign exchange operations. The NURIN's are spread throughout the country and, in addition to Banco do Brasil's current activities, they also render consulting services in relation to international business to other branches of Banco do Brasil. Outside Brazil, Banco do Brasil currently operates through a network of 39 units, which includes 17 branches, 6 sub-branches, 11 representative offices (including Shanghai and Luanda, which are in the process of being established), and 5 wholly-owned subsidiaries (Banco do Brasil A.G. in Vienna, BB-Leasing Company Limited and BAMB in the Cayman Islands and BB Securities Ltd. in the United Kingdom and Banco do Brasil Securities LLC. in New York, which is in process of being established). In addition, Banco do Brasil had 1,722 correspondent banks at December 31, 2001, 1,734 correspondent banks at December 31, 2002 and 1,772 correspondent banks at December 31, 2003.

The following table sets out the amounts of trade financing outstanding at December 31, 2003, 2002 and 2001.

	December 31,		
	(in millions of *Reais*)		
	2003	**2002**	**2001**
Exports[(1)]	6,132.78	6,265.48	4,489.29
Imports	2,282.13	2,727.94	1,432.53
Total	8,414.91	8,993.42	5,921.82

Note:—

(1) Includes only advances on foreign exchange contracts and on bills (*cambiais entregues*) made to exporters.

Export and pre-export financing takes the form of an advance to an exporter in Brazilian currency against a foreign exchange contract entered into with Banco do Brasil before or after shipment occurs. Once exports have been shipped, a trade bill is issued which Banco do Brasil remits to its branch or correspondent bank in the relevant country for payment in the relevant foreign currency. In the event of a default by the purchaser, Banco do Brasil retains the right to pursue the exporter for the full amount of the credit. The total volume of ACCs transactions (advances to exporters in the pre-shipment period) and ACEs transactions (advances to exporters in the post-shipment period) in 2001 was U.S.$5.3 billion, in 2002 was U.S.$5.5 billion and in 2003 was U.S.$7.6 billion. The total balance of ACCs transactions at December 31, 2001, was U.S.$1.9 billion, of which U.S.$70.4 million (3.78%) was overdue. In 2002, the balance was U.S.$2.0 billion, of which U.S.$54.7 million (2.78%) was overdue. In 2003, the balance was U.S.$2.1 billion, of which U.S.$28.3 million (1.35%) was overdue. Import financing generally takes the form of an advance in the relevant foreign currency linked to receipt of the Brazilian currency payment from the importer. The average balance of imports transactions per month was U.S.$567.6 million in 2001, U.S.$902.6 million in 2002 and U.S.$818.83 million in 2003. The total volume of Banco do Brasil's foreign exchange transactions related to exports and imports for the year ended December 31, 2003, in the year ended December 31, 2002 and in the years ended December 31, 2001, was U.S.$33.2 billion, U.S.$23.1 billion and U.S. $20.6 billion, respectively.

Since early 1993, Banco do Brasil has provided more complex forms of export-linked financing, currently with maturities averaging 1,528 days, including financing for the pre-payment of exports. At December 31, 2003, U.S.$623,73 million of such financing was outstanding. At December 31, 2002, U.S.$363.4 million of such financing was outstanding. Banco do Brasil also performs "forfeiting" transactions through its foreign branches to finance imports to Brazil. Generally, the average term of "forfeiting" transaction is 231 days.

At December 31, 2003, the average term for ACCs and ACEs transactions was 148 days and for imports was 386 days. At December 31, 2002, the average term for exports was 143 days and for imports was 366 days. However, under pre-shipment ACC financing, advances can be made up to 360 days before shipment and under post-shipment ACE financings, advances can remain outstanding until 180 days after shipment. Banco do Brasil funds its trade finance activities mainly from foreign correspondent banks in the form of trade credit lines and through its network of foreign branches and subsidiaries. Funding is usually obtained for terms of 360 days and average term of 314 days (original maturity), to match Banco do Brasil's lending. Banco do Brasil has sufficient credit lines from foreign banks to fund its current levels of operation. Since the introduction of the *Real* Plan, Banco do Brasil has noticed an increase in the willingness of foreign banks to provide trade credit lines to Banco do Brasil and to Brazilian banks generally. This has caused the margin payable by Banco do Brasil on its trade finance lines to drop from approximately 1.25% per annum over LIBOR in 1995 to 0.8% per annum over LIBOR in 2003 (1.47% per annum over LIBOR in 2002 and 0.75% per annum over LIBOR in 2001).

Funding for Banco do Brasil's trade financing activities comes from two sources: linked funding and free funding. For linked funding, Banco do Brasil extends trade credit to specific customers in Brazil which is matched by funding from a foreign bank. Banco do Brasil has entered into long term trade credit line agreements amounting to approximately U.S.$717 million at December 31, 2003, with foreign banks and export credit agencies covering Brazilian imports from countries such as Canada, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, the United States and Venezuela. These credit lines are used to finance the import into Brazil of capital goods, machinery, equipment and services. The average maturity of financings under these credit lines is up to five years and the financings are covered by credit insurance provided by export credit agencies. For short-term import financing of normally up to one year's maturity and not covered by export credit agency insurance, Banco do Brasil uses specific import finance credit lines with major foreign banks. For free funding, Banco do Brasil principally uses other trade financing lines with major international banks. During 2001, Banco do Brasil's income from trade financing was approximately R$117.5 million, during 2002, approximately R$207.1 million and during 2003, approximately R$172.7 million.

The following table sets out the volume of Banco do Brasil's linked and free trade financing lines during the three years ended December 31, 2003, 2002 and 2001.

	December 31,		
	(in millions of U.S. Dollars)		
	2003	2002	2001
Volume	1,617.9	1,022.9	1,927.0

Banco do Brasil is licensed by the Central Bank to trade in both the free rate, sometimes referred to as the commercial rate market, and the tourism foreign exchange market. The International Division is an active participant principally in the free rate market, in which exchange transactions linked to export and import credits are carried out. Banco do Brasil's foreign exchange transactions are conducted subject to strict Central Bank limits, intended to control the level of Brazilian currency in the market and to avoid foreign exchange speculation.

Until May 1990, all Federal Government-owned companies were required by law to direct their foreign exchange transactions through Federal Government-owned banks. Although this is no longer the case, Banco do Brasil has experienced no significant fall-off in foreign exchange business with Federal Government-owned companies. Banco do Brasil acts as agent on foreign exchange transactions for the Federal Government and various Federal Government ministries.

Since the introduction of the *Real* Plan, Banco do Brasil has suffered a significant decrease in its income from foreign exchange operations. This results from the difficulty of Banco do Brasil to earn the same level of float income on the temporary holding of funds subject to currency exchange transactions as it was able to do in earlier periods of high inflation and rapid currency depreciation. The Brazilian crisis has brought a significant devaluation profit, arising from Banco do Brasil's holdings of foreign currency denominated assets. Loss from branches and subsidiaries abroad amounted to R$26.5 million for the year ended December 31, 2003. Loss from branches and subsidiaries abroad amounted to R$137.9 million for the year ended December 31, 2002. As at December 31, 2001, Banco do Brasil's branches abroad had a profit in the amount of R$512.5.

International Capital Markets

In 1991, Banco do Brasil began to build up a distribution network to place debt instruments of Brazilian companies with its clients and other investors worldwide. Since 1994 this activity has been conducted principally through BB Securities Ltd and the range of products, markets and investors has increased significantly. In summary, BB Securities Ltd underwrites, distributes or trades in a product range including Brady bonds, eurobonds, euro medium term notes, structured notes, short term euro commercial papers, euro certificates of deposit and promissory notes. Its primary functions are as follows:

- underwriting new issues from Brazil, either for companies, banks, public sector corporations and the Federative Republic of Brazil;
- distributing bonds to investors in London, continental Europe, Latin America and Asia;
- trading Brady bonds, global bonds and eurobonds with investors from Brazil and abroad;
- market making in all classes of Brazilian bonds;
- participating in the private client advisory business;
- structuring depositary receipts; and
- providing a full range of research and information services for investors and borrowers.

Banco do Brasil's Holding of Brazilian Sovereign Debt

Mainly as a result of Brazil's foreign debt rescheduling which took place between 1988 and 1992, Banco do Brasil held a significant portfolio of long-term, foreign currency denominated Federal Government securities in its offshore portfolio.

At December 31, 2003, Banco do Brasil had no long-term, foreign currency denominated Federal Government securities on its balance sheet as a consequence of the exchange of Brady bonds for domestic Federal Government securities (which itself resulted from the measure designed to ensure that the Federal banks, including Banco do Brasil, achieve compliance with the minimum capital adequacy requirements). Banco do Brasil had no long-term, foreign currency denominated Federal Government securities on its balance sheet at December 31, 2002 and 2001.

Asset Management Operations

Fund Management

Banco do Brasil carries out fund management activities through its wholly-owned subsidiary BB DTVM. In order to comply with Central Bank regulations, BB DTVM's activities have been fully segregated from the activities of Banco do Brasil. The Bank's investment funds are segmented among individuals, corporations, the public sector, institutional investors and non resident investors. Retail funds are divided into fixed income, float income, mix and exchange rate-linked funds. Personalized investments include exclusive funds and client portfolio.

The total net worth of the 285 investment funds and 287 client portfolios under management by BB DTVM at December 31, 2003 amounted to R$102.6 billion (a 19.02% market share as compared to a net worth of R$66.2

billion and a 17.3 market share at December 31, 2002, net worth of R$61.4 billion and a 16.2% market share at December 31, 2001, a net worth of R$43.2 billion). Administration fees charged by Banco do Brasil for the year ended December 31, 2003 varied between 0.5% and 6.0% for funds investing in debt securities and equity securities.

The following tables set forth the net assets of funds managed by BB DTVM, the number of its customers and the number of funds and clients portfolios at the dates indicated:

	Net assets as of December 31,	
	2003	2002
	(*in billions of Reais*)	
Retail Funds		
Fixed Income	38.9	23.7
Float Income	1.2	0.7
Mix	0.2	0.2
Exchange rate linked funds	0.4	0.3
Off Shore	8.4	0.6
Total	49.1	25.5
Exclusive Funds		
Total	44.8	34.0
Client Portfolio		
Total	8.7	6.7
Total	**102.6**	**66.2**

	Number of Funds		Number of Clients	
	2003	2002	2003	2002
Retail Funds	88	85	1,071,370	779,928
Fixed Income	54	49	986,725	726,135
Float Income	15	19	62,783	36,207
Mix	4	4	10,369	8,316
Exchange rate-linked funds	6	6	11,408	9,169
Off Shore	9	7	85	101
Exclusive Funds	197	176	2,580	1,453
Client Portfolio	287	227	287	227
Total	**572**	**488**	**1,074,237**	**781,608**

Banco do Brasil manages various securities portfolios on behalf of its clients. As at December 31, 2003, BB DTVM managed portfolios of insurance companies and foundations with combined funds under management of R$44.1 billion, (R$33.9 billion at December 31, 2002 and R$26.0 billion at December 31, 2001). Banco do Brasil also manages certain Asset Allocations funds on behalf of its clients. As at December 31, 2003, Banco do Brasil had 287 clients with assets under management of R$8.7 billion.

Capital Markets Operations

Banco do Brasil's Brazilian capital markets operations are under the responsibility of the capital markets area, reporting to the VP Finance, Capital Markets and Investor Relations. The foreign capital markets operations are under the responsibility of the International division, which reports to the VP International and Wholesale.

By the time of the organizational restructure implemented by Banco do Brasil in September 2001, Capital Markets UEN became Capital Markets and Investments Division incorporating the function of the Investment Bank BB Investimentos.

BB Investimentos acts in the financial and capital markets, using resources derived from its own capital and from third parties. With regard to the execution of Banco do Brasil's investment-related policies, BB Investimentos has permanent shares in companies that represent an extension of the economic activities of Banco do Brasil. In addition, BB Investimentos also has corporate involvement, albeit of a more temporary nature, with the capital of enterprises that it deems as practicing good corporate governance. Please see "- Investment Banking".

Underwriting

Banco do Brasil carries out domestic underwriting activities through its Investments Division and is actively involved in structured financings, privatizations and mergers and acquisitions, as well as having experience in public offerings of shares, promissory notes and bonds. This division also carries out the activities of corporate guidance and the BB Investimentos' equities stakes.

In 2000, the aggregate value of shares and bonds underwritten by Banco do Brasil was R$6.2 billion and included offerings for issuers such as *Brasil Telecom, Telemar Participações*, *Petrobras* and *Embraer*. In 2001, the aggregate value of shares and bonds underwritten was R$9.4 billion and included offerings for issuers such as *Sabesp, CPFL, TeleNorte Leste, Vicunha Siderurgia, Embraer* and *Petrobras*. In 2002, the aggregate value of shares and bonds underwritten was R$11.8 billion and included offerings for issues such as *Petrobras, CPFL Energia, Acesita* and *Guaraniana.* In 2003, the aggregate value of shares and bonds underwritten was R$6.7 billion and included offerings for issues such as *CSN, CPFL Energia, Cosipar, Itapebi* and *Acesita.*

Banco do Brasil has been actively involved in the privatizations which have been carried out by the Federal Government and various Brazilian States. From 1997 to 2000, Banco do Brasil advised on 17 privatizations, including privatizations of the following companies:

	Date	Amount
		(R$ millions)
Companies		
Band B, Area 7 (mobile telephone services)	April 1997	338
Coelba-Cia de Eletricidade do Estado da Bahia	July 1997	1,731
Tecon 1 – Terminal de Containers de São Paulo	September 1997	274
Tecon 2 – Terminal de Containers do Rio de Janeiro	December 1997	44
CEEE – Cia Estadual de Energia Elétrica (RS)	October 1997	1,635
CPFL – Cia Paulista de Força e Luz	November 1997	3,015
Cosern – Cia de Eletricidade do Rio Grande do Norte	December 1997	676
Metrô Rio	December 1997	292
Coelce – Centrais Elétricas do Ceará	March 1998	980
Band B – Area 6 (Mobile Telephone Services)	April 1998	394
Eletropaulo (Metropolitana)	April 1998	2,026
Tecon 2 – Terminal de Containers RJ	April 1998	44
Tele Centro-Oeste Celular	July 1998	440
Eletropaulo/CESP (Elektro)	August 1998	1,595
Eletropaulo (Bandeirantes)	September 1998	1,014
Terminal de Cargas Ro-Ro	November 1998	32
Fepasa Ferrovia Paulista AS	November 1998	246
CELPE	February 2000	1,781
Total		16,557

Retail Trading Operations

In 1995 Banco do Brasil pioneered an on-line share trading system for its retail customers (*Interiorização do Mercado de Capitais* or "IMC"). This system links all of Banco do Brasil's branches by means of a sophisticated computer link-up to BOVESPA and the over-the-counter securities market (*Mercado de Balcão Organizado* or "SOMA") and enables retail customers to deal in their own share portfolios. For the year ended December 31, 2003, 37,781 transactions with a value of R$331.41 million were made through the IMC, generating R$2.57 million of revenue for Banco do Brasil. For the year ended December 31, 2002, 38,891 transactions with a value of R$241.0 million were made through the IMC, generating R$2.45 million of revenue for Banco do Brasil. These amounts represent a decrease, compared to the 705,380 million transactions with a value of R$269.1 million generating revenues of R$3.57 million in 2001. Since May 2001, Banco do Brasil's clients have been able to purchase and sell shares through Internet banking facilities. During 2003, 58,647 transactions, with a value of R$322.53 million, generating R$1,620.11 thousand of revenue for Banco do Brasil, were made through this service.

Since 1998, Banco do Brasil has kept and controlled book entry stocks issued by companies through electronic means and on-line assistance throughout Banco do Brasil's branch network. Currently, Banco do Brasil manages a client-base of more than three million stockholders. This activity results in a close relationship with such stockholders which in turn stimulates retail dealings in securities.

Investment Banking

In October, 1988, Banco do Brasil established a wholly-owned investment banking subsidiary, BB Investimentos, which had a net worth of R$1.87 billion at December 31, 2003, R$1.68 billion at December 31, 2002

and R$1.53 billion at December 31, 2001. BB Investimentos executes the policies of Banco do Brasil relating to permanent investments in companies operating in sectors complementing Banco do Brasil's economic activities and temporary investments in companies adopting good corporate governance practices. Some of these companies include Brasilcap, Brasilsaúde, Brasilseg and Brasilprev.

In 1995, Banco do Brasil acquired 49.9% of the voting capital of Brasilcap and Cia. Seguros Sul Americana Industrial (which later became Brasilsaúde).

Banco do Brasil has a portfolio of investments which it accumulated partly as a result of concern by the Federal Government not to let certain companies go into liquidation and partly for investment purposes. Banco do Brasil no longer acquires such investments and intends to sell its holdings together with any of its equity investments not related to banking in the market in the future. Presently, investments are subject to an analysis of the financial and economic results and opportunities of the transaction. Further to that, Banco do Brasil is implementing corporate governance practices in corporations in which it holds share interest, in order to increase the value of such investment. BB Investimentos also participates in domestic structured finance transactions, privatization, mergers and acquisitions and initial public offering transactions. During the year ended December 31, 2003, BB Investimentos was the lead manager of public offers of securities in the Brazilian domestic market amounting to R$3.80 billion. BB Investimentos decided, as of the second half of 1996, to participate actively in the Federal Government's privatization program, focusing primarily on the telecommunications and infrastructure sectors.

BB Investimentos' net total investment portfolio at certain dates is set forth in the table below and was calculated using (i) the historical cost for non-affiliated companies and (ii) the equity method percentage for affiliated companies also set forth in the table below.

	Net total investment portfolio (in R$ millions)	Historical cost percentage for non-affiliated companies	Equity method percentage for affiliated companies
At December 31, 2003	1,399.0	56.0%	44.0%
At December 31, 2002	1,599.3	43.0%	57.0%
At December 31, 2001	1,120.3	48.5 %	51.5 %

In 1997, Banco do Brasil took part in the privatization of Band B concessions and privatization in the energy sector. BB Investimentos set up Americel S.A., which won the bid process for Band B concessions in Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Rondônia, Acre and the Federal District. In July 1997, Banco do Brasil, with PREVI and Iberdrola, led the winning consortium which purchased share control of Coelba, the electricity company of the State of Bahia. The 61.0% stockholding was purchased for R$1.75 billion. In December 1997, Coelba bought a controlling stake in Cosern-Cia Energética do Rio Grande do Norte for R$676.0 million.

In April 1998, Banco do Brasil participated in the winning consortium bidding for TELET S.A., the cellular phone services of Band B in Rio Grande do Sul, whose operations started in February 1999.

In February 2000, Banco do Brasil, together with PREVI and ADL Energy S.A, acquired through the privatization auction 79.6% of the total capital (89.6% of the voting capital) of the energy distribution company of the state of Pernambuco (*Companhia Energética de Pernambuco* or "CELPE"). Banco do Brasil's stake is equivalent to 10.1%, corresponding to an initial investment in the amount of R$213.8 million, with a further R$9.7 million invested in April 2000. On December 31, 2000, Banco do Brasil's stake in PREVI and ADL Energy were consolidated in *Guaraniana* through an equity capital increase which was fully paid-up by the contribution of CELPE.

On November 30, 2001, BB Investimentos signed a stockholder agreement with Deutsche Bank to acquire from Deutsche Bank 49.9% of Maxblue Americas Holding, S.A. ("*Maxblue*") for approximately U.S.$90.0 million. Maxblue is a manager of third party investment funds, providing banking services to high net worth clients using the Internet coupled with visits by consultants and telephone consulting services. In February 2002, this investment

amounted to R$208.6 million. In March 2003, BB Investimentos made a provision for R$110 million in relation to the surplus paid in order to acquire Maxblue. After receiving Maxblue's reviewed business plan in September 2003, BB Investimentos decided to make additional provisions in the amount equal to the investment made in Maxblue. In 2003, BB Investimentos and Deutsche Bank carried out a corporate restructuring of Maxblue. As a result of such corporate restructuring, BB Investimentos and Deutsche Bank decided to change the overall relationship of the parties by having Deutsche Bank own directly and exclusively Maxblue's business in Spain and the U.S. and BB Investimentos own directly and exclusively Maxblue's business in Brazil through its operational subsidiary Maxblue Investimentos Distribudora de Títulos e Valores Mobiliários S.A.

In 2002, Banco do Brasil sold all of its interests in Pegasus, Americel and TELET.

Government Affairs

The Government Division, located in Brasília, is responsible for Banco do Brasil's relationship with the Federal Government, States, Municipalities and other public agents, developing solutions tailored to their needs. On a Federal Government level, it effects payments and collects funds on behalf of the National Treasury and assists all Federal Ministries. Banco do Brasil also supports the Federal Government's cash management. On a State level, Banco do Brasil acts as official financial agent for seven States for which it is the exclusive paying agent for employees and suppliers, centralizes the distribution and collection of taxes and collects active debt. On a Municipal level, Banco do Brasil acts as financial agent for several capitals and other cities throughout Brazil through its large network system.

Public Sector Lending

Excluding SIVAM (see "—Special Project lending ("SIVAM")"), 0.8% of Banco do Brasil's total loans outstanding as at December 31, 2003 were to the public sector (1.93% as at December 31, 2002 and 3.30% as at December 31, 2001). This includes lending to Brazilian States, Municipalities and Federal Government-controlled enterprises. All public sector lending was at the risk of Banco do Brasil. Loans at Banco do Brasil's risk are principally made by means of advances to States and Municipalities against future payments from the Federal Government to those States and Municipalities of tax and other money, the collection of such taxes being part of the business of Banco do Brasil. Banco do Brasil also lends to State companies by way of foreign trade finance (see "—Wholesale Banking—International Operations").

As a matter of policy, Banco do Brasil will not accept State or Municipality risk other than on the basis described above. In addition, the Central Bank established rules regarding public sector lending, through Resolution No. 2,827 dated March 30, 2001, as amended. The Brazilian Senate also regulates such activities through its own Resolution No. 78/98, as amended, setting forth the restricted conditions upon which States, Municipalities and its controlled companies will be able to borrow from banks. In addition, Complementary Law No. 101 (*Lei de Responsabilidade Fiscal*) dated May 4, 2000, as amended, has substantially limited the circumstances in which States and Municipalities can obtain funding. Such measures have limited Banco do Brasil's exposure to public sector borrowing. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Source of Funds—Special Operations Sources of Funds".

Repassed Funds Lending

In addition to its general lending business, Banco do Brasil acts as an agent for the Federal Government through the National Treasury, BNDES and other Federal Government agencies for the relending of money to certain specified categories of borrowers, both in the public and private sectors. Repassing of funds to the private sector at Banco do Brasil's own risk, together with related lending from its own resources, has become an increasingly important area for Banco do Brasil in recent years. This on-lending or "repassing" of funds can be used by Banco do Brasil's customers for specified business purposes in accordance with the parameters of the relevant Federal Government agency program. On-lending occurs only after Banco do Brasil has received the amounts to be repassed from the Federal Government. The repassed funds are generally made available at below market rates and have an average maturity of five years for the agribusiness sector and four years for the other sectors.

Repassed funds are match-funded by loans from the Federal Government or a Federal Government agency and, therefore, Banco do Brasil takes no interest rate or maturity mismatch risk. However, the repassed loans may be made for Banco do Brasil's own account as to the borrower's credit exposure. Banco do Brasil therefore applies the same credit criteria to these loans as to any other loans made by it. The loans may be secured, in the case of FINAME and BNDES, on the goods being financed. In 2003, Banco do Brasil participated in FINAME program transactions in the amount of R$1.6 billion (R$1.5 billion in 2002 and R$1.0 billion in 2001). In connection with the "FINAME Agrícola", Banco do Brasil has acted on transactions amounting to R$472.0 million (R$554.0 million on December 31, 2002 and R$356.2 million on December 31, 2001). At December 31, 2003, R$5.1 billion of Banco do Brasil's total loan portfolio consisted of these repassing operations (at December 31, 2002 such operations represented R$4.3 billion of Banco do Brasil's total loan portfolio, and at December 31, 2001 such operations represented R$3.8 billion of Banco do Brasil's total loan portfolio).

Fundo de Amparo ao Trabalhador ("FAT") is a constitutional fund that finances the payment of unemployment benefits and development programs and which is funded by contributions from companies based on their revenues. The FAT funds are used by BNDES to conduct its usual lending (including FINAME), and directly by other agents such as Banco do Brasil. Most of Banco do Brasil's lending utilizing FAT funds is at the risk of Banco do Brasil with the exception of a program of the Ministry of Planning and Budget, under the Productive Activities Emergency Program. The outstanding FAT funds repassed directly by Banco do Brasil principally to the private sector were equivalent approximately to R$6.3 billion at December 31, 2003 (R$4.4 billion at December 31, 2002 and R$3.8 billion at December 31, 2001), of which R$3.3 billion (R$3.0 billion at December 31, 2002 and R$2.8 billion at December 31, 2001) were repassed to the agricultural sector (PROGER—Rural and PRONAF) and R$3.1 billion (R$1.4 billion at December 31, 2002 and R$0.9 billion at December 31, 2001) were repassed to urban projects (PROGER-Urbano).

Other programs under which funds are repassed by Banco do Brasil include the following outstanding amounts at December 31, 2003: (i) the FCO, in the amount of R$4.7 billion (R$3.9 billion at December 31, 2002 and R$2.5 billion at December 31, 2001); (ii) the PASEP, in the amount of R$1.01 billion (R$0.9 billion at December 31, 2002 and R$0.9 billion at December 31, 2001); (iii) the PNDR-National Rural Development Program (*Programa Nacional de Desenvolvimento Rural*), in the amount of R$2.4 million (R$2.9 million at December 31, 2002 and R$3.0 million at December 31, 2001); (iv) the PNDA (*Programa Nacional de Desenvolvimento Agroindustrial*) in the amount of R$3.3 million (R$7.0 million at December 31, 2002 and R$7.0 million at December 31, 2001); (v) the Cocoa Crop Recovery Program for Bahia (*Programa de Recuperação da Lavoura Cacaueira Baiana*), in the amount of R$10.6 million (R$8.9 million at December 31, 2002 and R$8.0 million at December 31, 2001); (vi) the Sponsorship Program for Coffee (*Fundo de Defesa da Economia Cafeeira*), in the amount of R$538.5 million (R$358.4 million at December 31, 2002 and R$98.3 million at December 31, 2001); and (vii) the Revitalization Program for Agribusiness Production Cooperatives (*Programa de Revitalização de Cooperativas de Produção Agropecuária*), in the amount of R$327.1 million (R$349.9 million at December 31, 2002 and R$255.6 million at December 31, 2001).

Certain funds described herein were transferred to the Federal Government in 2001 in accordance with the Restructuring Program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Restructuring Program and its Continuous Implementation". The above amounts refer to liabilities of Banco do Brasil in relation to each of the programs' sources of fund.

Special Project Lending ("SIVAM")

Banco do Brasil, as part of its strategy for expanding its contacts with international organizations and consistent with its policy of assisting in the development of lesser developed regions of Brazil, entered into several financial agreements in March 1997 under which it acts as financing agent for the SIVAM Project. The SIVAM Project is a network of radio satellites, ground sensors and aircraft radars that will serve as the technical infrastructure for the acquisition, production, and distribution of information and data that will assist in determining an appropriate level of sustainable development for the Amazon region and optimal utilization of its resources. Banco do Brasil is under contract to finance the Federal Government an amount of approximately U.S.$1.5 billion for the SIVAM Project. The credit risk for Banco do Brasil is equivalent to a loan to the Federal Government. Banco do Brasil borrows funds for this purpose from the United States Export-Import Bank, ABN AMRO Bank and the SEK AB Svensk Exportkredit of Sweden. Banco do Brasil is aware that SIVAM Project is of significant importance

to the international community. At December 31, 2003, approximately U.S.$1.3 billion of the disbursed amount was outstanding under the loan with the remaining funds projected to be disbursed until August 31, 2005.

Insurance Products

The Insurance Division was responsible for Banco do Brasil's insurance operations until October 2000, when Banco do Brasil decided to close the strategic unit and conduct its insurance operations through the Commercial, Distribution Channels, Retail and Government Divisions.

Insurance Brokerage

BB-Corretora de Seguros e Administradora de Bens ("BB-COR") is a wholly-owned subsidiary of Banco do Brasil incorporated in June 1987 and managed by the Retail Division. BB-COR acts purely as a broker, selling life insurance (individual and group policies), automobile insurance and other types of insurance, including fire, residential and property. In the rural sector BB-COR offers special life insurance policies linked to agricultural lending. Further to that, BB-COR sells *títulos de capitalização* (capitalization plans, a form of premium bond) and pension plans.

In 2003, 3,220,159 policies and premium bonds were sold by BB Corretora, for which it receives ongoing commissions (3,280,973 in 2002 and 3,024,000 in 2001). Of the total number of policies sold in 2003, 773,214 were life policies (1,161,039 in 2002 and 919,000 in 2001), 628,366 were automobile policies (544,322 in 2002 and 460,000 in 2001), 168,502 were residential policies (160,251 in 2002 and 160,000 in 2001), 1,270,147 were *títulos de capitalização* (1,309,837 in 2002 and 1,322,000 in 2001) and 379,930 were other types of insurance policies (105,524 in 2002 and 163,000 in 2001). The overall number of policies and premium bonds sold by the BB-COR in 2003 remained stable compared to 2002 and 2001. Revenues for the year ended December 31, 2003 increased to R$390.0 million due primarily to an increase in the amount of plans sold by Brasilprev.

The increase in insurance sales from R$273.4 million in 1994 to R$390.0 million at December 31, 2003 (R$313 million at December 31, 2002 and R$307.8 million at December 31, 2001), is mainly due to:

- the creation of the UEN Seguridade at the beginning of 1994 when Banco do Brasil adopted a strategy to penetrate the insurance, capitalization and pensions markets;
- expansion of sales focusing on the individual, corporate and government markets segment;
- improvements in existing insurance products (Ourovida Pessoa Física, Ourovida Produtor Rural, Ouro Automóvel, etc.) and the launch of new insurance products (OuroResidencial, Ouro Empresarial, Ourovida Garantia, Ouro Agrícola);
- use of incentives such as sales targets, remuneration for branches contributing to insurance sales and promotional campaigns;
- employee training;
- increased use of marketing and advertisements to sell insurance products; and
- integrated activities within Banco do Brasil.

Virtually all BB-COR's assets are cash (R$132 million at December 31, 2003). BB-COR invests surplus cash principally in Federal Government securities.

Investments in Insurance Companies

Since 1996 Banco do Brasil has adopted a different approach to selling insurance policies. Previously BB-COR acted as broker selling policies written by a pool of unaffiliated companies. However, Banco do Brasil currently owns, through BB Investimentos, equity stakes in six insurance companies: Brasilprev, Brasilcap, Brasilsaúde, Aliança do Brasil, Brasilveículos Cia. de Seguros ("Brasilveículos") and SBCE. Currently, BB-COR only sells policies of these insurance companies.

Banco do Brasil believes that the market for insurance is expanding in Brazil and offers Banco do Brasil opportunities to increase its participation in the insurance market. To achieve this increase in market share, Banco do Brasil intends to offer its clients a wider range of insurance products such as the life insurance plans issued by the regulatory agency of the Brazilian insurance market, the VRPG and VAGP.

The participation of BB Investimentos in the equity of the companies listed below, as well as the type of insurance sold by each of these companies, is as follows:

Company	Total Capital Participation	Voting Capital Participation	Equity at December 31, 2003	Insurance
	(%)	(%)	(R$ thousand)	
Cia. de Seguros Aliança do Brasil	70	40	178,556	Life/casualty/ property
Brasilcap Capitalização S.A.	49.99	49.99	111,083	Premium bond
Brasilprev Previdência Privada S.A.....	49.99	49.99	129,486	Pension
Cia. de Seguros Brasilsaúde	49.92	49.92	39,730	Health plan
Brasilveículos Cia. de Seguros[(1)]	69.998	39.997	170,454	Automobiles
SBCE Seguradora Brasileira de Crédito à Exportação S.A.	12.088	12.088	12,145	Export

Note:—
(1) Brasilveículos is controlled by Brasilseg Participações, a holding company.

Aliança do Brasil is an insurance company resulting from a joint venture between BB Investimentos and Cia. de Participações Aliança da Bahia. At December 31, 2003, Aliança do Brasil had a portfolio of policies in the aggregate amount of R$836.0 million (R$680.0 million at December 31, 2002 and R$668.5 million at December 31, 2001). Brasilcap is an insurance company resulting from a joint venture between BB Investimentos, Sul América Capitalização, Icatu Hartford Capitalização S.A. and Cia. de Seguros Aliança da Bahia. At December 31, 2003, Brasilcap had a portfolio of *títulos de capitalização* (premium bonds) in the aggregate amount of R$1.4 billion (R$1.1 billion at December 31, 2002 and 2001). Brasilprev is described in more details under "Pension Funds" below. Brasilsaúde is an insurance company resulting from a joint venture of Banco do Brasil with Sul América Serviços Médicos S.A. At December 31, 2003, Brasilsaúde had a portfolio of policies in the aggregate amount of R$92.3 million (R$88.1 million at December 31, 2002 and R$96.8 million at December 31, 2001). Brasilveículos is an insurance company resulting from a joint venture between Banco do Brasil and Sul América Seguros and Sul América Investimento e Participação S.A. At December 31, 2003, Brasilveículos had a portfolio of policies in the aggregate amount of R$561.5 million (R$485.4 million at December 31, 2002 and R$387.1 million at December 31, 2001).

In June 1997, the Brazilian Export Credit Insurance Company (SBCE) was created. This is Banco do Brasil's first international joint venture in the insurance market. Banco do Brasil's partners in this joint venture are BNDES, Bradesco, Sul America, Minas Brasil and Unibanco and the third largest export credit insurance company in the world (*Compagnie Française d'Assurance pour le Commerce Extérieur* or "COFACE"). SBCE was given permission to operate on August 8, 1997 by Portaria 196 of the Ministry of Finance and was officially launched during the XVII National Encounter of External Trade held in Rio de Janeiro on November 20 and 21, 1997. Credit insurance policies relating solely to exports have been in use since the beginning of 1998 and, as of the end of that year, the issue of foreign currency denominated policies has been authorized. For the year ended December 31, 2003, SBCE issued insurance policies with the net amount of R$2.7 million (R$0.9 million for 2002 and R$1.2 million for 2001).

Pension Funds

Pension funds in Brazil are divided into those available to employees of a company or employees of groups of companies (company pension funds) and those available to the general public (individual pension funds). In 1993, Banco do Brasil, together with a consortium of Brazilian insurance companies, established a new company,

Brasilprev, to manage individual-type pension funds. At December 31, 2003, Brasilprev had a net worth of R$129.5 million and was 49.99% owned by BB Investimentos. The remaining shares are owned 46.01% by PFG do Brasil Ltda. and 4.0% by *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* (Brazilian Service for the Support of Small-Sized Companies "SEBRAE"). For the year ended December 31, 2003, Brasilprev had income of approximately R$1.4 billion, a 43% increase compared to R$1.0 billion as at December 31, 2002 (R$820.2 million for 2001). The so called traditional funds guarantees a return of 6.0% per annum above TR/IGP–M. The traditional funds' investments are limited by Central Bank regulations; it is only permitted to invest in fixed income securities, equity securities and real estate.

Besides the traditional funds, Brasilprev has two additional products for both individuals (*Brasilprev Renda Total and Júnior*) and legal entities (*Brasilprev Empresarial Renda Total Classe Especial*). Those products are structured under plans generating free benefits (*Planos Geradores de Benefícios Livres* or *"*PGBL" and *Vida Gerador de Benefícios Livres* or "VGBL"), which are the more recent types of defined contribution pension plans available in the market under which the benefits of the plans will depend on the return on the investment made. Under the PGBL and VGBL plans, the contributions are used to acquire quotas of certain investment funds to generate the funds for the retirement. The investment policy is developed in accordance with the client's profile (conservative, moderate or aggressive) and is managed by BB DTVM. The funds' net income is fully deposited in the participants' accounts and published daily in the newspaper. These plans (PGBL and VGBL) are very similar, differing only in the tax treatment applicable to each one of them.

In 1995, Banco do Brasil established BB Previdência to offer company-type pension funds. By December 31, 2003, BB Previdência had entered into 30 contracts involving 43 companies and 32,933 participants (compared to 27 contracts involving 41 companies and 30,922 participants at December 31, 2002, and 25 contracts involving 39 companies and 27,876 participants at December 31, 2001).

On December 31, 2003, the funds managed by the Bank reached R$439.0 million (an increase of 52.0% in relation to R$289.0 million on December 31 2002, and an increase of 132.0% in relation to R$189 million in December 31, 2001).

Technological Resources

The Technology Division is responsible for maintaining Banco do Brasil's extensive computer systems, analyzing the technical needs of Banco do Brasil and implementing, from an administrative perspective, Banco do Brasil's strategic goals in this area.

During 1995 Banco do Brasil undertook a thorough review of its technological resources. This review revealed an insufficiency of on-line applications, a large number of branches without computer facilities or without access to Banco do Brasil's communication network and out-of-date automated banking and telecommunication technology. As a result of this review, Banco do Brasil spent R$894.3 million on automated banking and systems from 1996 to 1998, R$246.6 million during 2001, R$169.2 million during 2002 and R$465.67 million during the 2003 (these amounts do not include infrastructure). Banco do Brasil believes that the problems revealed in 1995 have been satisfactorily addressed and Banco do Brasil can effectively compete with other Brazilian private sector retail and commercial banks.

Banco do Brasil intends to continually update its technological resources (hardware and software) to enable more clients to utilize Banco do Brasil's data through home banking and other facilities, such as personal banking through handheld electronic computers ("palmtops"), available to Banco do Brasil's clients since March 2000. As at December 31, 2003 almost 83.8% of client transactions were made through automated banking facilities (84.0% at December 31, 2002 and 78.0% at December 31, 2001). Banco do Brasil has also developed office banking facilities with on-line automated services similar to home banking, but available to companies. Banco do Brasil is the first bank in Brazil to provide on-line automated services to companies.

During 2003, Banco do Brasil continued a large marketing campaign started in 2000 to increase the number of Internet users among its client base. For the year ended December 31, 2003, Banco do Brasil had 6.7 million registered clients using the Internet with a total amount of 513.3 million transactions (4.7 million clients for 318.4 million transactions at December 31, 2002 and 3.7 million clients for 200.3 million transactions at December 31,

2001). In the development of its Internet structure, Banco do Brasil invested R$15.7 million in 2001, R$1.6 million in 2002 and R$20.93 million in the first half of 2003.

The following table sets out the investments (in millions of *Reais*) in technology and infrastructure by Banco do Brasil for December 31, 2001, 2002 and 2003.

	December 31,			
	2003	**2002**	**2001**	**Total**
		(in millions of *Reais*)		
Internet structure	20.9	1.6	15.7	38.2
Bank automation	160.1	148.1	47.7	355.9
Systems of access for customers	22.7	51.2	24.2	98.1
Communications systems	63.7	21.1	27.5	112.3
Computing environment	282.9	170.8	147.2	600.9
Infrastructure(1)	328.2	311.9	353.5	993.6
Total	878.5	704.7	615.8	2,199.0

Note:—

(1) Infrastructure consists of external and internal layout of the computer and telephone cable network of Banco do Brasil's branches; building and remodeling; implementing new environment for the market segmentation project; and expenses for furniture and accessories.

Banco do Brasil views these investments as essential to providing a technological structure that enables Banco do Brasil to continue competing with private sector retail and commercial banks, to minimize administrative expenses associated with a non-automated back-office structure and to provide-state-of-the-art information to clients in the retail sector via on-line services at branch level and through home-banking and office-banking facilities. Banco do Brasil invested approximately R$615.8 million in 2001, approximately R$704.7 million in 2002 and approximately R$878.5 in 2003 in bringing its technological resources up to date. Of this total, approximately, R$353.5 million in 2001, R$311.9 in 2002 and R$328.2 in 2003 were directed to the infra-structure of Banco do Brasil's outlet network, including engineering and architectural work to facilitate the installation of new equipment and standardize the layout of branches. The remainder was spent on technology, with an emphasis on the installation of ATMs, the purchase of new workstations, the increase of processing and storage capacity, the acquisition of large-scale computers and the expansion of Banco do Brasil's telecommunications network.

On October 23, 2003, Banco do Brasil published the rules of a bidding process to outsource data telecommunication services that would enhance its current capacity for the long distance communication between certain electronic outlets of Banco do Brasil, for data communication between those outlets and the principal computer operations of Banco do Brasil in Brasília, and for other data communication services among certain of Banco do Brasil's subsidiary and affiliate companies. The bidding process occurred on December 15, 2003. In order for the outcome and concession of the contracts to the winning companies to be approved, administrative appeals and court proceedings that have been filed still remain to be resolved. The Bank is pursuing all necessary actions to resolve these issues. Telemar won the auction for the first lot with a bid of R$310.9 million for the supply of telecommunications services to Banco do Brasil's network in Rio de Janeiro, Minas Gerais, Espirito Santo, Amazonas, Roraima, Pará, Amapá and in all of the Northeast region. Embratel won the auction for the second lot with a bid of R$316.2 million for the supply of telecommunications services to Banco do Brasil's network in São Paulo, Tocantins, Acre, Rondônia and in all of the South and Mid-west regions. Both suppliers will provide services to 212 of the Bank's largest branches in Brazil for a period of five years.

Physical Resources

The Infrastructure Division coordinates all the non-financial resources (excluding human resources) of Banco do Brasil worldwide, including equipment, services, property and other fixed assets. This division is also responsible for the management of real properties owned by Banco do Brasil.

The Infrastructure Division administers the sale of properties that Banco do Brasil has acquired through liquidations or has received in lieu of payment under existing loans, as well as the sale of properties that are not occupied by Banco do Brasil. For the year ended December 31, 2003, the Infrastructure Division sold properties for R$119.4 million (R$89.8 million for the year ended December 31, 2002 and R$173.9 million for the year ended December 31, 2001).

Litigation

There are no outstanding labor, tax or other disputes involving Banco do Brasil as at the date of this Offering Circular which could have a material adverse effect on Banco do Brasil's financial position and capital structure. At December 31, 2003, Banco do Brasil had 165,665 legal actions outstanding as plaintiff and 141,122 as defendant, for a total of 306,787 outstanding legal actions, of which 413 are in respect of claims in excess of U.S.$10 million (at December 31, 2002, there were 249,028 legal actions outstanding, of which 301 were in respect of claims in excess of U.S.$10 million and at December 31, 2001, there were 240,348 legal actions outstanding, of which 147 were in respect of claims in excess of U.S.$10 million).

Banco do Brasil has established controls and procedures to identify all claims received, and it records a provision for those claims on which a loss is considered probable at an amount estimated by the legal department. Discussed below are what Banco do Brasil considers the most significant judicial and administrative claims in which it is involved.

Banco do Brasil has outstanding performance guarantees covering execution of commercial contracts between Brazilian companies and Iraqi entities in the amount of approximately U.S.$314.8 million, of which U.S.$30.6 million are at Banco do Brasil's own risk and U.S.$283.9 million are at the Federal Government's risk. These guarantees remain outstanding by virtue of United Nations Security Council Resolution No. 661 ("Resolution No. 661"), as confirmed by Decree 99,441/90 of the Federal Government, imposing an embargo on Iraq and by virtue of the impossibility of performance of such contracts by Brazilian companies due to the Gulf War following Iraq's invasion of Kuwait. On May 22, 2003, the United Nations Security Council enacted resolution No. 1483 ("Resolution No. 1483") partially lifting the embargo imposed by Resolution No. 661. In order to be effective in Brazil, Resolution No. 1483 was confirmed by the Federal Government through Decree 4,775/03. The National Treasury and Banco do Brasil have claims against Iraqi entities in an amount of U.S.$100.0 million. Banco do Brasil is unable to predict when the negotiations with such entities or other responsible authorities in Iraq will start or its ability to collect on such debts.

Banco do Brasil has commenced lawsuits against Mendes Junior, a Brazilian construction company, for the recovery of certain claims in relation to leasing and certain lending transactions entered into by Banco do Brasil in connection with Mendes Junior's activities in Iraq. The total amount of such claims is U.S.$1.9 billion, which has been fully provisioned by Banco do Brasil.

During 1997, several decisions were handed down in Banco do Brasil's litigations with Mendes Junior. In December 1997, the Court of Appeals of the State of Minas Gerais ruled against Banco do Brasil and in favor of the validity of an agreement purporting to transfer certain credits against Mendes Junior held by the Federal Government to Banco do Brasil. Banco do Brasil had contested the validity of this agreement on the grounds that Mendes Junior had failed to meet a condition precedent to the agreement. The practical consequence of this decision for Banco do Brasil would be the set-off, mandated by the court, of Banco do Brasil's claims in the aggregate amount of U.S.$1.9 billion against Mendes Junior with those transferred by Mendes Junior against Banco do Brasil in the aggregate amount of U.S.$0.7 billion. Banco do Brasil appealed this decision and in June 2000, the appeals court ("STJ") agreed to hear the appeal. In addition, in September 1997, a trial court in the State of Minas Gerais dismissed Banco do Brasil's lawsuit relating to credits being collected by BB-Leasing from the guarantors of a sale-leaseback transaction with Mendes Junior, governed by New York law, on the ground that Banco do Brasil failed to

prove any relevant New York law claim to the Minas Gerais court. The dismissal was made without prejudice and prior to the court reaching the merits of Banco do Brasil's claim. Banco do Brasil appealed this decision in November 1997. In October 1998 the higher Minas Gerais Court accepted Banco do Brasil's appeal and its showing that relevant New York law applies. The lawsuit was re-examined by the lower instance Minas Gerais court which also accepted Banco do Brasil's arguments in relation to the applicable law. Furthermore, the Federal District Court for Southern District of New York accepted Banco do Brasil's motion to dismiss the lawsuit brought by Mendes Junior against Banco do Brasil in that court on the grounds that New York is an inconvenient forum bearing no relationship to the dispute or the parties involved. Mendes Junior filed a motion to have this judgment in favor of Banco do Brasil reconsidered by the court. In April 1999, the Federal District Court issued a judgment denying Mendes Junior's motion for reconsideration. The judgment of dismissal has become final. Mendes Junior has no claims pending against Banco do Brasil in this litigation. In October 2003, Mendes Junior requested that the United States District Court for the Southern District of New York vacate those portions of its prior opinion that resulted in the dismissal of its lawsuit against Banco do Brasil and reinstate the counts dismissed. Banco do Brasil has already filed a motion against this claim.

The Federal Government, the Central Bank and Banco do Brasil are defendants in a lawsuit (Ação Civil Pública) brought in 1998 in federal court in Brasília (14ª Vara da Justiça Federal) by the National Association of Minority Shareholders of Banco do Brasil (*União Nacional dos Acionistas Minoritários do Banco do Brasil* or "UNAMIBB"), challenging certain actions of the Board of Directors (*Diretoria Executiva*) of Banco do Brasil between 1994 and 1997. UNAMIBB is seeking, *inter alia*, that Brazil be declared liable (*responsabilidade civil objetiva*) for these actions, and asking the court to require Brazil to indemnify Banco do Brasil and the minority shareholders of Banco do Brasil for losses incurred. UNAMIBB is also asking the Court to declare null and void the common and preferred shares of Banco do Brasil issued pursuant to the capital increase approved at the Extraordinary Shareholders' Meeting held on March 29, 1996. UNAMIBB's complaint alleges that as a result of this capital increase, and also as a result of the non-exercise of the right of first refusal by many of the minority and preferred shareholders, Brazil increased its ownership interest in Banco do Brasil from 29.2% to 72.7%. A separate lawsuit in the State of Rio Grande do Sul, similar to the UNAMIBB claim, failed both at the trial level and on appeal.

In the event that UNAMIBB succeeds in having the issue of the common and preferred shares approved at the Extraordinary Shareholders' Meeting held on March 29, 1996 declared null and void, Brazil, according to the complaint, will be obliged to indemnify the minority shareholders and Banco do Brasil. Also, Banco do Brasil may be required to cancel all of the common and preferred shares issued pursuant to the capital increase approved by the Extraordinary Shareholders' Meeting and return to the subscribing shareholders all subscription amounts paid by them, plus interest and an inflation adjustment. Therefore, although UNAMIBB has requested that Brazil indemnify Banco do Brasil, Banco do Brasil's capital stock could be reduced to levels below the capital adequacy requirements of the Central Bank. See "The Brazilian Financial System—Capital Adequacy and Leverage" included in this Offering Circular. If Banco do Brasil's shareholders did not subsequently increase Banco do Brasil's share capital, such reduction would affect Banco do Brasil's financial condition and business operations. Moreover, in such circumstances even if the shareholders of Banco do Brasil were to approve a new capital increase in order to comply with the capital adequacy requirements, any new capital raised in the market may be made under market conditions materially less favorable than in 1996, with additional costs being incurred.

Notwithstanding the above, Banco do Brasil believes that this lawsuit will not be decided in favor of UNAMIBB and therefore does not believe that such action will result in the cancellation of the common and preferred shares issued in 1996 or that its financial condition or business operations will be affected.

In an unrelated lawsuit, Banco do Brasil is defending a claim for damages (*ação ordinária indenizatória*) brought by Credcheque Serviços Bancários S.C. Ltda. and Credcheque Administradora de Cartões de Crédito S.C. Ltda., as plaintiffs (together, "Credcheque") in the federal courts in Rio de Janeiro against Banco do Brasil and BB Cartões and alleging unauthorized use of the Credcheque trademark. The claim is for damages in the amount of no more than 30% of gross revenues derived by Banco do Brasil and BB Cartões from the Credcheque product, plus 20% of the total amount of the claim arbitrated by the court for attorneys' fees and arbitrated court costs. The lawsuit also requests an interim injunction (*antecipação de tutela*). After several appeals, Banco do Brasil was ordered to pay Credcheque 5% of gross revenues derived from the Credcheque product, plus interest of 0.5% per month over such amount as from the date Banco do Brasil allegedly began infringing the Credcheque trademark,

plus 10% of attorneys' fees and 50% of court costs. Such decision has been temporarily suspended by the Superior Courts (STJ). Banco do Brasil is appealing further. In the meantime, other proceedings are underway concerning the proper means of calculating the applicable gross revenues and Banco do Brasil has brought a claim against Credcheque seeking the annulment of the "Credcheque" trademark. Banco do Brasil has taken a provision of R$201.2 thousand (which is significantly lower than the initial amount claimed by Credcheque) an amount Banco do Brasil's management believes is sufficient and adequate in relation to the expectation of the ultimate result of the calculation process. Banco do Brasil also believes that even if it loses the claim the effect of such claim will not be material once the total amount of the claim is calculated based on gross revenues related exclusively to the Credcheque product.

In October 2001, the INSS issued five notices of infraction (*Notificações Fiscais de Lançamento de Débito* or "NFLD") against Banco do Brasil for alleged irregularities in the payment and granting of employees remuneration and benefits in the total aggregate amount of R$757.6 million. In January 2002, the INSS issued two more NFLD against Banco do Brasil in the total amount of R$225.2 million. Banco do Brasil has presented defenses in all of the administrative proceedings initiated as a result of such NFLD. With respect to the administrative proceeding related to one NFLD, in the total amount of R$103.7 million, there is a precedent issued by the Superior Court of Appeal in relation to a similar alleged infringement in favor of Banco do Brasil. Based on this precedent, Banco do Brasil believes it will succeed in its defense related to such administrative proceeding. With respect to the remaining administrative proceedings in the total aggregate amount of R$654.0 million, such proceedings are in their initial stages and there can be no assurance in relation to their final outcome.

The description of such claims herein is being made solely for disclosure purposes and does not modify Banco do Brasil's opinion relating to the chances of success of such claims or the effects of any favorable decision on Banco do Brasil.

SUBSIDIARIES

The following table sets out the wholly-owned subsidiaries of Banco do Brasil, most of which are engaged in banking and financial services businesses, specifying the principal activity of each subsidiary and its net worth as at December 31, 2003 and 2002. See Note 18 to the 2003 Financial Statements and information included for a more complete list of Banco do Brasil's subsidiaries and a list of Banco do Brasil's affiliates.

Net Worth

Company	Principal activity	As at December 31, 2003	As at December 31, 2002
		(in millions of *Reais*)	
Domestic Subsidiaries			
BB-Administradora de Cartões de Crédito S.A. ("BB Cartões") [(1)]	Credit card management	49.7	18.2
BB-Banco de Investimento S.A. ("BB Investimentos")	Investment banking	1,875.2	1,682.9
BB-Corretora de Seguros e Administradora de Bens S.A. ("BB Corretora")	Insurance brokerage	34.7	35.0
BB-Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A. ("BB DTVM")	Fund management and securities dealing	119.4	103.1
BB-Leasing S.A. Arrendamento Mercantil ("BB Leasing")	Brazilian currency based leasing	47.4	54.8
Banco Popular do Brasil S.A. ("Banco Popular do Brasil")	Microlending and other financial services to low income clients	24.5	—
BB Viagens e Turismo Ltda. ("BB Turismo")	Tourism	14.7	—
Overseas Subsidiaries			
BB-Leasing Company Limited (Grand Cayman) ("BBL")	U.S. Dollar based leasing	84.0	367.8
Banco do Brasil AG. (Vienna, Austria)	General commercial banking	98.9	89.7
Brasilian American Merchant Bank ("BAMB") (Grand Cayman)	General commercial banking	1,355.2	1,510.5

Note:—

(1) Company split off and partially merged into Banco do Brasil S.A. on November 29, 2001.

MANAGEMENT AND EMPLOYEES

Management

Banco do Brasil's Board of Directors (*Diretoria Executiva*) consists of a Chairman (and also referred to as President of Banco do Brasil), up to seven Vice-Presidents and up to 22 Directors, who are responsible for supervising all of Banco do Brasil's Divisions and units. The President of Banco do Brasil is appointed by the President of Brazil and serves for such period of time as the President of Brazil determines. The Chairman of Banco do Brasil as of the date of this Offering Circular was appointed on January 28, 2003. Members of the Board of Directors are elected by the Administrative Council (*Conselho de Administração*). Each of the Vice Presidents and Directors is appointed for a term of three years, with the possibility of reappointment. Vice-Presidents for the seven positions had been appointed on August 24, 2001 and January 29, 2003. Directors for the 15 current positions were appointed on August 24, 2001, February 13, 2003, December 1, 2003 and December 12, 2003. The Conselho Diretor (composed by the Chairman and the Vice-Presidents) meets once a week, and whenever convened by the Chairman.

The Administrative Council consists of a Chairman, a Deputy Chairman and five other members appointed for terms of one year. The Federal Government is responsible for designating five officers, including the Chairman, the Deputy Chairman (who is also the Chairman of the Board of Directors), one representative of the Ministry of Finance, one representative of the Ministry of Planning and Budget and one representative elected from the possible representatives indicated by the investment fund, incorporated by the employees of Banco do Brasil, with equity states up to 3.0% (if 3.0% is not reached, this council member will be appointed by the minority stockholders). The other two members represent the minority stockholders. The Administrative Council elects the members of the Board of Directors based on candidates nominated by the President of Banco do Brasil. The Administrative Council meets every month, at any time at the request of two of its members or whenever convened by the Chairman, and is responsible for policy and strategic issues relating to Banco do Brasil. It also approves the annual audited financial statements of Banco do Brasil. The Audit Committee is composed by three members and their respective substitutes, each of them with a three year mandate. The Audit Committee's members are appointed by the Administrative Council and elected by a stockholders' meeting, being one of them elected by the minority stockholders. The Audit Committee assists the Administrative Council in its internal audit function and supervises and evaluates the work of the Internal Audit Division. The Audit Committee also supervises and evaluates the works performed by independent accountants.

Banco do Brasil also has a Fiscal Council (*Conselho Fiscal*) which is responsible for monitoring the managers of Banco do Brasil's activities and the compliance of their legal and statutory duties. The Fiscal Council consists of five members, elected for renewable one year terms by the stockholders of Banco do Brasil in general meeting. Three of the members represent the Federal Government and two must be elected by the minority stockholders. The Chairman is nominated by the vote of four of the five Fiscal Council members.

The members of the Board of Directors and the year in which they were appointed and the members of the Administrative Council and the Fiscal Council are as follows.

Board of Directors, as at December 31, 2003

Name	Year	Position
Cássio Casseb Lima	2003	Chairman
Adézio de Almeida Lima	2003	Vice President
Edson Machado Monteiro	2003	Vice President
José Luiz de Cerqueira César	2003	Vice President
Luiz Eduardo Franco de Abreu	2003	Vice President
Luiz Oswaldo Sant'Iago Moreira de Souza	2003	Vice President

Name	Year	Position
Ricardo Alves da Conceição	2001	Vice President
Rossano Maranhão Pinto	2001	Vice President
Aldo Luiz Mendes	2001	Director
Antônio Francisco de Lima Neto	2001	Director
Augusto Braúna Pinheiro	2003	Director
Derci Alcântara	2003	Director
Fernando Barbosa de Oliveira	2001	Director
Henrique Pizzolato	2003	Director
João Carlos de Mattos	2003	Director
José Gilberto Jaloretto	2001	Director
Manoel Gimenes Ruy	2001	Director
Miguel Oscar Viana Peixoto	2003	Director
Paulo Cesar Simplício da Silva	2003	Director
Paulo Rogério Caffareli	2003	Director
Renato Donatello Ribeiro	2001	Director
Rosa Maria Said	2003	Director
William Bezerra Cavalcanti Filho	2003	Director

The address for each of the members of the Conselho Diretor is SBS – Edifício Sede III, CEP 70073-901, Brasília, DF, Brazil and the positions they hold outside of Banco do Brasil are as follows.

Name	Company/Organization	Position
Cássio Casseb Lima	Associação Brasileira de Empresas de Leasing – ABEL	Officer
	Comitê de Entidades no Combate à Fome e pela Vida – COEP	Representative
	Conselho do Agronegócio – CONSAGRO	Representative
	Federação Brasileira de Bancos – FEBRABAN	Representative
	Fundo Garantidor de Crédito – FGC	Representative
	Investe Brasil	Representative
Adézio de Almeida Lima	Perdigão S.A.	Director
Edson Machado Monteiro	Federação Brasileira de Bancos – FEBRABAN	Officer
	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – SEBRAE	Member
	VISA Internacional – Região da América Latina e Caribe	Officer
	VISANET– CBSS	Director
José Luiz de Cerqueira César	Tele Norte Leste Participações S.A.	Director
Luiz Eduardo Franco de Abreu	Companhia Brasileira de Liquidação e Custódia – CBLC	Director

Name	Company/Organization	Position
	Companhia Energética de Pernambuco – CELPE	Director
	Companhia de Eletricidade do Estado da Bahia – COELBA	Director
	Companhia Energética do Rio Grande do Norte – COSERN	Director
	Guaraniana Comércio e Serviços S.A.	Director
	Guaraniana S.A.	Director
	IBENBRASIL	Director
	Itapebi Geração de Energia S.A.	Director
	Tele Norte Leste Participações S.A.	Director
	Telemar Participações S.A.	Director
	Termoaçu S.A.	Director
	Termopernambuco S.A.	Director
Ricardo Alves da Conceição.....	Comitê de Crédito às Exportações – CCEx	Member
	Comitê Avaliação de Créditos ao Exterior – COMACE	Representative
	Comissão de Agricultura e Política Rural da Câmara dos Deputados	Member
	Conselho Deliberativo do Fundo Constitucional de Financiamento do Centro-Oeste – CONDEL/FCO	Member
	Conselho do Agronegócio – CONSAGRO	Member
	Conselho Nacional de Política Agrícola	Member
	Departamento Nacional de Obras Contra a Seca – DNOCS	Member
	RANDON S.A.	Member
Rossano Maranhão Pinto.....	Investe Brasil	Representative

Administrative Council, as at December 31, 2003

Name	Year	Position
Bernard Appy	2003	Chairman
Cássio Casseb Lima.....	2003	Deputy Chairman
Carlos Augusto Vidotto.....	2003	Member
Francisco Augusto da Costa e Silva	2001	Member
João Carlos Ferraz.....	2001	Member
José Carlos Rocha Miranda.....	2003	Member
Tarciso José Massote de Godoy	2003	Member

Fiscal Council, as at December 31, 2003

Name	Year	Position
Marcus Pereira Aucélio	2001	Chairman
João Batista Nogueira	2003	Member
Satomi Iura	2003	Member
Vicente de Paulo Barros Pegoraro	2001	Member
Rodrigo Pirajá Wienskoski	2003	Member

Employees

At December 31, 2003, Banco do Brasil had 80,640 employees compared to 78,619 employees at December 31, 2002 and 78,122 employees at December 31, 2001. In October 1999, Banco do Brasil conducted a new competitive employment process and vetted about 64,000 candidates, while in the second half of 2002 Banco do Brasil vetted another 5,829 candidates by the same process and in 2003 vetted another 6,264 candidates. These were candidates whom Banco do Brasil considered to be qualified for future employment. It maintains this pool of available candidates in order to meet the growing needs of Banco do Brasil's clients, due to increasing business opportunities, turnover and retirement. Banco do Brasil has been employing these candidates on an "as needed" basis. The results of these competitive processes are temporary, the processes conducted in 1999, 2001 and 2002 being valid until the years 2003, 2005 and 2004, respectively.

Employees are represented by 206 trade unions grouped into 14 regional federations, all of which are represented by one umbrella organization, *Confederação Nacional dos Trabalhadores em Empresas de Crédito* (National Confederation of the Employees of Credit Companies "CONTEC"). However, 134 unions, which are concentrated in Rio de Janeiro, São Paulo and Brasília and which therefore represent a substantial proportion of Banco do Brasil's workforce, do not accept representation by CONTEC for political reasons. Instead they have formed their own labor committees to represent their interests. Until 1993, Banco do Brasil negotiated only with CONTEC. Since 1994 it negotiates with both groups. In 1996, the labor courts granted a bonus of R$3,000 to each employee of Banco do Brasil. For the period between September 1, 1997 and August 31, 1998, Banco do Brasil reached a collective agreement under which employees who are pursuing "administrative" careers are awarded a bonus of R$3,000 and those who are pursuing "techno-scientific" careers are awarded a bonus of R$1,800. Bonuses were equivalent to R$2,000 and R$1,000 for "administrative" employees and "techno-scientific" employees respectively for the period between September 1, 1998 and August 31, 1999. For the periods between September 1, 1999 and August 31, 2000 and September 1, 2000 and August 31, 2001, the bonus was equivalent to R$2,500 to all employees. No agreement was reached for the period between September 1, 2001 and August 31, 2002, and the labor courts ordered that Banco do Brasil pay a bonus equivalent to a monthly wage (excluding taxes) to all of its employees. For the periods between September 1, 2002 and August 31, 2003, the bonus were equivalent to R$1,500 to all employees. In the last ten years, Banco do Brasil experienced strike actions by its employees in 1991 and 1994. The strike in October 1994 concerned the new collective agreement being negotiated with CONTEC. In the second half of 2003, the Bank experienced some strike actions by its employees. Most of the strikes have affected the banking industry in Brazil as a whole and have not been restricted to worker actions against Banco do Brasil alone. During the course of a strike, Banco do Brasil may not be able to carry out all of its normal banking functions but it tries to find special solutions to ensure that the main activities are continued.

Banco do Brasil has training programs aimed at all levels of the workforce, both in Brazil and abroad, and is making substantial investments in these programs. Investments in such training programs amounted to R$44.0 million in 2003 (R$30.5 million in 2002 and R$27.5 million in 2001). The main focus of these programs is fully servicing client requirements, and includes a management training program co-sponsored by universities in Brazil.

Banco do Brasil participates in PREVI and a health care plan for its employees ("CASSI"), both of which are administered by the employees and funded by contributions from both employees and Banco do Brasil. The assets of PREVI at December 31, 2003, amounted to R$57.6 billion, as compared to R$43.6 billion at December 31,

2002 and R$37.9 billion at December 31, 2001. Both PREVI and CASSI are subject to internal audit and are examined by an independent accountant (Deloitte Touche Tohmatsu). Banco do Brasil believes that both plans are adequately funded to meet future liabilities. In December 1997, the stockholders approved changes to PREVI including new regulation of benefits and a new management model. In addition to its obligations to retired employees covered by its pension plan, Banco do Brasil pays the retirement benefits of the Pre-1967 Employees. Additionally, by December 1997, Banco do Brasil reached an agreement with PREVI regarding PREVI's assumption of Banco do Brasil's liabilities for the retirement benefits of the Pre-1967 Employees. In December 1997, Banco do Brasil concluded its negotiations with PREVI relating to the Pre-1967 Employees who retired (or who will retire) after 1967. As a result of these negotiations Banco do Brasil recognized the present value of Banco do Brasil's obligations to the Pre-1967 Employees to be transferred to PREVI in the amount of R$10.9 billion (based on actuarial assumptions and a discount rate of 6.0%). In order to fund such transfer, Banco do Brasil used a part of its credit against PREVI (PREVI shall transfer to Banco do Brasil certain of its surplus) in the amount of R$5.0 billion. Banco do Brasil elected to amortize the remaining balance of its obligation to PREVI in the amount of R$5.9 billion over a period of 32 years (the term having been selected based on an actuarial determination of the longest survival rate of the youngest Pre-1967 Employee). Banco do Brasil expects to amortize its obligations over a period of time shorter than 32 years by using the two-thirds of the excess of PREVI's assets over liabilities earned at rates of return exceeding 6.0% per annum to which Banco do Brasil may become entitled in the future.

As a result of the enactment of Constitutional Amendment No. 20 on December 15, 1998 ("EC20"), regulating the sponsor's and employees' contributions to private pension plans, Banco do Brasil's contributions to PREVI would be limited to the amounts contributed by its employees. However, the rules to regulate Banco do Brasil's and its employees' contributions established by the Federal Government entity responsible for supervising private pension funds (the Secretariat of the Complementary Pension) were challenged in court by a state union representing bank employees in April 2001. In November 2003, the 8th Federal Court of Brasília determined that Banco do Brasil should make its payments to PREVI following the old system of two parts for the Bank for each part paid by employees. Banco do Brasil has appealed this decision. See Note 24 to the 2003 Financial Statements set out in the appendices of this Offering Circular.

OWNERSHIP OF BANCO DO BRASIL

Ownership

At December 31, 2003, Banco do Brasil had approximately 732,018 million common shares outstanding. The Bank's common shares have been traded publicly on Brazilian stock exchanges since 1906. At December 31, 2003, Banco do Brasil had approximately 329,334 common stockholders.

On April 11, 2002, the National Treasury disclosed its intent to sell at least 16% of the total equity of the Bank in order to allow the Bank to list its securities on the Novo Mercado for purposes of public trading and liquidity. The Novo Mercado rules require the Bank to maintain a minimum public float equivalent to 25% of its capital.

In preparation for the Novo Mercado listing, at an extraordinary stockholders' meeting held on June 7, 2002, the stockholders of Banco do Brasil voted to convert the Bank's then outstanding preferred shares into common shares. To that end, Banco do Brasil conducted an exchange offer pursuant to which each holder of preferred shares was entitled to receive 1.1 common shares for every preferred share exchanged. Preferred stockholders that dissented from the exchange offer automatically received a cash payment for their preferred shares, which were then converted to common shares and transferred to Banco do Brasil as treasury shares. Dissenting stockholders were paid R$125.8 million which corresponded to 10,234,252,464 preferred shares, representing 1.44% of Banco do Brasil's share capital. With the completion of the exchange offer and compensation for dissenting stockholders, Banco do Brasil's preferred shares ceased to trade on the BOVESPA as of September 6, 2002, and, as of September 9, 2002, Banco do Brasil's share capital consisted solely of 743,275,506,498 common shares.

In September 2002, the Federal Government, Banco do Brasil, BNDES and BNDESpar commenced the Share Offering of the Shares, representing 17.8% of the Bank's capital and to list its securities on the Novo Mercado of the São Paulo Stock Exchange. The Share Offering was registered with the Brazilian Securities Commission, and consisted of the offer and sale of Shares (i) in the Retail Offering and (ii) in the Institutional Offering. The Share Offering initially was scheduled to be completed in December 2002; however, the Federal Government decided to cancel the Share Offering in December 2002 due to insufficient interest, as determined by the Federal Government, in the Institutional Offering. Although the Federal Government has declared that it may resume the Share Offering in the future, it is not currently possible to determine when or if this will happen.

A reverse stock split was proposed to the stockholders at the end of 2003 in order to stimulate the volume of shares traded on the BOVESPA, reduce management costs, to better assist the stockholders and potentially increase the value of the shares. At the shareholders' meeting held on November 12, 2003 in Brasília (DF), the proposal for the reverse stock split was approved at the rate of one thousand shares per one share. The reverse stock split was concluded on January 23, 2004. On November 12, 2003, the Board of Directors of Banco do Brasil approved a proposal to (a) undertake the Warrant Offer; and (b) make the Share Offer. These transactions were conditional upon the acceptance of the Warrant Offer by warrant holders representing 90% of the total Series B and C subscription warrants and the subscription of at least 90% of the shares to be offered pursuant to the Share Offer. On February 16, 2004, the implementation of this transaction was approved by the Administrative Council of Banco do Brasil with different conditions from those approved by the Board of Directors of Banco do Brasil on November 12, 2003. On July 8, 2004, the Bank published notices to carry out the Warrant Offer and the Share Offer with the following new conditions: (i) Series B and C subscription warrants of the Bank will be purchased at a price of R$2.65 and R$2.82 per unit of warrant (as a result of the reverse stock split discussed above), respectively; and (ii) 70,525,577 common shares will be issued for R$22.26 per share (as a result of the reverse stock split discussed above). Both the Warrant Offer and the Share Offer have an acceptance period from July 12, 2004 to August 13, 2004. On July 22, 2004, the Bank announced that the 90.0% acceptance threshold was met for both transactions. As a result, payment for the newly issued common shares was made by the relevant shareholders in cash on August 13, 2004 and payment for the subscription warrants was made by the Bank in cash on August 20, 2004.

The following table sets out the principal stockholders of the Bank's common shares, on a percentage basis, at December 31, 2003.

Shareholders

	Ownership of Common Shares
National Treasury	71.8%
PREVI	13.8%
BNDESpar	5.8%
Other Pension Funds	0.5%
Individuals	3.3%
Foreign Capital	2.2%
Other Legal Entities	1.1%
Banco do Brasil Treasury Shares	1.5%
Total	100%

Brazilian banking and corporate laws and the By-laws of the Bank require that a compulsory minimum dividend of 25.0% of net income for the prior year, adjusted for certain inclusions and exclusions as permitted by Brazilian Corporate Legislation, be distributed to stockholders semi-annually. Pursuant to the Bank's By-laws, dividends are determined on the basis of the Bank's semi-annual results.

The National Treasury and other public sector stockholders are treated in the same manner as private stockholders with respect to dividends/interest on own equity payments.

As of 1997, and until the conversion of all preferred shares into common shares in June 2002, pursuant to the Bank's By-laws, owners of preferred shares were entitled to dividends that are at least 10.0% greater than dividends distributed to owners of common shares. After dividends are declared by the Bank, dividend amounts are adjusted by the SELIC rate until they were actually paid to stockholders. In addition, pursuant to the terms of an amendment to the Bank's By-laws dated April 24, 1998, dividends may be paid to stockholders in the form of interest accrued on their equity investment in the Bank. See Note 15 to the Bank's financial statements for the year ended December 31, 2003 set out in the appendices of this Offering Circular. Such amounts are paid to stockholders net of income tax withheld by the Bank and pro rata according to their respective stockholding. There is no withholding income tax on the amount of the dividend itself; however, as per Normative Instruction, No. 12 dated February 10, 1999, from the Brazilian Revenue Services (*Secretaria da Receita Federal*), a 20.0% withholding tax is applied to interest earned on the amount of the dividend until it is paid to stockholders.

For the first half of 2002, the Bank paid stockholders dividends in the amount of R$0.414 per lot of 1,000 common shares and R$0.455 per lot of 1,000 preferred shares (adjusted by the SELIC rate until payment on September 2, 2002). For the second half of 2002, the Bank paid stockholders dividends in the amount of R$0.371 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on February 24, 2003).

For the first half of 2003, the Bank paid stockholders interest on own equity in the amount of R$0.440 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on August 25, 2003). For the second half of 2003, the Bank paid stockholders interest on own equity in the amount of R$0.579 per lot of 1,000 common shares (adjusted by the SELIC rate until payment on March 1, 2004).

THE BRAZILIAN FINANCIAL SYSTEM

The basic institutional framework of the Brazilian financial system was set up in late 1964 through Law No. 4,595/64 (the "Banking Reform Law"). This legislation established the National Monetary Council (*Conselho Monetário Nacional* or "CMN") as the body responsible for overseeing monetary and foreign exchange policies directed towards economic and social development as well as the operation of the financial system as a whole. The CMN is chaired by the Minister of Finance. Its membership includes the Minister of Planning and the President of the Central Bank.

The Central Bank is responsible for implementing the CMN's monetary policy, exchange control, regulation of public and private sector financial institutions and securities dealers and control over foreign investments. The President of the Central Bank is appointed by the President of Brazil for an open term, subject to ratification by the Senate.

The CVM is the body responsible for implementing the CMN's policy relating to the organization and operation of the securities industry.

Public Sector

Banco do Brasil provides a full range of banking products to the public and private sectors. Banco do Brasil is the largest multiple service bank in Brazil and the primary financial agent of the Federal Government.

BNDES is primarily engaged in providing medium and long term financing to the private sector either directly or indirectly through other public and private sector financial institutions. BNDES acts as the administrator of the Federal Government's privatization program.

Caixa Econômica Federal ("CEF") – the multiple-service bank wholly owned by Brazil and principal agent of the National Housing Finance System is involved mainly in deposit-taking and providing financing for housing and urban infrastructure projects. CEF is ranked first among Brazilian banks in terms of savings accounts and housing financing.

Additional federal public sector development/commercial banks, as well as a number of commercial and multiple service banks controlled by the various state governments, are also considered to be part of the public sector.

Private Sector

The private financial sector includes multiple-service banks, commercial banks, investment, finance and credit companies, investment banks, securities dealers, stock brokerage firms, credit co-operatives, leasing companies, insurance companies and others. Of the financial institutions currently operating in Brazil, the main ones are organized as:

- Commercial banks - financial institutions which receive time deposits in checking accounts, provide short term financing and are engaged in wholesale and retail banking activities in general.
- Investment banks - financial institutions which are specialized in the structuring and placement of capital markets transactions, provide medium and long-term financing and render asset management services.
- Multiple service banks (bancos múltiplos) - financial institutions which may, through special departments, carry out the activities of two or more different financial institutions. The creation of a multiple service bank requires prior approval of the Central Bank and can be effected through various means, including mergers, consolidations or amalgamation of existing institutions. Multiple service banks must satisfy the laws and regulations applicable to each distinct group of financial activities, such as commercial, investment and credit transactions. Such banks are licensed to provide a full range of commercial banking, investment banking (including securities underwriting and trading), leasing and other services including fund management and real estate finance.

In addition to the above, the Central Bank also supervises the operations of consumer credit companies (*financeiras*), securities dealerships (*distribuidoras de títulos e valores mobilários*), brokerage companies (*corretoras de valores mobiliários*), leasing companies (*sociedades de arrendamento mercantil*), savings and loan associations (*associações de poupança e empréstimo*), mortgage companies (*companhias hipotecárias*), real estate credit companies (*sociedades de crédito imobiliário*) and small business credit companies (*sociedades de crédito ao microempreendedor*).

Regulation by the Central Bank

The Banking Reform Law authorizes the Central Bank to implement the currency and credit policies established by the CMN and to control and supervise all public sector and private sector financial institutions. Financial institutions may not operate in Brazil without the prior approval of the Central Bank. Any amendment to a financial institution's by-laws, increases in capital, establishment or transfer of its principal place of business or any branch (whether in Brazil or abroad) and other corporate documents must also be preapproved by the Central Bank. Central Bank approval is also necessary to enable a financial institution to merge with or acquire another financial institution or in connection with spin-offs or any transaction resulting in a change of control over a financial institution. The Central Bank is also responsible for determining minimum capital requirements, compulsory reserve requirements and leverage and lending limits applicable to financial institutions and for ensuring that the accounting and statistical standards established by the CVM for financial institutions are observed. Financial institutions must submit and publish annual and semiannual financial statements examined by their independent auditors as well as monthly financial statements prepared in compliance with the standard accounting rules promulgated by the Central Bank for each type of financial institution. In addition, as part of the Central Bank's control over their activities, financial institutions are required to make full disclosure of credit transactions and exchange transactions. Such data is usually supplied to the Central Bank on a daily basis via computer, periodic reports and statements. The duty of a financial institution to make its corporate records and any other documents required in order to carry out its activities available for inspection by the Central Bank is extended to the corporation or individual which controls such financial institution.

Capital Adequacy and Leverage

Brazilian financial institutions are subject to capital measurements and standards methodology based on weight risk asset ratio, as prescribed by CMN Resolution No. 2,099 of August 17, 1994, as amended ("Resolution No. 2,099/94"). The framework of such methodology is similar to the international framework for minimum capital and net worth measurement, as adopted in the Basel Accord. The requirements imposed by Brazilian monetary authorities differ from the Basel Accord in a few aspects. Among other differences, Brazilian monetary authorities:

- impose a minimum capital requirement of 11.0% in lieu of the 8.0% minimum capital requirement of the Basel Accord;
- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap transactions;
- assign different risk-weights to certain assets and credit conversion amounts, including a risk-weighting of 300.0% on tax credits relating to income and social contribution taxes; and
- impose no restrictions on including revaluation reserves in capital.

Under Resolution No. 2,837, of May 30, 2001, as amended ("Resolution No. 2837/01") the Central Bank established the criteria for the determination of the reference capital of financial institutions ("Reference Capital"). Reference Capital consists of the sum of Tier I capital and of Tier II capital. The concept of Tier I capital and Tier II capital was introduced in the Brazilian financial market by CMN Resolution No. 2,802 of December 21, 2000, which was subsequently replaced and revoked by CMN Resolution No. 2,837 of May 30, 2001. Tier I capital corresponds to net worth plus positive result account minus negative result account, excluding revaluation reserves, contingency reserves and special profit reserves related to mandatory dividends not yet distributed, minus the amounts related to preferred cumulative stock and preferred redeemable stock. Tier II capital corresponds to revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative stock, preferred redeemable stock, subordinated debt and hybrid instruments. The total amount

of Tier II capital shall not exceed the total amount of Tier I capital, *provided* that (i) the total amount of revaluation reserves in Tier II capital shall not exceed 25.0% of the Reference Capital; (ii) the total amount of subordinated debts in Tier II capital, plus the amount of preferred redeemable stock, originally maturing in less than 10 years, shall not exceed 50.0% of the Tier I capital amount; and (iii) a 20.0% reducer shall be applied to the amount of the subordinated debts and preferred redeemable stock in Tier II capital every year, for the 5 years immediately preceding the respective maturity. The Reference Capital shall be taken into consideration for the purposes of defining the operational limits of financial institutions, except for the permanent assets limit, which shall be defined pursuant to the provisions of Resolution No. 2,283, dated June 5, 1996, as amended.

To assess the capital adequacy of banks under the risk-based capital guidelines of the Basel Accord and Brazilian law and regulation, a bank's capital is related to the aggregate risk of its assets and off-balance sheet exposure, which are weighted according to categories of risk. The risk-based capital guidelines also set credit conversion formulae for determining the credit risk of off-balance sheet items, such as financial guarantees, letters of credit and foreign currency and interest rate swaps.

In addition, for capital adequacy purposes, the relevant financial institution may not take into account (i) stockholdings in financial institutions or other entities regulated by the Central Bank, (ii) amounts invested in a foreign branch by the financial institution and (iii) stockholdings in financial institutions incorporated outside Brazil. Alternatively, the relevant financial institution may elect to calculate their compliance with CMN Resolution No. 2,099/94 on a consolidated basis, as prescribed by CMN Resolution No. 2,283 of June 5, 1996, as amended, provided that such decision is ratified by the stockholders of each of the institutions pertaining to the relevant conglomerate at an extraordinary stockholders' meeting. For purposes of calculating the leverage limits established by Resolution No. 2,099/94, the relevant financial institution may disregard, among other things, interbank deposits received from companies affiliated with such financial institution and contingent liabilities arising from guarantees.

Pursuant to CMN Resolution No. 2,723, of May 31, 2000, as amended, Brazilian financial institutions are required to consolidate all investments in Brazil or abroad whenever the financial institutions holds, directly or indirectly, individually or together with another partner, rights that assure:

- preponderance on corporate resolutions of the invested entity;
- power to elect or dismiss the majority of the administrators of the invested entity;
- operational control of the invested company characterized by common management or by acting in the market under the same name or brand; and
- effective corporate control of the invested entity characterized by the sum of the equity participation held by the investing company, its administrators, controlling entities, related entities and the direct and indirect equity participation held through investment funds.

On May 27, 1999, the CMN enacted Resolution No. 2,606, which established that the total exposure in gold and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions, and their direct and indirect subsidiaries, on a consolidated basis, shall not exceed 60.0% of their Reference Capital. Circular No. 3,156 of the Central Bank dated October 11, 2002, as amended, reduced the total consolidated exposure limit of a financial institution in foreign currencies and gold to 30.0% of its adjusted net worth. In addition, it also established that if its exposure is greater than 20.0%, the financial institution must hold minimum capital equivalent to 50.0% of the portion of the exposure that exceeds the 20.0% threshold.

CMN Resolution No. 2,678 of December 21, 1999 established that from August 31, 2000 to August 31, 2001, the minimum net worth of a Brazilian financial institution could be not less than the sum of the financial institution's net worth as of May 27, 1999 and 50.0% of the difference between the minimum net worth for that type of financial institution as set out in Annex II to CMN Resolution No. 2,099/94. Accordingly, after August 31, 2001, the minimum net worth of a Brazilian financial institution is the one established in the Article 1 of the Annex II to the aforesaid CMN Resolution No. 2,099/94.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for risk-based capital adequacy (known as Basel II). The Basel II accord sets out the details for adopting

more risk-sensitive minimum capital requirements for banking organizations. The Basel Committee intends for the new framework to be available for implementation in member jurisdictions as of year-end 2006. The Central Bank has not yet decided on how to regulate the application of the Basel II framework to Brazilian financial institutions.

Reserve and Related Requirements

The Central Bank imposes several compulsory reserve and related requirements upon financial institutions. Some of these requirements have their rates currently reduced to zero, although no assurance can be given that such rates will not be increased in the future.

Demand Deposits

As a general rule, pursuant to Circular No. 3,169 dated December 19, 2002, as amended by Circular No. 3,199 dated August 8, 2003, banks are currently required to deposit with the Central Bank, in a non-interest bearing account, 45.0% of the sum of the average balance of demand deposits, previous notices, third parties funds in transit, collection of taxes, banker's checks, debt assumption agreements related to transactions carried out in Brazil, obligations for rendering of services of payment and proceeds from the realization of guarantees in excess of R$44 million. At the end of each day, the balance of such account shall be equivalent to at least 80.0% of the reserve requirement for the respective calculation period, which begins on Monday of a week and ends on Friday of the following week.

Savings Deposits

Pursuant to Circular No. 3128, dated June 24, 2002, Brazilian banks are currently required to place in an interest-bearing-account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the daily average aggregate balance of savings deposits during the prior week. Reserves with the Central Bank may not be withdrawn except to the extent that cumulative reserves exceed the amounts calculated on a weekly basis pursuant to the above. In addition, a minimum of 65.0% of savings account deposits must be lent to the housing or housing construction sector. Pursuant to Resolution No. 3,023, dated as of October 11, 2002, the Central Bank established an additional reserve requirement of 10.0% of the saving account funds captured by the entities of the Brazilian Savings and Loan System.

Time Deposits

Financial institutions are required to deposit 15.0% of the sum of the daily average balance of their time deposits and certain other amounts in excess of R$30.0 million in an account with the Central Bank, which is remunerated based on the daily average rate of the transactions with Brazilian government securities carried out in the SELIC system. At the end of each day, the amount of such deposit shall be equivalent to 100.0% of the reserve requirement.

Debt Purchase and Assumption Transactions

Pursuant to Circular No. 3,169, dated December 19, 2002, as amended, Brazilian financial institutions are required to deposit with the Central Bank an amount in cash equivalent to at least 80.0% of the daily average balance of debt purchase and assumption transactions.

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, derivative driven transactions and certain transactions with export notes. These transactions were previously exempt from reserve requirements and had been used by Brazilian banks to achieve the same economic effect as financial transactions for which reserves were required. The amount of reserve is required to be deposited in cash in a non-interest-bearing account with the Central Bank. The amount required to be deposited varied from 4.0% to 15.0% of the amount of the transaction, in the case of credit transactions, and from 7.5% to 30.0% of the amount of the transaction, in the case of debt transactions. Currently the amount required to be

deposited is 0.0%. Transactions entered into after December 5, 1994 were subject to a reserve requirement of 100.0% of the amount of the transaction. Central Bank Circular No. 2,511, of December 2, 1994 also places stricter control on the issue and flow of export notes by making registration of any trade in such instruments compulsory in any of the settlement systems authorized by the Central Bank or the CVM. Central Bank Circular No. 2,820 dated May 27, 1998, currently sets this reserve requirement at zero.

New Compulsory Deposit Requirements

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,157, dated as of October 11, 2002, 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 credit companies and savings and loans associations. Pursuant to such regulations, the aforesaid entities are required to deposit in an interest-bearing-account with the Central Bank, on a weekly basis, the cash-equivalent to the sum of the following amounts in excess of R$100.0 million: (i) 8.0% 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) 8.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. At the end of each day, the balance in such account shall be equivalent to 100.0% of such additional reserve requirement.

Foreign Currency Loans

On August 30, 2000, the CMN enacted Resolution No. 2,770, Central Bank Circular No. 3,003 and Circular Letter No. 2,933 (Circular No. 3,003 and Circular Letter No. 2,933 were further revoked by Circular No. 3,027, dated February 22, 2001), which revoked Resolutions Nos. 63, (Resolution No. 2,283 of June 5, 1996 is still in force), 2,440 and 2,483 and Circular No. 2,781, among others, which imposed certain mandatory destinations for funds borrowed abroad by financial institutions in Brazil. As of today, such funds, if not on-lent to Brazilian individuals, companies or other financial institutions, may be used freely by local financial institutions and leasing companies in the domestic market, including for loans not indexed to the U.S. Dollar.

According to Resolution No. 2,770, cross-border loans contracted between individuals or legal entities (including financial institutions) resident or domiciled in Brazil and individuals or legal entities resident or domiciled abroad are no longer subject to the prior approval of the Central Bank. Such transactions may be contracted either through direct loans or through issuance of debt securities and shall be used in economic activities. Funds so borrowed by Brazilian financial institutions may be on-lent in Brazil to Brazilian individuals, corporations or financial institutions. These onlendings pursuant to CMN Resolution No. 2,770 take the form of loans denominated in Brazilian currency and are linked to the foreign exchange variation. As of the date of this Offering Circular, Central Bank regulations do not establish a minimum term for borrowings of foreign currency denominated funds.

Notwithstanding the exemption from preapproval, according to Circular 3,027, enacted on February 22, 2001, the inflow of funds into Brazil related to (i) issuances of securities abroad; (ii) foreign loans; (iii) loans related to export transactions (securitization of export transactions); and (iv) pre-payment of export transactions with a maturity term of more than 360 days, are subject to the prior electronic declaratory registration of their respective financial terms and conditions through the Module RDE-ROF of the Central Bank Information System-SISBACEN.

The registration in such Module RDE-ROF must be effected by the borrower or by its representative. As a general rule, registrations are automatically granted, by the issuance of the RDE-ROF number of the transaction. Exceptions to this general rule are applicable when the costs of the transaction are not compatible with prevailing market conditions and practice and the structure of the transaction does not fit within the existing standards of the electronic system. After the inflow of the funds, the borrower must register the payment schedule in the Module RDE-ROF, which is indispensable for the remittances abroad of principal, interest and charges, and for the shipment of goods, as the case may be. A ROF is valid for a period of 60 days, after which time, if there is no entry of funds into Brazil, it will be cancelled.

The payment of default interest continues to be exempt from any specific authorization of the Central Bank, up to a limit of 1.0% per year above the contractual interest rate. According to Circular Letter No. 2,205, dated August 23, 1991, such limit does not apply to multilateral agencies.

Liquidity

Pursuant to Resolution No. 2,283 of June 5, 1996, as amended by Resolution No. 2,669 of November 5, 1999, Brazilian financial institutions may not carry on their balance sheets permanent assets (defined as property and equipment), other commercial leasing operations, unconsolidated investments and deferred charges exceeding 80.0% of their Reference Capital. This 80.0% limit was reduced to 70.0% on June 30, 2001 and was further reduced to 60.0% on June 30, 2002, and to 50.0% on December 31, 2002.

A financial institution may not own real estate except when it occupies the property. When a financial institution receives real estate in satisfaction of a debt, such property must be sold within one year. The one year limit can be extended, with authorization from the Central Bank, for up to two additional one year periods.

In addition, on December 22, 2000, the CMN enacted Resolution No. 2,804, which establishes that Brazilian financial institutions must implement and maintain control risk systems structured in accordance with their respective operational profiles to permit the monitoring of the positions held by such institutions in all transactions carried out thereby in the financial and capital market. The purpose of such system is to enable the determination of the liquidity risks deriving from the transactions carried out by the banks.

Treatment of Overdue Debts

Current regulations require that financial institutions classify their loans into nine categories, ranging from AA to H, on the basis of their risk. These credit classifications are determined in accordance with Central Bank criteria relating to:

- the conditions 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
- the conditions 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.

In the case of corporate borrowers, the nine categories are as follows:

Rating	Our Classification	Concept
AA	Excellent	First-tier large company or group, with a long track record, market leadership and excellent economic and financial concept and positioning.
A	Very Good	Large company or group with sound economic and financial position that is active in markets with good prospects and/or potential for expansion.
B	Good	Company or group, regardless of size, with good economic and financial positioning.
C	Acceptable	Company or group with a satisfactory economic and financial situation but with performance subject to economic variations.
D	Fair	Company or group with economic and financial positioning in decline or unsatisfactory accounting information, under risk management.

Loans the collection of which is doubtful are classified as follows, based on the percentage of expected loss:

E	Deficient
F	Bad
G	Critical
H	Uncollectible

A loan may be upgraded if it has a credit support or downgraded if in default.

In the case of transactions with individuals, there is a similar nine-category ranking system. The Bank grades the loan based on data including the individual's income, net worth and credit history (as well as other personal data).

Financial institutions must make monthly loan loss provisions to match contingencies. In general, banks review the loan classifications annually. However, a review is made every six months in the case of transactions that are extended to a single client or economic group whose aggregate amount exceeds 5.0% of the financial institution's Reference Capital. If a loan becomes past due it is reviewed monthly.

For past due loans, the regulations establish maximum risk classifications, as follows:

Number of Days Past Due[1]	Maximum Classification
1 to 14 days	A
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

Note:—
(1) The period should be doubled in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum classifications, and if so, they must adjust their provisions accordingly.

The regulations specify a minimum provision for each category of loan, which is measured as a percentage of the total amount of the lending operation, as follows:

Classification of Loan	Minimum Provision
AA	—
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 6 months after it is ranked H.

Loans of up to R$50,000 may be classified either by the financial institution's own evaluation method or according to the delay in payments criteria described above. Such R$50,000 limit may be amended by the Central Bank from time to time applies only to transaction entered into on or before February 29, 2000.

Financial institutions must make their lending and loan classification policies available to the Central Bank and to their independent accountants. They also have to submit to the Central Bank information relating to their loan portfolio, along with their financial statements. Such information must include:

- a breakdown of lending activities and the nature of the borrowers;
- maturities of their loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification in accordance with the loan classification; and
- overdue loans.

Provision for Loan Losses for Income Tax Deduction Purposes

Law No. 9,430 of December 27, 1996 establishes that effective losses may be deducted as expenses for the purposes of determination of taxable income as follows:

- unsecured loans in an amount of up to R$5,000 may be deducted when due and unpaid after a period of six months regardless of whether any judicial action has been taken by the creditor;
- unsecured loans in an amount exceeding R$5,000 and up to R$30,000 may be deducted when due and unpaid after a period of one year regardless of whether any judicial action has been taken by the creditor and provided that the creditor has initiated administrative procedures for the collection of the debt;
- unsecured loans in an amount exceeding R$30,000 may be deducted when due and unpaid after a period of one year provided that the creditor has initiated judicial procedures for the collection of the debt;
- secured loans in any amount may be deducted when due and unpaid after a period of two years provided that the creditor has initiated judicial procedures for the collection of the debt;
- debts due from bankrupt debtors or from debtors under "concordata" (restructuring) may be deducted only with respect to the portion of the debt which the creditor has not waived in the bankruptcy or "concordata" proceeding;
- debts due from bankrupt debtors provided that the creditor has taken the required legal procedures to receive such credit; and
- debts expressly recognized as non receivables by means of a judicial decision may be considered immediately deductible, irrespective of their values.

After the end of the six-month period, loans that were classified as overdue are classified as in default and, when no longer considered to be receivable, must be written off. Credits in an amount exceeding R$5,000 may only be written off five years after the original due date of the obligation.

Currency Risk

The Federal Government currently restricts the ability of Brazilian or foreign persons or entities to convert Brazilian Reais into U.S. Dollars or other currencies other than in connection with certain authorized transactions. No assurance can be given that a more restrictive exchange control policy, which could affect the stock of any Brazilian issuer's, will not be instituted in the future.

Transactions with Affiliates

According to Article 34 of Law No. 4,595 of December 31, 1964, which governs the Brazilian financial system, a financial institution is prohibited from lending or advancing funds to, or guaranteeing the obligation of, or underwriting transactions of: (i) its directors, executive officers, managers and members of its fiscal council, their respective spouses and certain other relatives of such persons; (ii) any person or entity which holds more than 10.0% of its share capital; (iii) any entity of which it holds more than 10.0% of the total capital (except subject to prior approval of the Central Bank in certain limited circumstances); and (iv) any entity of which any of the persons mentioned in (i) above holds more than 10.0% of the total capital.

Lending Limits

Pursuant to Central Bank regulations, a financial institution may not extend loans or advances, or give guarantees, to a single borrower or group of companies under common control which, in the aggregate, exceed 25.0% of the Reference Capital of such financial institution. In addition, financial institutions may not underwrite or hold in their investment portfolios securities of any issuer exceeding 25.0% of such financial institution's Reference Capital.

Insolvency Regime

Apart from administrative proceedings which may be carried out by the Central Bank (as described below), financial institutions are generally subject to the bankruptcy rules set forth in Decree-law No. 7,661/45, but not to the special reorganization provisions (i.e., concordata) contained therein. Bankruptcy proceedings take place initially in a court of competent jurisdiction located in the same venue as the debtor's main place of business. Bankruptcy proceedings are commenced if it can be established that the financial institution is in default on any obligation which entitles its creditor to obtain a summary judgment in court or, if it is determined to be insolvent according to the rules set forth in Decree-law No. 7,661 of June 21, 1945 ("Decree-law No. 7,661/45"). Once a bankruptcy proceeding commences, a petition is made to the court requesting a receivership order for the protection of the bankrupt's estate. Upon receipt of the order, the property of the debtor is vested in an official receiver/trustee and remains under his administration for subsequent liquidation and payment of debts until the end of the bankruptcy proceedings.

In the Brazilian financial system, it is rare for creditors to file for the bankruptcy of a financial institution, and a financial institution's insolvency proceedings would usually be preceded by specific actions taken by the Central Bank as described below.

Companies with government-owned and privately-owned shares (known as *sociedades de economia mista*), including the Bank and a certain number of other Brazilian companies that participate in different activities used not to be subject to bankruptcy proceedings in Brazil as a result of Article 242 of Law No. 6,404 dated December 15, 1976 ("Law No. 6,404/76"). As a result, enforcement action which would involve petitioning for the winding up or other liquidation or dissolution of the Bank was not available to creditors (a special law must be passed in order to declare the Bank extinguished and to terminate its legal existence). However, in such circumstances, Banco do Brasil's assets were subject to seizure and attachment (other than deposits of the Bank with the Central Bank and booked in the account Banking Reserves, as provided by the Article 68 of Law No. 9,069, of June 29, 1995, which may not be subject to foreclosure or attachment) and the public entity controlling it (the National Treasury) would be secondarily liable for the Bank's obligations.

As a result of Law No. 10,303 of October 31, 2001 (published in the Official Gazette of the Federal Executive on November 1, 2001 and effective 120 days thereafter) article 242 of Law No. 6,404 mentioned above was revoked. Upon such revocation, no replacement legislation specifically applicable to *sociedades de economia mista* was enacted. In the case of the Bank, which (as described above) is not subject to Central Bank intervention or extra-judicial liquidation, there are reasonable legal and policy grounds (all of them related to certain activities currently performed by the Bank as an instrument of the credit and financial policies of the Federal Government, as established by Article 19 of Law No. 4,595/64, and to the fact that the Federal Government is the controlling stockholder of the Bank) to conclude that the Bank is not subject to Brazilian bankruptcy laws and that only the Federal Government, as the controlling entity of the Bank, has the authority to intervene and liquidate the Bank. However, there can be no assurance that Brazilian courts or other governmental entities may not take a contrary view.

With respect to each of the foregoing topics, there can be no assurance that Law No. 6,024/74 of March 13, 1974 ("Law No. 6,024/74") will not be amended in the future, either by means of an action by the Brazilian Congress or through a provisional measure by the President of Brazil, thus changing the Bank's legal status from what it is on the date hereof.

Intervention

Pursuant to Law No. 6,024/74, the Central Bank has the power to appoint an intervener to intervene in the operations or to extra-judicially liquidate any financial institution, except for public financial institutions controlled by the Federal Government, such as Banco do Brasil. An intervention may be carried out at the discretion of the Central Bank if it can be established that (i) due to mismanagement, the financial institution has experienced losses which may represent a risk to its creditors; (ii) the financial institution has consistently infringed Brazilian laws or regulations (such violations remaining unresolved after Central Bank's directions); or (iii) intervention is a feasible alternative to avoid the extrajudicial liquidation of the financial institution.

Intervention may not exceed twelve months. During the intervention period, the institution's liabilities for overdue obligations, for obligations contracted prior to the intervention which have not yet matured and for deposits are suspended. The intervention proceeding will be terminated if the Central Bank establishes that the irregularities which triggered intervention have been eliminated; or at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees; or when the financial institution's extrajudicial liquidation or bankruptcy is declared. Otherwise, the Central Bank may liquidate the financial institution (see below) or authorize the intervener to file for bankruptcy if the assets of the relevant financial institution are insufficient to satisfy at least 50.0% of the amount of its outstanding unsecured debts, or when there is evidence of the occurrence of bankruptcy crimes.

Extrajudicial Liquidation

An extrajudicial liquidation of any financial institution (with the exception of public financial institutions controlled by the Federal Government, such as Banco do Brasil) may be carried out by the Central Bank if it can be established that: (i) debts of the financial institution are not being paid when due; or (ii) the financial institution is deemed insolvent under the rules of Decree-law No. 7,661/45; or (iii) if the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors; or (iv) management of the relevant financial institution has seriously infringed Brazilian banking laws or regulations; or (v) if, 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.

Liquidation proceedings may cease: (i) at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees; or (ii) when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent Public Registry; or (iii) if converted to a ordinary liquidation; or (iv) if the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime ("Regime de Administração Especial Temporária" or "RAET") created by Decree-law No. 2,321, of February 25, 1987, as amended, which is a less severe form of Central Bank intervention 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: (i) continuous practice of transactions contrary to the economic and financial policies established by federal law; (ii) the institution fails to comply with the compulsory reserves rules; (iii) the institution has operations or circumstances which call for an intervention; (iv) illegal or misconduct management; and (v) the institution faces a shortage of assets.

The main object of the RAET is to assist the recovery of the 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 normal course.

When the RAET is imposed by the Central Bank, the management of the financial institution (Administrative Council and Board of Executive Officers) is replaced by a Management Committee appointed by the Central Bank. During the existence of the RAET, the Committee is responsible for the overall administration of the business of the financial institution; however, all acts which are not in the ordinary course of business of a financial institution must receive prior approval by the Central Bank.

There is no maximum term for the RAET, which shall cease upon the occurrence of any of the following events: (i) acquisition by the Federal Government of the financial institution's control; (ii) corporate restructuring, merger, spin-off, amalgamation, or transfer of the controlling interest of the financial institution; (iii) decision by the Central Bank; or (iv) declaration of extrajudicial liquidation of the financial institution.

Repayment of Creditors in a Liquidation

In the liquidation of a financial institution, employees' wage and indemnities and tax claims have the highest priority of any claims against the bankrupt estate. In November 1995, the Central Bank created the Creditor Guarantor Fund ("FGC") to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency. The member entities of the FGC are financial institutions, as well as savings and loans associations, which take demand, time and savings deposits. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits. In general, depositors would be subrogated to the rights of the liquidated institution and would receive their respective funds from FGC up to the amount set forth below.

The FGC is a deposit insurance system that guarantees a maximum amount of R$20,000 of deposit and certain credit instruments held by a customer against a financial institution in the event of its liquidation (or against a financial institutions' member of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges. With effect from February 1996, financial institutions are required to contribute monthly to the FGC an amount equal to 0.025% of the balance of the accounts guaranteed by such fund.

The Implementation of the New Brazilian Payments System ("SPB")

The current SPB is composed of four different settlement subsystems, the Special System of Settlement and Custody ("Sistema Especial de Liquidação e Custódia" or the "SELIC"), the Central of Custody and Financial Settlement of Securities ("Central de Custódia e de Liquidação Financeira de Titulos" or the "CETIP"), the COMPE and the Foreign Exchange System (the "Câmbio"). Such subsystems are responsible for the settlement of financial transactions through the banking reserves account held by financial institutions with the Central Bank (the "Reserves Account"). None of these systems had a mechanism for risk management which is capable of absorbing any financial losses associated with the possible insolvency of one of its participants. Previously, in the event of an insolvency, the Central Bank would have the financial burden of any potential losses. In order to make the SPB a system which is able to assure the clearing and settlement of the transactions carried out by its participants, avoiding, thus, a liquidity or a systemic risk, a real time gross settlement system ("RTGS") was discussed with the Brazilian financial institutions.

Since April 22, 2002, the SPB has undergone some significant changes in order to become modern and faster.

The main goal of this process was to assure the reliability and efficiency of the Brazilian financial market, thus reducing certain risks that were inherent to the previous system. Additionally, the SPB incorporated directives enacted by the Bank for International Settlements ("BIS").

Basically, the SPB had to eliminate the following three factors: (i) the net debt of the Brazilian banks to the Central Bank (negative Banking Reserve account); (ii) the absence of guarantees in the settlement of transactions; and (iii) the traffic involved in clearance (COMPE) of large amounts (above R$5,000.00).

The Central Bank's program to implement the new SPB is: (i) a clear definition of the role of the Central Bank; (ii) adoption of an adequate legal basis; (ii) reduction of the Central Bank credit risk; (iii) creation of a transfer system for large amounts which operates on a real time gross settlement basis; (iv) adoption of risk management mechanisms in the appropriate subsystems, potentially avoiding systemic risk; (v) notification of the Depository Institutions of the risk involved in the system in which they operate; and (vi) the guarantee of final settlements prior to the transfer of funds into the reserve accounts.

With the new SPB, the Central Bank has control over the Bank's reserve accounts through a real time gross settlement system (*Sistema de Transferência de Reservas* or "STR"). This is an electronic system that allows the transfer of funds between financial institutions in real time. It makes strict control of the Bank's net balance feasible.

As an alternative, so that banks are not obliged to have immediately available funds in their reserve accounts, new clearings were created. These clearings are chambers or settlement and clearing service providers, and consider the balance between debts and credits. They aim to settle a large number of operations with minimum use of banking reserve accounts. The clearings are divided into four types of transactions: assets (debt and equity), derivatives (commodities), currency exchange and payments.

During the process, even though some adjustments and modifications had to be carried out, the financial market considered the implementation of the new SPB a success.

Restrictions on Foreign Banks and Foreign Investment

A foreign bank duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution. The Brazilian Constitution prohibits the increase in the participation of foreign individuals or entities (including through the establishment of branches of foreign financial institutions in Brazil) in the Brazilian financial system from that existing on October 22, 1988, until the enactment of the new Federal law regulating the Brazilian financial system, or earlier based on a clear demonstration of national interest declared by the President of the Republic through a Presidential decree.

Foreign investors without specific authorization may acquire publicly traded non-voting shares and other convertible debt securities issued by Brazilian financial institutions or depositary receipts offered abroad representing their non-voting shares.

Anti-Money Laundering Regulations and Banking Secrecy

Under Brazilian anti-money laundering law and regulations, financial institutions must (i) identify and keep up-to-date records regarding their customers; (ii) maintain internal controls and records; (iii) record, for a five-year period, any transaction or set of transactions performed by individuals or entities pertaining to the same economic group involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money that exceeds R$10,000; (iv) review transactions or proposals whose characteristics may indicate the existence of a crime; and (v) inform the competent authorities (without the customer's knowledge) of any transaction or set of transactions performed by individuals or entities pertaining to the same economic group involving amounts that exceed R$10,000.

Non-compliance with any of the obligations indicated above shall subject the financial institution and its managers to penalties varying from fines (from 1.0% to 200.0% of the transaction's amount or 200.0% of the profit generated thereby or a fine up to R$200,000) to the disqualification of its managers and/or the annulment of its license to operate.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by interested parties. Bank secrecy may also be breached when necessary for the investigation of any illegal act.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances.

Change of Independent Accountants

All financial institutions must be audited by independent accountants accredited as such with the CVM and the Central Bank, and must replace their independent accounting firm responsible for auditing their financial statements for Brazilian regulatory purposes at least every five consecutive fiscal years. A former accountant can be rehired three complete fiscal years after its prior service. Each independent accountants must immediately communicate to the Central Bank any event that may materially adversely affect the relevant financial institution's status.

Accounting Requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards set forth by Brazilian corporation law and other applicable regulations.

Broker–Dealer Regulation

Broker and dealer firms are part of the national financial system and are subject to CMN, Central Bank and CVM regulation and supervision. Both brokers and dealers are authorized to trade on mercantile and futures exchanges markets, whereas only brokerage firms are authorized to trade on Brazil's stock market. Both brokers and dealers may act as underwriters in the public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Broker and dealer firms may not, with limited exceptions: execute operations that may be qualified as the granting of loans to their clients, including the assignment of rights; collect commissions from their constituents related to transactions of securities during the primary distribution; acquire assets which are not for their own utilization; or obtain loans from financial institutions, except for (a) the acquisition of goods for use, (b) transactions in fixed rate securities, (c) transactions in a margin account, and (d) guarantees for underwriting or acquiring securities in a public offering.

Regulation of Internet and Electronic Commerce

The Brazilian congress has not enacted any specific legislation regulating electronic commerce. Accordingly, it remains subject to existing laws and regulation on ordinary commerce and business transactions.

There are currently several bills pending dealing with Internet and electronic commerce regulation in the Brazilian congress. The proposed legislation, if enacted, would recognize the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement, make an offer or accept one through electronic messages.

Regulation of Operations in Other Jurisdictions

The Central Bank exercises global consolidated supervision over Brazilian financial institutions' branches, subsidiaries and corporate holdings abroad, and financial institutions need the prior approval of the Central Bank to establish any new branch, subsidiary or representative office.

Other Liquidity Assistance

Until July 1996, the Central Bank provided financial liquidity assistance to financial institutions facing liquidity problems through the so-called rediscount lines. Use of such funds was subject to higher interest rates, and such use was generally limited to cases of pressing liquidity problems. In July 1996, an additional liquidity assistance mechanism was established by the Central Bank to assist financial institutions in the management of their daily cash positions. The use of funds by a financial institution under this assistance line is limited to a proportion of the compulsory deposits held by it in compliance with the applicable reserve requirements with the Central Bank. Interest rates for funds drawn under this line are much lower than those applicable for the rediscount lines and are routinely used by banks in the management of their daily activities.

Restructuring of Financial Institutions

In the second half of 1994 and during 1995, the Brazilian banking system was under considerable pressure. The Real Plan and the high reserve requirements on both deposits and loans, limitations on the provisions of credit, tight money supply and high real interest rates adversely affected the operations and profitability of Brazilian banks. Brazilian banks were suffering from high levels of non-performing loans and were having to make provisions accordingly. From late 1994, the large state-owned banks, BANESPA and BANERJ, required support coordinated by the Central Bank and, in August 1995, the Central Bank intervened in the operations of Econômico S.A. The acquisition of assets and assumption of liabilities of Econômico by Excel was negotiated with the Central Bank and, on May 2, 1996, Econômico's acquired branches were opened under the management of its new owners. In addition, various other smaller banks have collapsed or come under the administration of the Central Bank. Since the introduction of the Real Plan, reports indicate that the Central Bank has intervened in the operations of a total of 90 banks. Although there has been no material decline in the level of the Bank's deposits over this period, no assurance can be given that pressures in the Brazilian financial system will not adversely impact Banco do Basil's financial condition or results of operations. In 1996, the Federal Government increased Banco do Basil's share capital by R$8 billion. See "Business of Banco do Brasil S.A.—History" included in this Offering Circular.

Since the second half of 1997, international banks have increased their participation in the Brazilian market, in particular through the acquisition of domestic banks, and there has been a consolidation in the market promoted by both international and domestic private banks. In 1999, ABN AMRO acquired Banco do Estado do Pernambuco ("BANDEP") and Banco Bradesco acquired Banco do Estado da Bahia ("BANEB"). In 2000, Banco Santander Central Hispano announced the acquisition of Grupo Financeiro Meridional. On October 17, 2000, Banestado was privatized by means of the acquisition of 88.04% of its total capital by Banco Itaú. On November 20, 2000, BANESPA was privatized by means of the acquisition of 60.0% of its voting shares by Banco Santander Central Hispano.

In an attempt to promote the restructuring and strengthening of the Brazilian financial system, the Federal Government, through Provisional Measure No. 1,179, of November 3, 1995, (which had been restated by several provisional measures until it was converted into Law No. 9,710 on November 19, 1998) and through CMN Resolution No. 2,208, of November 3, 1995, Central Bank's Circulars Nos. 2,633 and 2,634 (further revoked by Circular No. 2,901/1999), both of November 16, 1995, established a new set of rules designed to facilitate corporate reorganizations among financial institutions. The main measures include (i) the granting to the Central Bank of power to determine the mandatory capitalization, transfer or control and/or corporate restructuring of financial institutions; (ii) the establishment by the Central Bank of a special credit facility, known as PROER (Program for the Improvement and Enhancement of the National Financial System), with the specific purpose of providing capital to financial institutions which acquire the control or the assets and obligations of other financial institutions, or whose control is transferred to third parties; and (iii) the creation of certain tax benefits for the financial institutions which are under the PROER.

In order to reduce the participation of the states in banking activities, the Federal Government has issued Provisional Measure No. 1,514 of November 29, 1996, (currently superseded by the Provisional Measure No. 2,192 of August 24, 2001) establishing certain mechanisms for the privatization, extinction or transformation into non-financial institutions of financial institutions currently controlled by States.

According to Provisional Measure No. 2,119 (currently superseded by the Provisional measure No. 2,192 of August 24, 2001), the Federal Government, subject to certain conditions relating to the guarantees to be provided by the States, may, at its discretion, (i) acquire the control of a relevant financial institution for the exclusive purpose of its privatization or extinction; (ii) finance the extinction or transformation of the financial institution into a non-financial institution; (iii) finance any prior adjustments necessary for the privatization of the financial institution or provide guarantees to loans granted by the Central Bank for such purpose, in accordance with the rules established by the CMN; and (iv) purchase contractual credits held by the financial institution against its controlling shareholder and entities controlled by such shareholder and refinance such credits.

Certain Other Recent and Prospective Regulatory Changes Affecting the Bank

On May 27, 1999, the CMN enacted Resolution No. 2,606, as amended, which established that the total exposure in gold and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions, and their direct and indirect subsidiaries, on a consolidated basis, shall not exceed 30.0% of their adjusted net worth.

In addition, pursuant to Provisional Measure No. 2,158-35/2001, the effect of foreign exchange variation on the credits and obligations of the taxpayer for income tax, CSL, PIS and COFINS purposes will not be calculated until the transaction is settled. Therefore, the accounting income derived from the entry in the taxpayer's books arising from the appreciation or depreciation of the Real against the foreign currency under which the transaction is contracted will no longer be taxed before the transaction is settled. Income derived from foreign exchange variations will be taxed according to the "cash regime" instead of the "accrual regime". Taxpayers still have, however, the option to submit the effects of exchange variation to taxation under the accrual regime, should they see any advantage in the adoption of such procedure.

Provisional Measure No. 2158-351/2001 also establishes that where amounts of PIS and COFINS on income derived from foreign exchange variation already paid by the taxpayer in 1999 under the "accrual regime" exceed the value of the foreign exchange variation determined on the date of settlement of the transaction, they may be set off against future PIS and COFINS payments. In the case of legal entities taxed according to the "presumed profits method", this rule also applies to income tax and CSL.

According to Provisional Measure No. 2,196-3, of August 24, 2001, the Federal Government is authorized to exchange with the Bank securities representing Brazilian foreign debt (according to their face value) issued by the Federative Republic of Brazil, for securities issued by the National Treasury. Provisional Measure No. 2,196-3 also established other measures in order to strengthen Federal financial institutions, including the Bank.

Law No. 10,305/2001 allows legal entities to register, as deferred charges, the net negative results of the adjustments in *Reais* of credits and obligations resulting from the foreign exchange variation in 2001. The value of this expense is to be amortized at a rate of not less than 25.0% per year commencing in 2001. However, the difference between the value of the expense, registered as a deferred charge, and the amount amortized is to be excluded from net profit for the purposes of calculation of Income Tax and CSL. Notwithstanding the above, the amortized amount during subsequent periods is to be added to the net profit for the purposes of calculation of Income Tax and CSL.

On January 3, 2002 and June 11, 2002, the CVM issued Instructions No. 358 and 369, regarding the disclosure and use of information related to material facts and acts that the Bank will have to disclose to the market. These new regulations include provisions that, among others:

- broaden the concept of material fact, including any decision of the Bank's controlling stockholders that may influence the price of the Bank's securities or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;
- better specify the examples of facts that shall be considered material facts, including, among others, the execution of stockholders' agreements providing for the transfer of control, the entry or withdrawal of stockholders that maintain any managing, financial technological or administrative contract with, or contribution to the corporation and any corporate restructuring undertaken among related companies;

- extend, in case of failure of the Bank's investor relations officer to do so, the responsibility to disclose material facts to the Bank's controlling stockholders, other officers, directors, members of the audit committee and advisory boards;
- extend the duty of secrecy of yet undisclosed material facts to the members of the Bank's advisory and technical boards and the Bank's employees, all of whom shall ensure that any trustworthy third parties or subordinated persons preserve such secrecy, being jointly liable for noncompliance of such requirement;
- oblige the Bank to disclose material facts to all markets in which the Bank's securities are admitted for trading;
- in case the Bank acquires a controlling stake in a corporation, oblige the Bank to publish in the material fact disclosure document the Bank's intent as to whether or not to de-list the company's shares within one year;
- broaden the rules regarding disclosure requirements in the acquisition and disposal of material stockholding stakes;
- restrict the use of inside information.

The Central Bank has issued new guidelines, effective June 30, 2002, for the classification and valuation of securities and derivative financial instruments—including government securities—owned by financial institutions, based on the investment strategy of the financial institution. Under the new regulations, securities and derivatives are to be classified into three categories: (i) trading, (ii) available for sale and (iii) held to maturity. "Trading and available for sale" securities are to be marked-to-market with effects in income or stockholder's equity, respectively. Securities classified as "held to maturity" are recorded at cost. Derivatives are marked-to-market and recorded as assets and liabilities in the balance sheet. Changes in the market value of the derivatives are generally recognized in income with certain modifications if these are designated as hedges and qualify for hedge accounting under the guidelines issued by the Central Bank. Securities and derivatives in the "held to maturity" portfolio may be hedge for accounting purposes, but their increase or decrease in value derived from the marked-to-market accounting method should not be taken into account. These newly adopted practices have been developed based on principles found in internationally recognized accounting principles.

On February 15, 2002, the Central Bank issued Circular No. 3,086, as amended, which establishes criteria for the registration and accounting valuation of titles, securities and financial instruments derivatives that form financial investment funds, application funds in quotas of investment funds, individual programmed retirement funds and offshore investment funds. By this Circular, the Central Bank ordered fund managers to mark their fixed-income securities to market; hence, the fund's portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity. As a result of this marked-to-market mechanism, the fund units reflect the fund's net asset value.

Law No. 10,406 dated January 10, 2002 instituted a new Brazilian Civil Code (the "*New Civil Code*"), which took effect on January 11, 2003. Law No. 10,406 was enacted to amend the Civil Code of 1916 in several important ways, including introducing changes to update the legal system. The New Civil Code is very wide-ranging in application, governing individuals, corporations and other legal entities, and has provisions which affect, among others, contracts, property, family and succession law.

Contractual obligations and guarantees entered into before January 11, 2003 will remain governed by the Civil Code of 1916 solely in relation to their validity; although, in principle and pursuant to article 2,035 of the New Civil Code, the effects of such agreements generated as from January 11, 2003 will be governed by the New Civil Code.

On May 27, 2004 the National Monetary Council issued Resolution No. 3,198 ("Resolution No. 3,198/04"), which regulates the rendering of independent accountants' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as to clearing houses and clearing and custody service renderers.

Resolution 3,198/04 requires financial institutions holding a reference net worth equal to or greater than R$1.0 billion, among other entities, to create a corporate body designated as an "audit committee", which shall be composed of at least three individual members, with a maximum term of office of 5 years each. In general terms, such audit committee's duties are to assure compliance of the financial institution with applicable accounting regulations.

Entities subject to Resolution No. 3,198/04 are generally required to establish conditions for the operation of audit committees by July 1, 2004.

On July 6, 2004, the Federal Senate approved Bill No. 71/2003 ("New Bankruptcy Law") and Bill No. 70/2003 (amendments to the National Tax Code ("CTN")), changing the conditions for reorganization of companies under financial difficulties and the order of priority for receipt of credits in the event of bankruptcy. Due to significant amendments passed by the Federal Senate, those Bills will now be submitted to the House of Representatives for another review and after they are voted on and approved by the President, they will supersede the existing bankruptcy legislation.

With respect to the amendments to bring the CTN into line with the changes proposed by the New Bankruptcy Law, the following points are worthy of note:

- change in the order of priority to receive credits with in rem guarantees, which generally shall take precedence over tax credits, after payment of labor credits but before payment of tax credits; and
- termination of the tax succession mechanism, by which the purchaser of the assets of either the bankrupt estate or the company facing financial difficulties was liable for past tax debts and liabilities claimed after the purchase.

The major changes brought by the New Bankruptcy Law include, among others, the replacement of debt rehabilitation (concordata) by judicial reorganization. As it is more comprehensive, under the new mechanism companies facing difficulties are ensured greater flexibility to renegotiate their debts with creditors. Under this procedure, the company will submit a reorganization plan to be approved at a creditors' meeting within six months thereafter, and at the end of this six-month period, in the event the company and the creditors failed to approve the plan in accordance with certain rules, the bankruptcy will be adjudicated by the judge. The New Bankruptcy Law also allows for more informal negotiations by creating the mechanism of extrajudicial reorganization, and permitting that the courts recognize such agreements which may be imposed under certain circumstances to any minority creditors when approved by a majority of the creditors.

The main consequence of the New Bankruptcy Law and the amendment to the CTN is that it opens the possibility of reorganization of economically viable companies facing temporary difficulties, while maintaining jobs, payments to creditors and settlement of taxes. In particular, the termination of the tax succession mechanism will facilitate the sale of assets by companies in bankruptcy and financial difficulty, which will permit such companies to raise funds for paying creditors, and the New Bankruptcy Law will allow for the immediate sale of those assets, which will avoid the significant depreciation that can be caused by delay in the event of bankruptcy.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the Notes and the Indenture. This summary is not complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Notes. Copies of the Indenture and specimen Notes may be obtained by prospective investors upon request to the Trustee or the paying agent in Luxembourg at the addresses set forth under "General Information".

General

The Notes will be issued under an Indenture dated as of September 20, 2004 (the "Indenture"), among the Bank, the Trustee and the Letter of Credit Custodian.

The Notes will have the following basic terms:

- The Notes issued in this offering will be in an aggregate principal amount of U.S.$300,000,000. The principal amount of the Notes will be payable in full in a single payment on September 20, 2014 unless the maturity date is extended or payment is deferred as described under "—Extension of Maturity Date" and "—Deferral of Interest and Principal" below in which case payment of interest or principal or any other amount relating thereto shall be made on such date as described thereunder.

- The Notes will bear interest at a fixed rate of 8.5% per annum (the "Note Rate") from and including September 20, 2004. Interest on unpaid principal after the maturity date and interest on any overdue interest will accrue at the Note Rate. Interest on the Notes will be paid semi-annually in arrears on March 20 and September 20 of each year, commencing on March 20, 2005 (and each March 20 and September 20 of each year during an extension of maturity date as described below), to the Noteholders registered as such as of the close of business on the tenth business day preceding the interest payment date, except that default interest paid more than 15 business days after the applicable interest payment date will be paid to the Noteholders registered as such on a special record date fixed by the Bank in accordance with the Indenture. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

- The Letter of Credit will provide for certain payments to the Letter of Credit Custodian, on behalf of the Noteholders, limited to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture, upon the occurrence and continuation of a Currency Inconvertibility/Non-Transfer Event. See "The Letter of Credit".

- On any payment date, so long as a Currency Inconvertibility/Non-Transfer Event has occurred and is continuing and the Letter of Credit Custodian submits a complete drawing certificate in compliance with the Letter of Credit, the Letter of Credit Custodian may, subject to and in accordance with the Indenture, draw under the Letter of Credit the amount of scheduled interest due on the Notes (together with Additional Amounts (as defined below) and Additional Interest Amounts (as defined below), if any) on such date less the amount on deposit in the Payment Account, if any, for payment to the Noteholders. The Letter of Credit Custodian may also draw under the Letter of Credit the amount of interest payable on accrued semi-annual interest payments as well as the amount of fees (but not expenses) payable to the Trustee under the Indenture.

Prescription

Claims against the Bank for payments of interest or principal under any Notes shall be prescribed unless made within a period of six years from the relevant date in respect of such payment.

Extension of Maturity Date

Although the stated maturity date of the Notes is September 20, 2014, the maturity date may be extended to the earlier of March 20, 2016 and 30 days after the end of a Currency Inconvertibility/Non-Transfer Event if the Bank delivers a certificate stating that it has sufficient funds in Brazilian *Reais* at the reference rate of exchange or U.S. Dollars to repay the principal amount of the Notes and any other indebtedness payable on the stated maturity date but cannot make such payment in respect of the Notes due to a Currency Inconvertibility/Non-Transfer Event which has occurred and is continuing on such date and that it has used its reasonable commercial efforts to convert and transfer such funds.

If the maturity date is extended, the stated maturity date will be an interest payment date, and interest on the Notes at the Note Rate will be due on that date and on each interest payment date thereafter until the extended maturity date. If the maturity date is extended, the Bank will give notice to the Noteholders not more than two business days thereafter and once the related Currency Inconvertibility/Non-Transfer Event no longer exists and all funds due to the Letter of Credit Issuer have been paid in full in U.S. Dollars, the Letter of Credit Custodian shall promptly return the Letter of Credit to the Letter of Credit Issuer for cancellation.

Deferral of Interest and Principal

If the payment of interest on any interest payment date or any redemption date or the payment of principal on the maturity date or any redemption date or the payment of any other amount relating to the Notes would cause the Bank to fail to satisfy the Risk-Based Capital Requirements, payment of interest or principal shall not be due at that time and the Bank shall defer that payment of interest or principal or any other amount relating thereto in full until the date no later than 14 days after the date the Bank informs the Trustee that it is no longer in violation of the Risk-Based Capital Requirements or the payment of that interest or principal amount, or any portion thereof, would no longer cause the Bank to violate the Risk-Based Capital Requirements. The deferral of any payment in accordance with this provision will not constitute an event of default under the Notes. The Bank must pay any such amount in arrears within 14 days after it is no longer entitled to defer payment of those amounts.

These deferred interest amounts will be capitalized on each interest payment date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the Note Rate (the "Additional Interest Amount"). The Bank will use its reasonable efforts to give not more than 14 and not less than 2 business day's notice to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable.

If amounts in arrears are at any time only partially payable:

- all amounts in arrears will be payable before additional interest on those amounts;
- all amounts in arrears will be payable in the order of the interest periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and
- all amounts in arrears or additional interest on those amounts, as the case may be, for any interest period will be paid pro rata.

Ranking

The Notes will be unsecured obligations, and, in the event of the Bank's bankruptcy, liquidation or dissolution under Brazilian law, will be subordinated obligations ranking:

- junior in right of payment to the payment of all of the Bank's indebtedness other than the Notes and the Bank's other subordinated indebtedness, including (a) all of the Bank's financial obligations under the law, such as tax, social security, labor and similar obligations, (b) all of the Bank's obligations to its depositors, (c) all of the Bank's obligations under financial instruments and derivatives, (d) any

guarantees of obligations of third parties and (e) any amendments or renewals of the above (collectively referred to as the "Other Obligations");

- *pari passu* among themselves;
- at least *pari passu* with all of the Bank's other subordinated indebtedness; and
- in priority to payments to holders of all classes of the Bank's share capital.

In addition, the Bank's obligations to the Noteholders will be subordinate to the Bank's obligations to make deposits into the Local Reimbursement Account (as defined below in "The Letter of Credit—Definitions") on each Weekly Top-Up Date (as defined below in "The Letter of Credit") after a drawing has been made under the Letter of Credit or other amounts due to the Letter of Credit Issuer have been paid to the Local Reimbursement Account.

For purposes of the Indenture, "indebtedness" of any person means any amount payable, whether as a direct obligation or through a guarantee by that person, under an agreement or instrument evidencing money borrowed or received, an advance of credit, a conditional sale, a transfer with recourse or with an obligation to repurchase.

A consolidation of the Bank with, or the merger of the Bank into, another person, or the liquidation or dissolution of the Bank after the conveyance or transfer of its properties and assets substantially as an entirety to another person, as described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer" will not be deemed a liquidation, dissolution or other winding up of the Bank for the purposes of the subordination provisions if the person formed by such consolidation or merger or that acquires those assets complies with the conditions described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer".

In the event of any liquidation, dissolution or other winding up of the Bank, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, the holders of the Other Obligations will be entitled to receive any payment or distribution payable or deliverable with respect to the Other Obligations before the Noteholders are entitled to receive any payment on account of the principal of, or interest on, the Notes. If, in the event of any liquidation, dissolution or other winding up, the Trustee or any Noteholder receives any payment or distribution of any kind or character, whether in cash, property or securities, before the Other Obligations are paid in full, that payment or distribution must be paid over or delivered to the trustee in bankruptcy or other person making payment or distribution of assets of the Bank for application to the payment of all the Other Obligations until the Other Obligations are paid in full, after giving effect to any concurrent payment or distribution to the holders of the Other Obligations.

The terms and conditions of the Notes do not limit the amount of Other Obligations, which rank senior to the Notes, that the Bank may hereafter incur.

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Payments of Principal and Interest

Payment of the principal of the Notes, together with accrued and unpaid interest thereon, will be made on the payment date therefor to the person in whose name the Note is registered as of the close of business, New York City time, on the tenth business day before that payment date, except that default interest paid more than 15 business days after the applicable interest payment date will be paid to the Noteholders registered as such on a special record date fixed by the Bank in accordance with the Indenture. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. The Notes do not need to be surrendered to receive payment of principal, interest or other amounts, except in connection with a redemption or in connection with the final payment of principal on the maturity date.

If any date for a payment of principal or interest or redemption is not a business day in a city where payment is made or in the city of any paying agent, payment will be made on the next business day in that city. The amount of interest or other payment shall not be altered as a result of such arrangement.

Support

The Notes will benefit from limited support provided by the Letter of Credit.

Letter of Credit

The Letter of Credit Issuer will issue the Letter of Credit to the Letter of Credit Custodian for the benefit of the Noteholders. The Letter of Credit will provide protection against the Bank's inability to convert *Reais* into U.S. Dollars to make a scheduled payment of interest under the Notes, to transfer converted funds outside Brazil (but, in each case, only to the extent that the equivalent in *Reais* of such funds plus an amount to cover risks associated with the uncertain date of conversion of such *Reais* into U.S. Dollars have been deposited into a bank account specified or owned by the Letter of Credit Issuer), due to certain actions or failures to act by the Brazilian government which actions or failures to act occur after the Issue Date. The Letter of Credit Issuer's obligation to make funds available under the Letter of Credit is limited to an amount equal to three payments of scheduled interest on the Notes (plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture, and is subject to certain conditions, limitations and exclusions that may affect the ability of the Noteholders to receive payments on the Notes. See "Risk Factors—Risks Relating to the Letter of Credit" and "The Letter of Credit".

The Letter of Credit is issued to the Letter of Credit Custodian for the benefit of the Noteholders. Nothing in the Letter of Credit, express or implied, shall give to any Noteholder any legal or equitable right, remedy or claim thereunder.

Payment Account

On the date of issuance of the Notes, the Bank will establish a segregated trust account (the "Payment Account") with Deutsche Bank Trust Company Americas in its name and under its sole dominion and control for the benefit of the Noteholders and the Bank shall cause to be delivered to the Letter of Credit Custodian the Letter of Credit. Pursuant to the terms of the Indenture, the Bank shall deposit funds to be distributed on any payment date into the Payment Account one business day prior thereto. The Bank may substitute all or a portion of the Letter of Credit held by the Letter of Credit Custodian for deposits in the Payment Account, and deposits in the Payment Account may also be so substituted for the Letter of Credit; *provided*, *however*, that before the Letter of Credit may be so substituted, (i) either (A) the Letter of Credit Custodian shall have received a notice from the Letter of Credit Issuer electing not to extend the Letter of Credit or (B) the Letter of Credit Issuer shall have demanded payment of additional amounts to cover increased costs or reduced returns due to a change in circumstances and all amounts due and payable in U.S. Dollars under the Letter of Credit Agreement shall have been paid in full in U.S. Dollars and (ii) the Trustee shall have received a confirmation in writing from Moody's that such substitution will not result in a downgrading of the then current rating assigned to the Notes. The Letter of Credit so substituted or otherwise required to be disposed of under the Indenture shall be returned to the Letter of Credit Issuer for cancellation.

In the event a Currency Inconvertibility/Non-Transfer Event has occurred and is continuing and the funds on deposit in the Payment Account, if any, are insufficient to pay all accrued and unpaid interest due on a given payment date and the Letter of Credit Custodian has received a Notice of Non-Payment from the Bank, the Letter of Credit Custodian by delivery to the Letter of Credit Issuer a completed drawing certificate in compliance with the Letter of Credit will draw under the Letter of Credit to the extent necessary to satisfy the Bank's interest payment obligations under the Notes. The Trustee will transfer these funds on the applicable payment date.

So long as the Bank has not delivered a Notice of Non-Payment with respect to a payment date, the funds remaining on deposit in the Payment Account, after all payments have been made on such payment date, shall be remitted to the Bank without further action by the Bank. If the Bank has not delivered a Notice of Non-Payment with respect to a payment date and has substituted all or a portion of the Letter of Credit held by the Letter of Credit

Custodian for deposits in the Payment Account, then the funds remaining on deposit in the Payment Account, after excluding the amount deposited in substitution for the Letter of Credit and all payments due by the Bank on such payment date, shall be remitted to the Bank without further action by the Bank. In the event that funds remain on deposit in the Payment Account, the Trustee may, at the Bank's direction, invest such funds in permitted investments (as described in the Indenture); provided that all such permitted investments must mature no later than two business days prior to the next interest payment date. All permitted investments and any proceeds thereof shall be directed to the Payment Account.

In the event that, at any time prior to or on the maturity date, a Subordination Event has occurred and is continuing, irrespective of whether a Currency Inconvertibility/Non-Transfer Event has occurred and is continuing, the Trustee will be required to cease to make any payments of interest owing on, or with respect to, the Notes from funds on deposit in the Payment Account. Further, if at any time prior to or on the maturity date, a Subordination Event has occurred and is continuing, and (i) the Bank does not have sufficient funds to make all payments due in respect of any of its Other Obligations or (ii) the payment of any of its Other Obligations has been accelerated, the Trustee will be required to withdraw and pay to the Bank such funds on deposit on the Payment Account as the Bank may request to cover such insufficiency. If a Subordination Event has occurred and is continuing, the Letter of Credit Custodian may not submit a drawing certificate or draw funds under the Letter of Credit.

Additional Amounts

The Bank will make all payments of principal and interest on the Notes without withholding or deducting any present or future taxes, penalties, fines, duties, assessments or other governmental charges of any nature (which are referred to collectively as "taxes") imposed by Brazil, the Cayman Islands or, in the event that the Bank 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"). If the Bank is required by law to withhold or deduct any such taxes, except as provided below, the Bank will pay the Noteholders 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 Bank 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 imposed on, or measured by, net income of the Noteholder;

- 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 Bank has given all Noteholders at least 30 days' prior notice 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 Bank has made available to the Noteholder a payment of principal or interest; *provided* that the Bank 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, assessments or other governmental charges;

- 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 any European Union directive on the taxation of savings implementing the conclusions of the Economic and Financial Council of Ministers of the member states of the European Union (ECOFIN) Council meeting of November 26-27, 2000 or any law implementing or complying with that directive; or

- 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.

The Bank 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 Bank 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 request, copies of those receipts or other documentation, as the case may be, will be made available to the Noteholders.

The Bank 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 duly documented taxes paid by Noteholders.

All references to principal, interest or other amounts payable on the Notes in this Offering Circular are deemed to include any Additional Amounts payable by the Bank. These obligations will survive any termination, defeasance or discharge of the Notes and the Indenture.

Certain Covenants

For so long as any of the Notes are outstanding and any amount remains unpaid under the Indenture and the Notes, the Bank will comply with the terms of the covenants described below, among others:

Performance of Obligations Under the Notes and the Indenture

The Bank will pay all amounts owed by the Bank under the terms of the Notes and the Indenture. If the Bank defers any interest or principal payments as described under "—Deferral of Interest and Principal", it will use its reasonable commercial efforts to reenter into compliance with the Risk-Based Capital Requirements within 180 days.

Performance Obligations Under Other Transaction Documents

The Bank will perform all its obligations under the Letter of Credit, the Letter of Credit Agreement and the other transaction documents entered into in connection with the transactions described herein.

Maintenance of Approvals

The Bank 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 or any other jurisdiction having jurisdiction over the Bank, its business or the transactions contemplated by the Indenture, as well as of any third party under any agreement to which the Bank may be subject, in connection with its execution, delivery and performance of the Indenture or validity or enforceability thereof, except to the extent that its failure to do so in jurisdictions other than the Cayman Islands or Brazil will not result in a material adverse effect on the Bank's ability to perform its obligations under the Indenture.

Maintenance of Books and Records

The Bank 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 Bank 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 Bank in respect of the Indenture and the Notes may be served. Initially this office will be located care of Deutsche Bank Trust Company Americas at 60 Wall Street, New York, New York 10005, and the Bank will agree not to change the designation of such office without prior notice to the Trustee and designation of a replacement office.

Use of Proceeds

The Bank will agree to use the net proceeds from the offer and sale of the Notes for general corporate purposes. See "Use of Proceeds".

Notice of Certain Events

The Bank 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.

The Bank will give notice to the Trustee immediately after it becomes aware:

- of any action taken by the Brazilian government that could, in the reasonable judgment of the Bank, give rise to a Currency Inconvertibility/Non-Transfer Event;
- that any Currency Inconvertibility/Non-Transfer Event has occurred;
- that any Currency Inconvertibility/Non-Transfer Event has ceased; or
- if it has deferred interest or principal payments as described under "—Deferral of Interest and Principal", that it is no longer in violation of the Risk-Based Capital Requirements or can make interest or principal payments without violating those requirements.

However, if the Bank is unable to make a payment of interest as the same becomes due and payable because of a Currency Inconvertibility/Non-Transfer Event, it shall immediately submit a Notice of Non-Payment to the Letter of Credit Custodian and the Trustee. Upon receipt of a Notice of Non-Payment, the Trustee shall deliver promptly a copy thereof to the Noteholders.

If the Trustee has actual knowledge 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 the earlier of 30 days after it occurs and 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.

The Bank will provide to the Trustee, in English or accompanied by a certified English translation thereof:

- within 90 days after the end of each fiscal quarter (other than the second and the fourth quarters), its unaudited and consolidated balance sheet and statement of income for the quarter then ended;

- within 120 days after the end of the first two fiscal quarters, its audited and consolidated balance sheet and statement of income for the six-month period then ended;

- within 150 days after the end of each fiscal year, its audited consolidated balance sheet and statement of income for the year then ended; and

- such other publicly available financial data about the Bank as the Trustee may reasonably request.

The Bank will provide, 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 Bank will, at its own cost and expense, take any action at any time required, as necessary or as reasonably requested by the Trustee or the Letter of Credit Custodian, as applicable, in accordance with applicable laws and regulations to be taken in order:

- to enable it lawfully to enter into, exercise its rights and perform its obligations under the Notes, the Indenture, the Letter of Credit, Letter of Credit Agreement and the other transaction documents;

- to ensure that its obligations under the Notes, the Indenture and the other transaction documents are legally binding and enforceable;

- to make the Notes, the Indenture and the other transaction documents 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 and each of the other transaction documents;

- to take any and all actions necessary to preserve the enforceability of, and maintain the Trustee's rights under, the transaction documents; and

- to assist the Trustee, to the extent reasonably practicable, in the Trustee's performance of its obligations under the Indenture and the other transaction documents.

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 Bank 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 Bank will do all things necessary to preserve and keep in full force and effect its corporate existence and rights; *provided*, *however*, that it will not be required to preserve any such right if its board of directors determines 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 Bank will not, without the consent of Noteholders holding no less than 66⅔% in aggregate principal amount of the Notes outstanding, consolidate with or merge into any other person or convey or transfer substantially all of its properties and assets to any other person unless thereafter:

- the person formed by such consolidation or into which it is merged, or the person which acquires all or substantially all of its properties and assets, 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 on the Bank's part 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 has been materially breached; and

- the person formed by such consolidation or into which it is merged, or the person which acquires all or substantially all of the Bank's properties and assets, 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.

Redemption

Early Redemption for Tax Reasons

The Bank may redeem the Notes in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption and any other amounts owed to Noteholders under the terms of the Indenture or the Notes, upon giving not less than 30 nor more than 60 days' notice to the Noteholders, if:

- it becomes or will become obligated to pay Additional Amounts in excess of Additional Amounts which it would be obliged to pay if payments of interest under the Notes were subject to withholding or deduction at a rate of 15% as a result of any generally applicable change in the laws or regulations of a Taxing Jurisdiction, or any generally applicable change in the application or official interpretation of those tax laws or regulations, in each case, which occurs after the date of the original issuance of any of the Notes;

- it cannot avoid its obligations to pay such excess Additional Amounts by taking reasonable measures available to it; and

- the Central Bank has approved such redemption.

However, the Bank may not redeem the Notes for tax reasons before the fifth anniversary of the date of issuance of the notes unless the Central Bank gives it permission to do so on an earlier date. No such notice of redemption may be given earlier than 60 days before the earliest date on which it would be obligated to pay excess Additional Amounts if a payment in respect of the Notes were then due. Prior to the giving of any notice of redemption as described above, it will deliver to the Trustee (1) a certificate stating that it is entitled to redeem the Notes in accordance with the terms in the Indenture and stating the facts relating to the redemption and (2) a written opinion of counsel to the effect that it has become obligated to pay such excess Additional Amounts as a result of a change or amendment described above, that it avoid payment of such excess Additional Amounts by taking reasonable measures available to it and that all governmental approvals necessary for it to effect the redemption have been obtained and are in full force and effect or specifying any necessary approvals that have not been obtained.

No Other Optional Redemption

The Notes will not be subject to optional redemption except as provided above under "Early Redemption for Tax Reasons".

Cancellation

Any Notes redeemed by the Bank will be immediately canceled and may not be reissued or resold.

Purchases of Notes by the Bank

The Bank and each of its subsidiaries, subject to the prior written consent of the Central Bank, may at any time purchase any Notes in the open market or otherwise at any price. 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 Bank or its subsidiaries will be deemed not outstanding for purposes thereof. The Bank may at any time deliver to the Trustee for cancellation any such Notes previously authenticated and delivered pursuant to the Indenture which it 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 Bank fails to make any principal payment on any of the Notes, whether on the maturity date, upon redemption or otherwise, other than due to a deferral of principal or an extension of the maturity date described under "—Deferral of Interest and Principal" and "—Extension of Maturity Date";

- the Bank fails to make any interest payment or any payment of Additional Amounts in accordance with the terms of the Notes and the Indenture, other than due to a deferral of interest described under "—Deferral of Interest and Principal", and this non-payment continues for 15 business days and the Letter of Credit Custodian has not otherwise received those amounts with respect to an interest payment from the Letter of Credit Issuer under the Letter of Credit or otherwise; *provided* that if any such payment is due and payable by the Letter of Credit Issuer under the Letter of Credit after the Bank and the Letter of Credit Custodian have taken all steps necessary to draw on the Letter of Credit in accordance with the Letter of Credit Agreement, the Bank's failure to make that payment will not be an event of default;

- a court or agency or supervisory authority in the Cayman Islands or Brazil (1) institutes a proceeding or enters a decree or order for relief under any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for the Bank's winding up or the liquidation of the Bank's affairs, or adjudging the Bank bankrupt or insolvent, (2) enters a decree or order approving as properly filed a petition seeking the Bank's reorganization, arrangement, adjustment or composition under any applicable law except a reorganization permitted under the Indenture, (3) enters a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Bank or all or substantially all of the Bank's assets, and those proceedings, decree or order have not been vacated or have remained in force undischarged or unstayed for 60 days, or (4) any event shall have occurred that under the laws of Brazil or the Cayman Islands has an analogous effect to any of the foregoing events and any proceedings, decrees or orders pertaining to such analogous event shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days;

- the Bank commences a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated bankrupt or insolvent, or the Bank consents by answer or otherwise to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the

Bank or the Bank's dissolution or any event that under the laws of Brazil or the Cayman Islands has an analogous effect to any of the foregoing events; or

- the Letter of Credit is not renewed due to a failure to pay certain fees under the Letter of Credit or due to the occurrence of certain events of default under the Letter of Credit Agreement, unless, after receipt of a notice of non-renewal from the Letter of Credit Issuer, the Bank obtains a substitute letter of credit containing substantially similar terms from another letter of credit issuer with at least the same Moody's rating as the Letter of Credit Issuer or substitutes the Letter of Credit for deposits in the Payment Account.

Upon the occurrence and continuation of an event of default described in the third and fourth bullet points above arising under Cayman Islands law, the Trustee may at its discretion or Noteholders holding no less than a majority of the aggregate principal amount of the Notes then outstanding may declare the principal of and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest will be immediately due and payable. If an event of default described in the third and fourth bullet points above occurs other than under Cayman Islands law and is continuing, the principal of and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholders. However, the Bank will only be required to make the payments described in this paragraph after it has been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law, and those payments will be subject to the subordination provisions of the Indenture. In addition, if the Bank makes payments described in this paragraph from Brazil, it will be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. There is no right of acceleration in the case of a default in the payment of principal of or interest on the Notes or the failure by the Bank to perform any other obligation under the Indenture.

In addition, if an event of default occurs or if the Bank breaches any covenant or warranty under the Indenture or the Notes, the Trustee may pursue any available remedy to enforce any provision of the Notes or the Indenture.

The holders of a majority in aggregate principal amount of the outstanding Notes may rescind a declaration of acceleration if an amount has been paid to or deposited with the Trustee sufficient to pay the amounts set forth in the applicable provisions of the Indenture and all events of default, other than the failure to pay principal due solely because of the declaration of acceleration, have been cured or waived.

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 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 a majority of the 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 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

The Bank and the Trustee may not amend or waive any term or condition of the Notes or the Indenture without giving notice of the proposed amendment to the Letter of Credit Issuer and the Letter of Credit Custodian and obtaining the prior written consent of the Letter of Credit Issuer to any amendment which, in the reasonable judgment of the Letter of Credit Issuer, would affect its rights thereunder.

The Bank and the Trustee may, without the consent of the Noteholders, modify the Indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies or including any other provisions with respect to matters or questions arising under the Indenture, so long as that correction or added provision will not adversely affect the interests of the Noteholders in any material respect.

In addition, the Indenture may be modified by the Bank 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 Notes are payable;
- change the coin or currency in which the principal of or interest on the Notes are payable;
- impair the right of the Noteholders to institute suit for the enforcement of any payment on or after the date due;
- modify the subordination provisions of the Indenture in a manner adverse to the Noteholders;
- 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; 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 Bank 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.

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.

In the event the Indenture is modified and a supplemental indenture is entered into in accordance with the provisions of the Indenture, the Bank will notify the Luxembourg Stock Exchange of any such modification.

Meetings of Noteholders

A meeting of the Noteholders may be called by the Trustee at any time. The Bank or the holders of at least 10% in aggregate principal amount of the outstanding Notes may call a meeting if the Bank or they 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 Bank or its subsidiaries 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.

Act of Noteholders in Lieu of Meetings

Any action by Noteholders that may be taken at a meeting of those Noteholders may be taken without a meeting, without prior notice and without a vote, if a written act of Noteholders setting forth the action so taken is duly delivered to the Trustee and the Bank by Noteholders having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which Noteholders representing all Notes entitled to vote thereon were present and voted. Prompt notice of the taking of the action without a meeting specified in the act of Noteholders shall be given by the Bank to those Noteholders who have not consented in writing to that act of Noteholders.

Defeasance

The Bank 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 Bank will be deemed to have paid and discharged all of its indebtedness under the Notes and to have satisfied all of its 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 Bank'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 and immunities of the Trustee.

In addition, through covenant defeasance, the Bank may defease its 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 Bank may omit to comply with any defeased covenant, and the subordination provisions of the Indenture will cease to be effective.

In order to exercise either legal defeasance or covenant defeasance, the Bank must satisfy the following conditions:

- it must irrevocably deposit with the Trustee cash in U.S. Dollars, U.S. government obligations or a combination thereof, in amounts 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 (including any amounts payable to the Letter of Credit Issuer under the Indenture, the Letter of Credit and the Letter of Credit Agreement) in accordance with the terms of the Indenture and the Notes, the Letter of Credit and the Letter of Credit Agreement;

- in the case of legal defeasance, it must deliver to the Trustee an opinion of counsel stating that (1) it has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (2) since the date of the Indenture there has been a change in the applicable U.S. federal income tax law or the interpretation thereof, in either case to the effect that the Noteholders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of that deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amount, in the same manner and

at the same time as would have been the case if that deposit, defeasance and discharge had not occurred unless the Trustee has received documentary evidence that each Noteholder is either not subject to or is exempt from U.S. federal income taxation;

- in the case of covenant defeasance, it must deliver to the Trustee an opinion of counsel to the effect that the Noteholders will not recognize income, gain or loss for United States income tax purposes as a result of that deposit and covenant defeasance and will be subject to United States income tax on the same amount, in the same manner and at the same time as would have been the case if that deposit and covenant defeasance had not occurred;

- 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 bankruptcy, insolvency and other events described in the third and fourth bullet points 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;

- it 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 it is a party or by which it 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;

- it has delivered a certificate and an opinion of counsel stating that all the conditions to defeasance have been complied with; and

- no default in the payment of principal, premium, if any, or interest on any of the Other Obligations has occurred and is continuing, such Other Obligations have not been accelerated and no other event of default under those Other Obligations has occurred and is continuing that would permit acceleration of those obligations.

Satisfaction and Discharge

The Notes will be deemed to be paid for all purposes under the Indenture, and the Bank's indebtedness under the Notes will be deemed to have been satisfied and discharged if the following conditions are met, among others:

- either it has 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;

- it 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 it is a party or by which it is bound; and

- the Trustee has received an opinion of counsel to the effect that the satisfaction and discharge of its indebtedness under the Notes 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 paragraph and Notes for whose payment money has been deposited in trust or held in trust by the Bank and has thereafter been returned to the Bank as described in the last paragraph under "—Payments of Principal and Interest") 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 paragraph;

- all other amounts due and payable under the Indenture have been paid; and

- the Bank has delivered to the Trustee a 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 Bank's obligations under specified provisions of the Indenture 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 Bank will execute and, upon its 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 Bank, 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 Bank 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 Bank 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 Bank as note registrar and a paying agent with respect to the Notes. The Bank may have normal banking relationships with Deutsche Bank Trust Company Americas in the ordinary course of business. The address of the Trustee is 60 Wall Street, New York, New York 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 Trustee shall be permitted to appoint such co-trustees, agents and custodians as it may deem appropriate as set forth in the Indenture.

The Trustee may resign at any time in accordance with the terms of the Indenture. The Bank may remove the Trustee, and appoint a successor trustee, if the Trustee shall (i) cease to be eligible under the Indenture and shall fail to resign after written request by the Bank or by any Noteholder, (ii) become incapable of acting due to certain events involving the Trustee's bankruptcy, liquidation or similar events, or (iii) breach, in any material respect, any covenant or obligation to be performed by it under the Indenture. Any Noteholder who has been a bona fide Noteholder for at least six months may, in the case of (i) or (ii) above, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee if the Bank has not removed the Trustee within 60 days of such occurrence. In addition, Noteholders holding no less than a majority of the aggregate

principal amount of the Notes then outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Bank evidence of such action taken by the Noteholders, provided, that unless a default or event of default under the Indenture shall have occurred and be continuing, the Bank shall consent to such removal.

The Bank and its affiliates may from time to time enter into normal banking and trustee relationships with the Trustee and its respective affiliates.

The Trustee and its respective affiliates may hold Notes in their own names.

The Letter of Credit Custodian

Deutsche Bank (Cayman) Limited will act as Letter of Credit Custodian under the Indenture for the purpose of being named the sole beneficiary of the Letter of Credit for the benefit of the Noteholders, accepting delivery thereof and enforcing its rights thereunder. The Bank may have normal banking relationships with Deutsche Bank (Cayman) Limited in the ordinary course of business. The address of the Letter of Credit Custodian is 3rd Floor, Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

Paying Agents; Transfer Agents; Registrar

The Bank has initially appointed the Trustee as paying agent and note registrar. The Bank may at any time appoint other paying agents, transfer agents and note registrars. However, it will at all times maintain a paying agent in New York City until the Notes are paid.

The Bank will maintain a paying agent and transfer agent in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require. The Bank has initially appointed Deutsche Bank Luxembourg S.A. as Luxembourg paying agent and transfer agent. The address of the Luxembourg paying agent and transfer agent is 2 Boulevard Konrad Adenauer, L-1115 Luxembourg. The Bank will provide prompt notice of any change in the Luxembourg paying agent or Luxembourg transfer agent or any change in the location of their respective offices.

Notices

Whenever the Indenture requires notice to the Noteholders, such notice will be given by the Trustee by (unless the Indenture specifies otherwise):

- first class mail, postage prepaid, to the address of each Noteholder as it appears in the Note register;
- publication in English on a business day in a leading newspaper having general circulation in the Borough of Manhattan, The City of New York; and
- so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, publication 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 and the Notes will be governed by the laws of the State of New York.

Jurisdiction

The Bank 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 Bank at its New York branch, located at 600 Fifth Avenue, 33rd Floor, New York, New York 10020, USA. The Notes and the Indenture provide that if the Bank no longer maintains an office in New York City, then it will appoint a new process agent in New York City.

Currency Rate Indemnity

U.S. Dollars is the sole currency of account for the Notes and payment for all sums payable by the Bank under 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 Bank'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 Bank only to the extent of the amount in U.S. Dollars that the Noteholder is able to purchase with the amount it receives or recovers (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 Bank will indemnify the Noteholder against any duly documented loss sustained as a result. In any event, the Bank will indemnify the Noteholder against the cost of any such purchase.

These indemnities are a separate and independent obligation from the Bank'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 Bank for a liquidated sum.

FORM, DENOMINATION AND TRANSFER

Book-Entry; Delivery and Form

The Notes will be issued in registered form without interest coupons. No Notes will be issued in bearer form.

Notes offered and sold to qualified institutional buyers in reliance on Rule 144A ("Restricted Notes") will be represented by beneficial interests in the Restricted Global Note and will be issued in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. Notes offered and sold in reliance on Regulation S ("Regulation S Notes") will be represented by beneficial interests in the Regulation S Global Note and will be issued in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. The Global Notes will initially be in definitive, fully registered book-entry form and registered in the name of DTC or its nominee and deposited with Deutsche Bank Trust Company Americas, as custodian for DTC, for credit to the accounts of direct or indirect participants in DTC (including Euroclear and Clearstream, Luxembourg) as described below.

Owners of beneficial interests in a Global Note will be entitled to receive physical delivery of certificated Notes only in the circumstances described under "—Exchange of Book-Entry Notes for Certificated Notes" below.

Transfer of Notes

Each Note will be subject to certain restrictions on transfer set forth therein as described under "—Exchanges and Transfers Between Regulation S Notes and Restricted Notes and Other Notes" and "Transfer Restrictions". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC, Euroclear and Clearstream, Luxembourg, as the case may be, which may change at any time.

If Notes are issued in certificated form, those Notes may be transferred or exchanged in whole or in part only in authorized denominations upon surrender of the Note to be transferred or exchanged, together with a duly executed instrument of transfer or exchange in form satisfactory to the Bank and the Trustee, as note registrar, or any transfer agent, at the specified office of the note registrar or of any transfer agent. The address of the Trustee is 60 Wall Street, New York, New York 10005. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Bank will maintain a transfer agent in Luxembourg. Deutsche Bank Luxembourg S.A. will initially act as Luxembourg transfer agent and Notes in certificated form may be surrendered for transfer or exchange at its offices at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg. Each time that a Note is transferred or exchanged for a Note in certificated form, and after the note registrar or transfer agent receives the instrument of transfer or exchange and all other required documents, the Bank will make available for delivery the new certificated Note at the office of the note registrar or the applicable transfer agent. Alternatively, at the option of the person requesting the transfer or exchange, the Bank will mail, at that person's risk, the new certificated Note to the address of the person specified in the instrument of transfer.

No service charge will be required for any registration of transfer or exchange of the Notes, but the note registrar may require payment of a sum sufficient to cover any tax or other governmental charge in connection therewith, other than any such tax or governmental charge payable in connection with an exchange described in the first paragraph under "Exchange of Book-Entry Notes for Certificated Notes" not involving any transfer.

The note registrar will not be required to register the transfer or exchange of any Note beginning 15 days before a notice of redemption described in "Description of the Notes—Redemption—Early Redemption for Tax Reasons" is mailed to the Noteholders.

Depositary Procedures

The description of the clearing systems in this section reflects the Bank's understanding of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear as they are currently in effect. DTC, Clearstream,

Luxembourg and Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. Investors should be aware that they are not obligated to perform or continue to perform these procedures and may modify them or discontinue them at any time.

The Depository Trust Company

Book-entry interests in the Global Notes will be shown on, and transfers of these interests will be made only through, records maintained by DTC and its participants. Euroclear and Clearstream, Luxembourg will hold omnibus positions on behalf of their participants through customers' securities accounts for Euroclear and Clearstream, Luxembourg on the books of their respective depositories, which in turn will hold such positions in customers' securities in such depositories' names on the books of DTC.

DTC has provided the Bank with the following information: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with DTC. DTC also records the settlements among direct participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for direct participants' accounts. This eliminates the need to exchange certificated securities. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to DTC and its participants are on file with the SEC.

DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, LLC. and the National Association of Securities Dealers, Inc.

DTC will keep a computerized record of its participants whose clients have purchased interests in the Global Notes. Each participant will then keep a record of its clients. Unless a Global Note is exchanged in whole or in part for a certificated Note or Notes or for an interest in the Restricted Global Note or the Regulation S Global Note, as the case may be, a Global Note may not be transferred. DTC, its nominees and their successors may, however, transfer a Global Note in whole to one another.

When investors purchase interests in the Global Notes through the DTC system, the purchases must be made by or through a direct participant, which will receive credit for the interests on DTC's records. When investors purchase interests in the Notes, they will become their beneficial owner. An investors' ownership interest will be recorded only on the direct or indirect participants' records. DTC will have no knowledge of an investor's individual ownership of interests. DTC's records will show only the identity of the direct participants and the amount of the Notes held by or through them. An investor will not receive a written confirmation of its purchase or sale or any periodic account statement directly from DTC. It should instead receive these from its direct or indirect participant. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. The Trustee will wire payments of principal and interest on the Notes to DTC or its nominee. The Bank and the Trustee will treat DTC or its nominee as the owner of the Global Notes for all purposes. Accordingly, the Bank, the Trustee and the applicable paying agent will have no direct responsibility or liability to pay amounts due on the Global Notes to Noteholders or any other beneficial owners of the Global Notes. Any redemption notices will be sent by the Bank or the Trustee to DTC, which will, in turn, inform the direct participants (or the indirect participants), which will then contact Noteholders as a beneficial holder.

It is DTC's current practice, upon receipt of any payment of principal or interest, to proportionately credit direct participants' accounts on the payment date based on their holdings. In addition, it is DTC's current practice to pass through any consenting or voting rights to such participants by using an omnibus proxy. Those participants will, in turn, make payments to and solicit votes from Noteholders, the ultimate beneficial owner of Notes, based on their customary practices. Payments to Noteholders will be the responsibility of the participants and not of DTC, the Trustee or the Bank.

Clearstream, Luxembourg and Euroclear

Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a bank. Clearstream, Luxembourg will facilitate the clearance and settlement of securities transactions between its customers through electronic book-entry transfers between their accounts. Clearstream, Luxembourg will provide to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg will interface with domestic securities markets in over 30 countries through established depository and custodial relationships. As a bank, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the *Commission de Surveillance du Secteur Financier* and the Luxembourg Central Bank. Customers of Clearstream, Luxembourg are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. U.S. customers of Clearstream, Luxembourg are limited to securities brokers and dealers and banks. Indirect access to Clearstream, Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg customer.

Euroclear advises that it was created in 1968 and that it will clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear will provide various other services, including securities lending and borrowing and interfacing with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., which is referred to as the "Euroclear Operator", under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation, which is referred to as the "Cooperative". All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Bank has no responsibility for any aspect of the actions or the records kept by DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. The Bank also does not supervise these systems in any way.

Holding of the Notes through DTC, Clearstream, Luxembourg and Euroclear

Investors in the Global Notes may hold their interests therein directly through DTC, if they are direct participants in such system, or through direct or indirect participants (including Euroclear and Clearstream, Luxembourg) in such system. All interests in a Global Note may be subject to the procedures and requirements of DTC, or, if applicable, Euroclear or Clearstream, Luxembourg.

The laws of some States require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited to that extent. Because DTC can act only on behalf of its participants, which, in turn, act on behalf of the indirect participants and certain banks, the ability of a person having beneficial interests in the Global Notes to pledge those interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those interests, may be affected by the lack of a physical certificate evidencing those interests.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

On or after the Closing Date, transfers of Notes between participants in DTC will generally have a settlement day three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will be effected in DTC in accordance with DTC rules on behalf of Euroclear and Clearstream, Luxembourg, as the case may be, by its respective depository and will need to have an agreed settlement date within the established deadlines of such system between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Note will be effected through the Paying Agent, the DTC Custodian and the Note Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and by making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a participant with Euroclear or Clearstream, Luxembourg purchasing a beneficial interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, Luxembourg, as applicable) immediately after the DTC settlement date, and such credit of any transaction or beneficial interest in a Global Note settled during such processing day will be reported to the relevant participant with Euroclear or Clearstream, Luxembourg on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of beneficial interests in a Global Note by or through a participant with Euroclear or Clearstream, Luxembourg to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day after settlement in DTC.

The Bank expects that DTC, Euroclear and Clearstream, Luxembourg will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange) only at the direction of the participants to whose accounts interests in the applicable global Notes are credited and only in respect of the aggregate principal amount of Notes as to which such participant has given such direction. However, if any of the events described in the first two paragraphs of "Exchange of Book-Entry Notes for Certificated Notes" occurs, DTC reserves the right to exchange the applicable Global Note for definitive Notes in certificated form and to distribute those Notes to participants with the legends set forth under "Transfer Restrictions".

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book entry systems has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Exchange of Book-Entry Notes for Certificated Notes

The Global Notes are exchangeable for definitive Notes in registered certificated form if:

- the Bank advises the Trustee in writing that (1) DTC is unwilling or unable to continue as depository for the Global Notes or (2) DTC has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Bank is unable to appoint a qualified successor within 90 days after notice from DTC or, if applicable, after the Bank becomes aware that DTC has ceased to be a registered clearing agency, or

- after the occurrence and during the continuation of a default or an event of default with respect to the Notes, DTC or beneficial owners holding interests representing an aggregate principal amount of more than 50% of the Notes represented by the relevant Global Note so advise the Trustee in writing,

In addition, no Noteholder 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). All interests in a Global Note, including those held through Euroclear or Clearstream, Luxembourg, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear and Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems.

In all the above cases, certificated 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 or on behalf of DTC, Euroclear and Clearstream, Luxembourg (in accordance with their customary procedures) and will bear the restrictive legend described in "Transfer Restrictions" unless the Bank determines otherwise in compliance with applicable law.

Exchanges and Transfers Between Regulation S Notes and Restricted Notes and Other Notes

Prior to the expiration of the distribution compliance period, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the corresponding Restricted Global Note only upon receipt by the note registrar of a written certification from the transferor to the effect that such transfer is being made (1)(A) to a person whom the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in accordance with Rule 144 under the Securities Act (if available) or (C) pursuant to another exemption from the registration requirements under the Securities Act, accompanied by an opinion of counsel regarding the availability of such exemption, and (2) in accordance with all applicable securities laws of the states of the United States or other jurisdictions (a "restricted Notes certificate").

Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the distribution compliance period, only if the transferor first delivers to the note registrar a written certificate to the effect that (1) such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (if available), (2) such transfer is being made in accordance with all applicable securities laws of the States of the United States and other jurisdictions and (3) if such transfer occurs prior to the expiration of the distribution compliance period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg (a "Regulation S certificate").

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that other Global Note.

In addition, Restricted Notes that are held in certificated form may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only if the transferor first delivers to the Note Registrar a restricted Notes certificate. Restricted Notes that are held in certificated form may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Note Registrar a Regulation S certificate.

A Note may be transferred to a person who takes delivery in the form of an interest in a Restricted Note in certificated form only if the transferor first delivers to the note registrar a restricted Notes certificate.

In connection with a transfer of beneficial interests in one Global Note for beneficial interests in another Global Note, of Notes in certificated form for beneficial interests in a Global Note or of beneficial interests in a Global Note for Notes in certificated form, DTC, Euroclear or Clearstream, Luxembourg or the Note Registrar may require that the transferor deliver a written order in accordance with the applicable rules and procedures of DTC, Euroclear or Clearstream, Luxembourg containing information regarding the participant's account to be credited with a beneficial interest in the applicable Global Note and/or the participant's account to be debited in an amount equal to the beneficial interest in the Global Note being transferred, as the case may be.

Upon the transfer, exchange or replacement of certificated Notes bearing a restrictive legend described in "Transfer Restrictions", or upon specific request for removal of the legend on a certificated Note, the Bank will deliver only Notes that bear that legend, or will refuse to remove that legend, as the case may be, unless (1) such Notes are otherwise sold under an effective registration statement under the Securities Act, (2) those Notes are issued upon transfer or exchange of Regulation S Notes after the expiration of the distribution compliance period, or (3) there is delivered to the Bank such satisfactory evidence as it may reasonably require, which may include an opinion of counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

THE LETTER OF CREDIT

The following summary describes certain provisions of the Letter of Credit and the Letter of Credit Agreement. The Letter of Credit Issuer does not make any representation as to the accuracy or completeness of the information set forth herein. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Letter of Credit and the Letter of Credit Agreement, as the case may be. This summary also contains limited financial information concerning the Letter of Credit Issuer which has been provided by the Letter of Credit of Issuer.

The Letter of Credit Issuer

Credit Suisse First Boston ("CSFB") is a Swiss bank and is one of the largest banking institutions in the world, with total consolidated assets of approximately CHF621 billion (U.S.$446 billion) and total consolidated shareholders' equity of approximately CHF20 billion (U.S.$14 billion) at December 31, 2003. As a leading global investment bank, CSFB provides a wide range of financial services from locations around the world to institutional, corporate, government and individual clients worldwide. CSFB was established on July 5, 1856 and registered in the Commercial Register of the Canton of Zurich on April 27, 1883 for an unlimited duration under the name *Schweizerische Kreditanstalt*. CSFB's name was changed to Credit Suisse First Boston on December 11, 1996 (by entry in the commercial register). CSFB is a joint stock corporation established under Swiss law. CSFB's registered head office is in Zurich, and it has additional executive offices and principal branches located in London, New York, Honk Kong, Singapore and Tokyo. CSFB's senior debt is rated Aa3 by Moody's, A+ by S&P and AA- (negative outlook) by Fitch.

Credit Suisse Group, which owns 100% of the voting shares of CSFB, is one of the world's leading global financial services companies, active in all major financial centers and providing a comprehensive range of banking and insurance products.

On November 3, 2000, Credit Suisse Group acquired Donaldson, Lufkin & Jenrette, Inc., or DLJ, a leading integrated investment and merchant bank serving institutional, corporate and individual clients, and DLJ became a wholly owned subsidiary of CSFB. On the same day, Credit Suisse First Boston Corporation (now known as Credit Suisse First Boston LLC), Credit Suisse Group's principal U.S. broker-dealer, became a subsidiary of DLJ, and DLJ changed its name to Credit Suisse First Boston (USA), Inc. The business activities of DLJ have been integrated into the operations of CSFB.

CSFB's registered head office is located at Uetlibergstrasse 231, CH-8045, Zurich, Switzerland, and its telephone number is 41-1-333-5555. CSFB's Cayman Islands Branch is located with CIBC Bank and Trust Company (Cayman) Limited, P.O. Box 694GT, 11 Dr. Roy's Drive, CIBC Financial Centre, 5th Floor, Grand Cayman, Cayman Islands, British West Indies and its telephone number is 1-345-914-9483.

Credit Suisse Group files an annual report on Form 20-F and furnishes current reports on Form 6-K with the SEC pursuant to the requirements of the Securities Act. Credit Suisse Group prepares quarterly reports, including unaudited interim financial information, and furnishes these reports on Form 6-K with the SEC. These quarterly reports include interim financial and other information about CSFB. CSFB's subsidiary Credit Suisse First Boston (USA), Inc. files an annual report on Form 10-K, quarterly reports on form 10-Q and current reports on Form 8-K with the SEC pursuant to the requirements of the Securities Act. The SEC reports of Credit Suisse Group and Credit Suisse First Boston (USA), Inc. are available to the public over the internet at the SEC's web site at www.sec.gov and from the SEC's Branch of the Public Reference at 1-202-942-8090. Credit Suisse Group's SEC reports are also available on its web side at www.credit-suisse.com. Credit Suisse First Boston (USA), Inc.'s SEC filings are available on CSFB's web site at www.csfb.com.

The Letter of Credit

On the Issue Date, the Letter of Credit Issuer, will issue the Letter of Credit to the Letter of Credit Custodian for the benefit of the Noteholders. The Letter of Credit authorizes the Letter of Credit Custodian to make one or more drawings up to a maximum of an amount equal to three payments of scheduled interest on the Notes

(plus an amount equal to 30 days of interest payable on three accrued payments of scheduled interest) and 18 months of fees (but not expenses) due and payable to the Trustee under the Indenture on or prior to the expiry date of the Letter of Credit. Funds under the Letter of Credit will be made available to the Letter of Credit Custodian against receipt by the Letter of Credit Issuer of a sight draft, accompanied by a complete drawing certificate (the "Drawing Certificate") signed by the Letter of Credit Custodian and, in each case, in the form annexed to the Letter of Credit. As discussed in greater detail below under "—Letter of Credit—Drawing Certificate", a drawing under the Letter of Credit would require, among other things, the occurrence of a Currency Inconvertibility/Non-Transfer Event (as defined below). Payment will be made to, or to the order of, the Letter of Credit Custodian of the amount specified in each Drawing Certificate.

Drawing Certificate

Under the terms of the Letter of Credit, only the Letter of Credit Custodian will have the right to make drawings under the Letter of Credit upon receipt by the Letter of Credit Issuer of a sight draft and a complete Drawing Certificate which complies with the Letter of Credit and the Indenture. The Drawing Certificate requires the Letter of Credit Custodian to certify, among other things, that:

- a payment of scheduled interest on the Notes (together with Additional Amounts and Additional Interest Amounts, if any) and/or interest payable on accrued semi-annual interest payments and/or fees due to the Trustee under the Indenture (excluding expenses) in the amount being drawn under the Letter of Credit (the "Draw Amount") is due and payable by the Bank;

- the Trustee has been notified by the Bank in writing that a Currency Inconvertibility/Non-Transfer Event is in existence;

- the Trustee has been notified by the Bank in writing that the Bank is unable to make payment of interest due on the Notes (together with Additional Amounts and Additional Interest Amounts, if any) and/or interest payable on accrued semi-annual interest payments and/or fees due to the Trustee under the Indenture (excluding expenses) although the Bank has sufficient funds in Brazil to make such payment (a "Notice of Non-Payment"); and

- the Trustee has not received notice of a Subordination Event (or if the Trustee has received notice of a Subordination Event, such notice has been revoked).

In addition, the Letter of Credit Custodian is required to attach to the Drawing Certificate confirmation or other evidence that sufficient funds are on deposit in the Local Reimbursement Account (as defined below) or the Advance Accounts (as described in the Letter of Credit Agreement).

Expiry Date or Substitution

The Letter of Credit expires (the **"**Expiry Date") on the earliest of (i) September 20, 2007 (the "Initial Stated Expiry Date"); provided, however, that the Initial Stated Expiry Date will be deemed automatically extended (each such date a "Stated Expiry Date") for three successive 21-month periods and one successive 39-month period unless at least one year prior to the then current Stated Expiry Date, the Letter of Credit Issuer notifies the Letter of Credit Custodian in writing of the Letter of Credit Issuer's election to not extend the Letter of Credit on the then current Stated Expiry Date upon failure to receive Letter of Credit Fees (as defined below) or the occurrence and continuation of certain Letter of Credit Events of Default (as defined below) relating to the Bank's failure to make certain payments into the Local Reimbursement Account (as defined below) or the Advance Accounts (as described in the Letter of Credit Agreement) and/or the occurrence of certain events of default under the Notes or the Indenture; and provided, further, in no event will the Stated Expiry Date extend beyond March 20, 2016; (ii) the date on which the Letter of Credit is surrendered by the Letter of Credit Custodian to the Letter of Credit Issuer for cancellation pursuant to Section 2.6(c) of the Indenture together with the Letter of Credit Custodian's written consent to such cancellation; and (iii) the date on which all amounts available under the Letter of Credit have been fully drawn by the Letter of Credit Custodian.

The Bank may substitute all or a portion of the Letter of Credit held by the Letter of Credit Custodian for deposits in the Payment Account or replace the Letter of Credit with a replacement Letter of Credit; *provided*, *however*, that before the Letter of Credit may be so substituted or replaced (i) either (A) the Letter of Credit Custodian shall have received a notice from the Letter of Credit Issuer electing not to extend the Letter of Credit or (B) the Letter of Credit Issuer shall have demanded payment of additional amounts to cover increased costs or reduced returns due to a change in circumstances and all amounts due and payable in U.S. Dollars under the Letter of Credit Agreement shall have been paid in full in U.S. Dollars and (ii) in the case of a substitution of the Letter of Credit for deposits in the Payment Account, the Trustee shall have received a confirmation in writing from Moody's that such substitution will not result in a downgrading of the then current rating assigned to the Notes.

Governing law

The Letter of Credit will be governed by and construed in accordance with the International Standby Practices 1998 (ICC Publication No. 590) and, to the extent not inconsistent therewith, the laws of the State of New York, including, without limitation, Article 5 of the Uniform Commercial Code.

The Letter of Credit Agreement

As an inducement to establish the Letter of Credit, on the Issue Date the Bank will enter into a Letter of Credit Agreement with the Letter of Credit Issuer, Credit Suisse First Boston (Bahamas) Limited, as coordinating bank (the "Coordinating Bank") and Banco de Investimentos Credit Suisse First Boston S.A., as local bank and calculation agent (in such capacities, the "Calculation Agent" and the "Local Bank"). The Letter of Credit Agreement requires, among other things, that the Bank make certain representations and take certain actions relating to the Letter of Credit.

Local Payments

Prior to the delivery of a Drawing Certificate, the Bank must make a Local Payment (as defined below) in an amount equal to the Draw Amount (and any taxes that may be imposed on the Letter of Credit Issuer as a result of the payment of a Draw Amount or the related Local Payment) plus an amount to cover risks associated with the uncertain date of conversion of *Reais* into U.S. Dollars. Each Local Payment will be made without set off, counterclaim or other defense and will be fully earned and payable on the date which such Local Payment is deposited. The amounts on deposit in the Local Reimbursement Account, including, but not limited to, top-up amounts (discussed below) and Local Payments, will be used (i) to reimburse the Letter of Credit Issuer for payment of any amounts drawn under the Letter of Credit and (ii) to pay other amounts owed by the Bank to the Letter of Credit Issuer and the other parties to the Letter of Credit Agreement.

For so long as a Currency Inconvertibility/Non-Transfer Event has occurred and is continuing and until such time as all amounts due and payable to the Letter of Credit Issuer under the Letter of Credit Agreement (including any interest that has accrued on such amounts and has not been paid in U.S. Dollars) have been paid in full in U.S. Dollars, on a particular day of each week (each such date, a "Weekly Top-Up Date"), the Bank will deliver such additional amounts of *Reais*, if any, for deposit into the Local Reimbursement Account, such that, as of such Weekly Top-Up Date, the U.S. Dollar equivalent (using the reference rate of exchange set out in the Letter of Credit Agreement) of all *Reais* in the Local Reimbursement Account, will be, at a minimum, equal to the amount required to be paid by the Bank in U.S. Dollars plus an amount to cover risks associated with the uncertain date of conversion of *Reais* into U.S. Dollars.

Interest

The Bank must pay to the Letter of Credit Issuer, in U.S. Dollars, interest on Draw Amounts, Letter of Credit Fees, taxes and any other amounts due and unpaid under the Letter of Credit Agreement in U.S. Dollars (and interest that has accrued on such amounts). Such interest will accrue at a rate per annum equal to the alternate base rate set out in the Letter of Credit Agreement for such day, compounded quarterly, from the date when owed under the Letter of Credit Agreement (whether before or after judgment) until (but excluding the day) such amount is paid in full in U.S. Dollars.

Letter of Credit Fee

The Bank must pay to the Coordinating Bank, on or prior to the Closing Date, the Letter of Credit Fee with respect to the first three years of the Letter of Credit on the dates and in the amounts as set forth more fully in a Letter of Credit Fee Agreement (as defined below). Any Letter of Credit Fee, once paid, will be non-refundable, regardless of any drawing on the Letter of Credit prior to the Expiry Date. The Letter of Credit Issuer will provide the Letter of Credit Custodian with written notice of any failure to extend the Initial Stated Expiry Date or the Stated Expiry Date due to non-payment by the Bank of the applicable Letter of Credit Fee. For so long as a Currency Inconvertibility/Non-Transfer Event has occurred and is continuing, if a Letter of Credit Fee becomes due and payable in U.S. Dollars to the Coordinating Bank, payment of such Letter of Credit Fee may be made by deposit by the Bank of *Reais* with the Local Bank in an amount equal to the Letter of Credit Fee required to be paid by the Bank (and any taxes that may be imposed on the Letter of Credit Issuer as a result of the payment of the Letter of Credit Fee) plus an amount to cover risks associated with the uncertain date of conversion of *Reais* into U.S. Dollars (using the reference rate of exchange set out in the Letter of Credit Agreement), and the provisions described in the second paragraph under "—The Letter of Credit Agreement—Local Payments" above will apply, *mutatis mutandis*, to such delivery.

Representations and Warranties

The Bank must make certain representations and warranties regarding, among other things, its corporate existence, power and authority, the accuracy of information submitted to the Letter of Credit Issuer and the other parties to the Letter of Credit Agreement and the fact that the Bank has no knowledge of any existing restrictions in Brazil on convertibility or transfer of U.S. Dollars that would restrict the Bank from making interest payments on the Notes in U.S. Dollars from onshore sources within Brazil other than laws of general application requiring prior approval of the Central Bank of Brazil in order to make interest payments on the Notes, which the Bank has not obtained.

Events of Default

The occurrence of one or more of the following events shall constitute an event of default ("Letter of Credit Event of Default"):

- the Bank shall fail to deposit within four business days after the due date any and all amounts to be deposited on any Weekly Top-Up Date pursuant to certain provisions of the Letter of Credit Agreement;

- the occurrence of an event of default under the Notes or the Indenture;

- the Bank shall fail to observe or perform any covenant or agreement contained in the Letter of Credit Agreement (other than those covered by the first bullet point above) for 30 days after the earlier of (i) the date on which the Bank becomes aware of such failure and (ii) written notice thereof has been given to the Bank by the Coordinating Bank; and

- any material representation, warranty, certification or statement made by the Bank in the Letter of Credit Agreement, the information submitted to the Letter of Credit Issuer and the other parties to the Letter of Credit Agreement, the Indenture, the Notes or in any certificate, financial statement or other document delivered pursuant to the Letter of Credit Agreement proves to have been incorrect when made (or deemed made); provided that if such lack of correctness is capable of being remedied or cured within a 30-day period, the Bank will, subject to the other provisions described in this "—The Letter of Credit Agreement—Events of Default" have a period of 30 days after the earlier of (i) the date on which the Bank becomes aware of such failure and (ii) written notice thereof has been given to the Bank by the Coordinating Bank within which to remedy or cure such lack of correctness.

Upon the occurrence and continuance of a Letter of Credit Event of Default without cure, if applicable, the Letter of Credit Issuer or any other person specified by the Letter of Credit Issuer may at any time do either or both

of the following: (i) bring suit to enforce its rights under the Letter of Credit Agreement, including, but not limited to, specific performance of the Bank's obligations under the Letter of Agreement or (ii) by notice to the Bank, require the Bank to deposit with the Letter of Credit Issuer the outstanding amount then available for drawing under the Letter of Credit, and such letter of credit advanced amount will thereupon become immediately due and payable and will be paid, without presentment, demand, protest or other notice of any kind, all of which are waived by the Bank and thereafter to be held in accordance with the applicable provisions of the Letter of Credit Agreement (whether or not such Event of Default has been thereafter cured).

In addition, the Letter of Credit Issuer may elect to not extend the Letter of Credit on the then current Stated Expiry Date upon the Letter of Credit Events of Default described in the first two bullet points above as well as upon the failure of the Bank to pay the Letter of Credit Fee. See "—The Letter of Credit—Expiry Date or Substitution".

Governing law

The Letter of Credit Agreement will be governed by and construed in accordance with the laws of the State of New York.

Definitions

The following terms have the respective meanings set forth below:

"Currency Inconvertibility/Non-Transfer Event" means, collectively, any condition or event caused by (i) an act or measure or series of acts or measures taken, directed, authorized, ratified or approved by the Government of Brazil after the Issue Date that prevent the Bank from (A) directly or indirectly converting Reais to U.S. Dollars on a timely basis to pay the Scheduled Payment, and/or (B) transferring or remitting U.S. Dollars outside Brazil after conversion from Reais into U.S. Dollars on a timely basis to pay the Scheduled Payment, (ii) the failure of the Government of Brazil (or by entities authorized under the laws of Brazil to operate in the foreign exchange markets) to effect the conversion and/or transfer or remittance described in (i) above in accordance with the terms of the Indenture and the Notes and such failure results from a policy, law, or regulation which was not in effect on the Issue Date or (iii) expropriation, confiscation, nationalization, discriminatory legislative actions or other governmental measures taken by the Government of Brazil which have the effect of depriving the Bank of the use or control of U.S. Dollars in connection with its obligations under the Indenture. For the avoidance of doubt, a "Currency Inconvertibility/Non-Transfer Event" shall be deemed to have occurred (a) without regard to whether the Bank may be able to make Scheduled Payments in U.S. Dollars from offshore sources outside of Brazil and (b) if caused by reason of the inability of the Bank to obtain approval from the Central Bank necessary to convert Reais into U.S. Dollars or to transfer or remit U.S. Dollars outside of Brazil in order to make payments on the Notes.

"Government of Brazil" means any regulatory, administrative or other legal body, any court, tribunal or authority or any public legal entity or public agency of Brazil whether created by federal, state or local government, or any other legal entity now existing or hereafter created, or now or hereafter controlled, directly or indirectly, by any public legal entity or public agency of any of the foregoing.

"Letter of Credit Fee" means, with respect to a particular period of time, the fee payable by the Bank to the Coordinating Bank, as set forth in the Letter of Credit Fee Agreement.

"Letter of Credit Fee Agreement" means the separate side letter agreement between the Bank and the Letter of Credit Issuer with respect to the fee payable by the Bank to the Coordinating Bank.

"Local Payment" means a payment in *Reais* made by the Bank to the Letter of Credit Issuer by deposit into the Local Reimbursement Account, or to the account of any other Person that the Letter of Credit Issuer shall specify in a notice to the Bank.

"Local Reimbursement Account" means the bank account in Brazil at the Local Bank (i) in the name of the Letter of Credit Issuer or any other person specified by the Letter of Credit Issuer, (ii) held by the Local Bank for the

benefit of the Letter of Credit Issuer or any other person specified by Letter of Credit Issuer pursuant to the terms of the Letter of Credit Agreement, and (iii) under the sole and exclusive dominion and control of the Letter of Credit Issuer or any other person specified by the Letter of Credit Issuer.

"Permitted Local Investments" means any investment in (i) Brazilian government bonds (denominated in the *Reais* or U.S. Dollars) or (ii) any CDB (*Certificado de Deposito Bancario*) issued by any Brazilian bank; provided that, in respect of clause (ii), the credit risk of the issuer of such CDB, as determined by the Coordinating Bank in its sole and absolute discretion, is equal to or better than the credit risk of the Bank.

"Scheduled Payment" means one or more payments of accrued semi-annual interest payments on the Notes (together with Additional Amounts and Additional Interest Amounts, if any) and the amount of Trustee fees payable under the Indenture (excluding expenses). Scheduled Payments shall include interest payable on accrued semi-annual interest payments which is paid after an interest payment date but during a Grace Period (as such term is defined in the Indenture).

"Temporary Cash Investment" means any investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A 1 by S&P and P 1 by Moody's, or (iii) time deposits with, including certificates of deposit issued by, any office of any bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least U.S.$1,000,000,000 and is rated at least A-1 by S&P and P-1 by Moody's; provided that (i) each such investment matures within 30 days after it is acquired by the Letter of Credit Issuer and (ii) in order to provide the Letter of Credit Issuer with a perfected security interest therein, each such investment shall be either:

(a) evidenced by negotiable certificates or instruments, or if non negotiable then issued in the name of the Letter of Credit Issuer, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Letter of Credit Issuer or an agent thereof (which shall not be the Bank or any of its subsidiaries) in the State of New York; or

(b) in book entry form and issued by the United States and subject to pledge under applicable state law and Treasury regulations and as to which (in the opinion of counsel to the Letter of Credit Issuer) appropriate measures shall have been taken for the perfection of such security interest.

TAXATION

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a nonresident 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.

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 from the Grand Cayman Branch

Interest, fees, commissions, expenses, and any other income payable by the Grand Cayman Branch in respect of Notes are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil. Any payments of interest or other amounts made by an entity abroad through a draw under the Letter of Credit will not be subject to Brazilian withholding income tax or other taxes.

Since the Notes will be issued through the Grand Cayman Branch and since payments of interest, fees, commissions and expenses are going to be made through the Grand Cayman Branch, Brazilian withholding income tax and other taxes are not applicable.

Gains on the sale or other disposition of the Notes made outside Brazil by a nonresident, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident are not subject to Brazilian taxes either.

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 tax 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 makes payments of interest, fees, commissions, expenses, and any other income in respect of the Notes directly from Brazil, such payments will be generally subject to income tax withholding at source at the rate of 15%, or such other lower rate as may be provided for in any applicable tax treaty between Brazil and another country. If the recipient of such payments is located in a tax haven jurisdiction, as defined in Brazilian tax regulations, and on the average amortization term of the Notes, the applicable withholding tax rate may be 25%. In the event Brazilian income tax withholding or deduction is applicable to such payment, the Bank will pay such additional amounts necessary to ensure that the Noteholders receive the same amount as they would have received without such withholding or deduction. See “Description of the Notes—Additional Amounts”.

Notwithstanding this fact, it is possible that such income tax withheld at source may be tax creditable in the country where the recipient is domiciled, according to the applicable tax regulations of such country.

United States Tax Considerations

The following summary of certain U.S. federal income tax considerations to U.S. Holders and Non U.S. Holders (both as defined below) of the purchase, ownership, and disposition of Notes issued by the Bank deals only with the treatment of Holders who are original purchasers of such Notes at the issue price and who hold such Notes as capital assets (generally, assets held for investment). This summary is not a complete listing of all possible U.S. federal income tax consequences of an investment in Notes. In particular, this summary does not deal with persons in special tax situations, such as financial institutions, insurance companies, tax-exempt investors, regulated investment companies, investors liable for the alternative minimum tax, certain U.S. expatriates, investors whose functional currency is not the U.S. Dollar, dealers in securities or currencies, securities traders that elect market-to-market accounting treatment, persons that own (directly, indirectly or constructively) 10% or more of the stock, by vote or value, of the Bank, or persons holding such Notes as a hedge against currency risk, as part of an integrated transaction or "conversion transaction" or as a position in a "straddle" for U.S. tax purposes. Persons considering the purchase of Notes should consult their own tax advisors concerning any application of U.S. federal income tax laws to their particular situation, as well as any consequences arising under the laws of any other state, local or foreign taxing jurisdiction. The information set out in this section is based on U.S. tax laws in effect as of the date of this Offering Circular, which are subject to change, potentially retroactively.

U.S. Holders

This subsection describes the tax consequences of a United States Holder (a "U.S. Holder"). A U.S. Holder is defined as a beneficial owner of a Note who is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) an entity treated as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, (iv) a trust, if a United States court can exercise primary supervision over the trust's administration and one or more United States persons (as defined in the Internal Revenue Code of 1986, as amended) are authorized to control all substantial decisions of the trust, or (v) a partnership to the extent interests therein are held by persons described in (i) through (iv). A Non U.S. Holder is defined as a beneficial owner of a Note who is not a U.S. Holder.

Characterization of the Notes

The Bank intends to take the position that the Notes are debt of the Bank for U.S. federal income tax purposes. However, as a result of (1) the level of subordination of the Notes, (2) potential deferral of payments of interest and principal if the Bank is not in compliance with Risk-Based Capital Requirements or the payments would cause the Bank to no longer be in compliance with Risk-Based Capital Requirements and (3) potential deferral of payments of principal if the Bank has insufficient U.S. Dollars outside Brazil to make payments and is restricted in its ability to use U.S. Dollars inside Brazil or to convert *Reais* into U.S. Dollars, there is a substantial possibility that the Notes could be treated as equity of the Bank for U.S. federal income tax purposes. U.S. Holders should note that no rulings have been or will be sought from the IRS with respect to the classification of the Notes, and no assurance can be given that the IRS or courts will not treat the Notes as equity of the Bank. Prospective investors should consult their tax advisers regarding the classification of the Notes for these purposes.

Treatment As Debt of the Bank

Assuming the Notes are treated as debt of the Bank for U.S. federal income tax purposes, payments on the Notes will be treated in the manner described below.

Interest

Interest on a Note (and Additional Amounts, if any) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for U.S. federal income tax purposes. There are special rules governing the treatment of interest paid with respect to Notes having original issue discount ("OID"). It is not anticipated that the Notes will be issued with OID. However, if there is more than a remote likelihood that the Bank will defer interest payments on the Notes due to non-compliance with Risk-Based

Capital Requirements, the Notes will be issued with OID that is not *de minimis*. The Bank believes that the likelihood of interest being deferred is, for this purpose, remote and thus that the Notes should not be treated as having been issued with OID that is not *de minimis*. A U.S. Holder who must include OID in income is required to do so on a constant yield to maturity basis, whether or not a cash payment is received on any payment date. If the Bank were to defer an interest payment on the Notes, the U.S. Holder would be required to accrue OID on such Notes using this method. Interest or OID, plus any Additional Amounts with respect thereto, paid by the Bank on the Notes will generally constitute income from sources outside the United States.

Effect of Withholding Taxes

Payments are expected to be made out of the Cayman Islands, which would not impose withholding tax on such payments. However, if payments are made out of Brazil, as discussed in "Taxation—Brazil", under current law such payments of interest or OID by the Bank will be subject to Brazilian withholding taxes. Under the terms and conditions of the Notes, the Bank is required to gross up for any Brazilian withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Brazilian taxes withheld by the Bank and as then having paid over the withheld taxes to the Brazilian 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 or OID, 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 Brazilian income taxes withheld by the Bank. For purposes of the foreign tax credit limitation, income is categorized into several "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to foreign source income in that basket. Interest or OID on the Notes generally will constitute foreign source income in the "high withholding tax interest" basket so long as the Notes are subject to Brazilian withholding tax at a rate of 5% or higher. Interest or OID on the Notes not subject to Brazilian withholding at such rates, including payments made out of the Cayman Islands, will constitute foreign source income in the "passive income" basket. Prospective investors should consult their tax advisers concerning the foreign tax credit implications of the payment of these Brazilian taxes.

Purchase, Sale, Exchange and Retirement of Notes

A U.S. Holder's tax basis in the Notes will generally be its U.S. Dollar cost. A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on such sale or retirement and the U.S. Holder's tax basis in the Note. Except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss. Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realized by U.S. Holders on the sale or retirement of a Note generally will be U.S. source.

Treatment As Equity of the Bank

If the Notes are treated as equity of the Bank, payments on the Notes will be treated in the manner described below.

Interest

General. If the Notes are treated as equity of the Bank, payments of interest will be treated as distributions paid with respect to shares of the Bank's stock. Subject to the PFIC rules discussed below, distributions paid by the Bank out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Brazilian withholding tax paid by the Bank with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Notes and thereafter as capital gain.

Effect of Brazilian Withholding Taxes. As discussed in "Taxation—Brazil", under current law payments of interest by the Bank, if made from Brazil, will be subject to Brazilian withholding taxes. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Brazilian taxes withheld by the Bank, and as then having paid over the withheld taxes to the Brazilian 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 treated as dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

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 Brazilian income taxes withheld by the Bank. Dividends paid by the Bank generally will constitute foreign source income in the "passive income" basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on an interest payment classified as a dividend if the U.S. Holder has not held the Notes for at least 60 days in the 120-day period beginning 60 days before the next dividend date.

Sale or other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of Notes, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Notes. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Any gain or loss will generally be U.S. source.

See "Passive Foreign Investment Company Considerations" below for a discussion of more adverse rules that will apply to a sale or other disposition of Notes if the Bank is or becomes a PFIC for U.S. federal income tax purposes.

Passive Foreign Investment Company Considerations

A foreign corporation will be a passive foreign investment company (a "PFIC") in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look-through rules", either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Although interest income is generally passive income, a special rule allows "active" banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. Under current law, it is possible that the Bank would not meet these requirements. However, Treasury regulations have been proposed, under which it is likely that the Bank would qualify as an "active bank" for these purposes. Although these regulations will have a retroactive effective date, there can be no assurance that they will be issued in any particular final form. The Bank possible status as a PFIC must be determined annually, and may be subject to change if the Bank fails to qualify under this special rule for any year in which a U.S. Holder holds Notes, or if certain of the Bank's subsidiaries were to account for materially greater percentages of the Bank's overall earnings and assets. If the Bank were to be treated as a PFIC in any year, U.S. Holders of Notes would be required (i) to pay a special U.S. addition to tax on certain excess distributions (generally, any distributions received by the U.S. Holder on the Notes in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or if shorter, the U.S. Holder's holding period for the Notes) and gains on sale and (ii) to pay tax on any gain from the sale of Notes at the highest ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. The Bank does not presently intend to comply with the reporting requirements necessary for a U.S. Holder to make a qualified electing fund, or QEF election. Prospective investors should consult their tax advisers regarding the potential application of the PFIC regime.

Subject to the discussion of backup withholding below, a Non U.S. Holder will not be subject to U.S. federal income tax on any gain realized on the sale or exchange of a Note, provided that such gain is not effectively connected with the conduct by the holder of a U.S. trade or business and, in the case of a Non U.S. Holder who is an individual, such holder is not present in the U.S. for a total of 183 days or more during the taxable year in which

such gain is realized and certain other conditions are met. The Notes will be deemed to be situated outside the U.S. for purposes of U.S. federal estate tax and will not be includible in the gross estate for purposes of such tax in the case of a nonresident of the U.S. who is not a citizen of the U.S. at time of death.

Backup Withholding and Information Reporting

Payments of principal of and interest on, and the proceeds of sale or other disposition of Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number on Internal Revenue Service Form W-9 or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Payments of principal and interest by a U.S. paying agent or U.S. intermediary to a holder of a Note that is not a U.S. Holder will not be subject to backup withholding tax and information reporting requirements if appropriate certification (Form W-8BEN or some other appropriate form) is provided by the holder to the payor and the payor does not have actual knowledge that the certificate is false. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to the qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Cayman Islands Tax Considerations

The following is a general discussion of certain tax considerations for prospective investors in the Notes. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, and it is not intended as tax advice.

PROSPECTIVE INVESTORS SHOULD CONSULT 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 Bank

Under current law, the Bank is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

The Grand Cayman Branch was established in January 1982, registered under Part IX of the Companies Law of the Cayman Islands and granted a Class B banking license to operate in the Cayman Islands under the Banks and Trust Companies Law (See "Description of Banco do Brasil's Grand Cayman Branch").

Taxation to the Noteholders

No Cayman Islands withholding tax applies to distributions by the Bank in respect of the Notes. In addition, any payments of interest or other amounts made through a draw under the Letter of Credit will not be subject to Cayman Islands withholding tax. Noteholders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Notes.

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.

Proposed European Union Directive on the Taxation of Savings

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from January 1, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each

Member State will be 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 an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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.

UNITED STATES ERISA AND CERTAIN OTHER CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes 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. By its purchase of any Notes, the purchaser thereof will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, State or local law, or foreign law) as a result of the applicability to such purchase and holding of a prohibited transaction class exemption issued by the U.S. Department of Labor. Similarly, each transferee of any Notes, by virtue of the transfer of such Notes to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, State or local law, or foreign law) as a result of the applicability to such purchase and holding of a prohibited transaction class exemption issued by the U.S. Department of Labor.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to State or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

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 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 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 September 20, 2004 (the "Purchase Agreement"), among the Bank and the Initial Purchasers, the Bank has agreed with the Initial Purchasers, for whom Credit Suisse First Boston LLC is acting as representative, the following respective principal amounts of the Notes.

Initial Purchasers	Principal Amount
Credit Suisse First Boston LLC	U.S.$200,000,000
BB Securities Ltd.	U.S.$100,000,000
Total	U.S.$300,000,000

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 its 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. 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 Circular 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.

The Notes have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions".

The Purchase Agreement provides that the Initial Purchasers will resell the Notes initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non U.S. Persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The Initial Purchasers have agreed that, except as permitted by the Purchase Agreement, they will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the Notes, other than in accordance with Rule 903 of Regulation S, Rule 144A or another applicable exemption from the registration requirements of the Securities Act, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Notes within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Initial Purchasers have represented and agreed in the Purchase Agreement that:

- they have not offered or sold and, prior to the expiry of a period of six months from the date of issue of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by them in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Bank; and

- they have 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.

The Initial Purchasers have also represented and agreed that they have not offered or sold, and will not offer or sell, any Notes in Brazil, except in compliance with applicable Brazilian laws. The Notes have not been and will not be registered with the CVM. 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.

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 Circular 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.

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 Circular.

Prior to this offering, there has been no established market for the Notes. In addition, 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, no assurance can be given as to the liquidity of, or the development or continuation of trading markets for, the Notes.

Credit Suisse First Boston LLC will make securities available for distribution on the Internet through a proprietary website and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between Credit Suisse First Boston LLC and its customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from Credit Suisse First Boston LLC based on transactions the underwriter conducts through the system. Credit Suisse First Boston LLC will make securities available to its customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

- Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Bank has agreed that it will not, without the prior consent of the Initial Purchasers, directly or indirectly, offer, sell, contract to sell, grant an option to purchase or otherwise dispose of, or announce the offering of, any U.S. Dollar-denominated subordinated debt securities (other than the Notes), or any securities that are convertible into, or exchangeable for, the Notes or such other subordinated debt securities in the international debt markets during the period commencing on the date of this Offering Circular and ending on the earlier of (i) September 30, 2004 or (ii) 30 days after the date of this Offering Circular.

The Initial Purchasers 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.

TRANSFER RESTRICTIONS

The Notes have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States", "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Bank and the Initial Purchasers as follows:

1. It is:

   - a qualified institutional buyer, is aware that the sale of the Notes to it is being made in reliance on Rule 144A and is acquiring the Notes for its own account or for the account of a qualified institutional buyer; or

   - not a U.S. person and is purchasing the Notes outside the United States in compliance with Regulation S.

2. It understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been, and will not be, registered under the Securities Act.

3. If it is acquiring the Notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer Notes prior to the date that is two years after the later of the original issue date of the Notes and the last date on which the Bank or any of its affiliates was the owner of that Note (or any predecessor of that Note) except:

   - to the Bank;

   - inside the United States to a qualified institutional buyer in compliance with Rule 144A;

   - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;

   - in a transaction complying with Rule 144 under the Securities Act (if available); or

   - pursuant to an effective registration statement under the Securities Act,

   in each case in accordance with any applicable securities laws of any State of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those Notes from it of the resale restrictions referred to above.

4. If it is acquiring the Notes in a sale being made in reliance upon Rule 144A, it understands that the Notes will, until two years after the later of the original issue date of the Notes and the last date on which the Bank or any of its affiliates was the owner of that Note (or any predecessor of that Note), unless otherwise agreed by the Bank and the Noteholder, bear a legend substantially to the following effect:

   "**This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned,**

transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof (1) represents that it is a "**qualified institutional buyer**" **(as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, prior to the date (the** "**resale restriction termination date**") **which is two years after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of such security), only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a** "**qualified institutional buyer**"**, that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than U.S.$100,000, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date**".

5. If it is acquiring the Notes in a sale being made in reliance upon Regulation S, it understands that the Notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"**This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the** "**Securities Act**"**), or the securities laws of any State or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act (**"**Rule 144A**"**), to a person it reasonably believes is a** "**qualified institutional buyer**" **as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the securities are offered to persons other than distributors (as defined in Regulation S) and (b) the date of the closing of the original offering. As used herein, the terms** "**offshore transaction**"**,** "**United States**" **and** "**U.S. person**" **have the meanings given to them by Regulation S under the Securities Act.**

6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the Notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(o) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

7. It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Bank and the Trustee that the restrictions set forth herein have been complied with.

8. It acknowledges that the Bank and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Bank and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

9. It will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, State or local law, or foreign law) as a result of the applicability to such purchase and holding of a prohibited transaction class exemption issued by the U.S. Department of Labor. Similarly, each transferee of any Notes, by virtue of the transfer of such Notes to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, State or local law, or foreign law) as a result of the applicability to such purchase and holding of a prohibited transaction class exemption issued by the U.S. Department of Labor.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND U.S. GAAP

The financial statements of Banco do Brasil as of and for the years ended December 31, 2001, 2002 and 2003 included in this Offering Circular have been prepared in accordance with the accounting principles established by Brazilian Corporate Legislation as amended by accounting standards established by the Central Bank (referred to as "Accounting Practices Adopted in Brazil" or *práticas contábeis adotadas no Brasil*). The financial statements of the Bank as of and for the six-month periods ended June 30, 2004 and 2003 and as of and for the nine-month periods ended September 30, 2004 and 2003 included in this Offering Circular have been prepared in accordance with Accounting Practices Adopted in Brazil.

For periods before June 30, 2002, the accounting criteria established by the Central Bank are in all relevant matters consistent with those accounting principles determined by Brazilian Corporate Legislation. For periods as from June 30, 2002, the only relevant difference between the two bodies of accounting principles is the criteria to account for securities and derivative financial instruments. Therefore, Banco do Brasil has modified its basis of presentation as indicated above considering that effective June 30, 2002, the Central Bank has requested banks subject to its regulation, including Banco do Brasil, to adopt accounting practices to value securities and derivative financial instruments which are different from the accounting principles established by Brazilian Corporate Legislation. Such newly adopted practices have been developed based on principles found in internationally recognized accounting principles. As a result, financial information for periods ended as of and after June 30, 2002 are not comparable to financial information for periods prior to such date.

For purposes of this Offering Circular, the term "Accounting Practices Adopted in Brazil" encompasses the accounting principles determined by Brazilian Corporate Legislation used for periods prior to June 30, 2002 and, for periods ending as of and after June 30, 2002, also the specific accounting standards established by the Central Bank.

Accounting Practices Adopted in Brazil differ from generally accepted accounting principles in the United States ("U.S. GAAP") and U.S. Securities and Exchange Commission guidelines applicable to banking institutions. There are significant differences between Accounting Practices Adopted in Brazil and U.S. GAAP. Accounting Practices Adopted in Brazil are stated more generally than U.S. GAAP and the body of pronouncements in which Accounting Practices Adopted in Brazil are set forth is less comprehensive than in the case of U.S. GAAP. No reconciliation to U.S. GAAP of any of the financial statements presented in this Offering Circular has been prepared for the purposes of this Offering Circular or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between the financial statements of Banco do Brasil as prepared on the basis of Accounting Practices Adopted in Brazil and such financial statements as prepared on the basis of U.S. GAAP.

The audited financial information included in this Offering Circular is prepared and presented in accordance with the Accounting Practices Adopted in Brazil. Significant differences exist between the Accounting Practices Adopted in Brazil and U.S. GAAP which might be material to the financial information herein. The Bank has made no attempt to quantify the impact of those differences. In making an investment decision, prospective investors must rely upon their own examination of the Bank, the terms of the offering and the financial information.

Restatement of Financial Statements

Due to the highly inflationary conditions which have prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimize the impact of the distortions in financial statements caused by inflation. However, as from January 1, 1996 no inflation accounting adjustments are permitted for financial statements prepared under Accounting Practices Adopted in Brazil.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, a methodology is prescribed by Accounting Principles Board Statement ("APB") No. 3, "Financial Statements restated for General Price-Level Changes" for companies operating in hyper-inflationary environments in which inflation has exceeded 100% over the last three years and which report in local currency. As from a date

between July 1, 1997 and January 1, 1998, the Brazilian economy is no longer highly-inflationary as the increase in the general price index was less than 100% over the previous three years.

Foreign Currency Translation

Under Accounting Practices Adopted in Brazil, the financial statements of subsidiaries operating in non-highly inflationary currency environments are translated using the current exchange rate. Financial statements of entities operating in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken into the income statement.

Under U.S. GAAP, Statement of Financial Account Standards ("SFAS") No. 52 requires two different translation methodologies depending on whether the functional currency of the subsidiary is the reporting currency. For subsidiaries operating in highly inflationary environments (a cumulative inflation rate of approximately 100% or more over a three-year period) the reporting currency is considered to be the functional currency. When the functional currency of the subsidiary is the local currency, the translation of local currency financial statements into the reporting currency should be made using the current exchange rate for all assets and liabilities. Revenue and expenses should be translated at historical exchange rates. Translation gains and losses are reported as a separate component of shareholders' equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gains and losses should be reported in income.

Equity Method of Accounting

Under the equity method of accounting, a company is required to record an original investment in the equity of another entity at cost which is thereafter periodically adjusted to recognize the investor's share of the investee's earnings, losses and dividend payments after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments in its subsidiaries on its stand-alone financial statements (companies that are controlled by the parent company) and in its affiliates on its consolidated financial statements (companies in which the parent company owns at least 10% of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20% or more of the voting capital, if the aggregate book value of all such investments is equal to or greater than 15% of the net worth of the parent company or if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10% of the net worth of the parent company. In the case of financial institutions, investments in subsidiaries are required by the Central Bank to be recorded using the equity method of accounting regardless of their significance. The foreign exchange variation resulting from investments in subsidiaries abroad is required by the Central Bank to be recorded as a gain or loss on equity investments in the income statement. Accounting Practices Adopted in Brazil establish certain factors that are indicative of the fact that the company exerts significant influence.

Under U.S. GAAP, the equity method of accounting is applicable to those investments (i) in which the parent company's participation through common voting shares is greater than 20% and less than 50% and where the parent company does not have control or (ii) in which the parent company's participation through common voting shares is less than 20% but the parent company exerts significant influence. The equity method of accounting is not an appropriate substitute for consolidation and, where consolidated financial statements are required, non-consolidated financial statements are not reported.

Consolidation and Proportional Consolidation

Under Accounting Practices Adopted in Brazil, as per CVM Instruction No. 247 of March 27, 1996, as amended by CVM Instructions Nos. 269/97 and 25/98 for fiscal years ending after December 1, 1996, inclusive, financial statements should consolidate the following entities: (a) entities in which the company has voting rights that provide it with the ability to have the majority on corporate decisions and to elect the majority of the members of both the Administrative Council and the Board, (b) overseas branches, and (c) companies under common control or controlled by stockholders' agreements irrespective of the participation in voting stock. Joint ventures, (including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. There

are no specific pronouncements addressing criteria for consolidation of variable interest entities such as, among others, special purpose entities.

Under U.S. GAAP, the usual condition for consolidation is ownership of a majority voting interest, and, therefore, as a general rule, ownership by one company, directly or indirectly, of over 50% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting.

Consolidation of Variable Interest Entities

Under Accounting Practices Adopted in Brazil, there are no specific pronouncements in relation to consolidation of special purpose companies ("SPCs").

Under U.S. GAAP, an SPC was required to be consolidated when it did not meet the criteria for a Qualifying Special Purpose Entity, as defined in Statement of Financial Accounting Standard ("SFAS") No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and in accordance with Emerging Issue Task Force Topic D-14 "Transactions Involving Special Purpose Entities." General factors to be considered in making this determination included whether the majority owner (or owners) of the SPC was (were) independent, had made a substantive capital investment in the SPC, had control of the SPC, or possessed the substantive risks and rewards of ownership of the SPC. In response to demands to strengthen existing accounting guidance regarding the consolidation of SPCs and other off-balance sheet entities, in January 2003 the Financial Accounting Standards Board ("FASB") issued interpretation 46 "Consolidation of Variable Interest Entities, an interpretation of ARB 51" which provided a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in consolidated financial statements.

FIN 46 was effective immediately for VIEs created after January 31, 2003 and to VIEs in which an enterprise obtained a variable interest after that date. For variable interests in VIE created before February 1, 2003, FIN 46 applied to public enterprises no later than the beginning of the first interim or annual period beginning after June 15, 2003. On October 9, 2003 the FASB decided to defer the implementation date of FIN 46 to the fourth quarter instead of the third quarter. Pursuant to this deferral, public companies in the United States of America must complete their evaluations of variable interest entities that existed prior to February 1, 2003, and the consolidation of those for which they are the primary beneficiary for financial statements issued for the first period ending after December 15, 2003. For calendar year companies, consolidation of previously existing variable interest entities will be required in their December 31, 2003 financial statements. This deferral does not affect the implementation date for many foreign private issuers, which continues to be the beginning of the first annual period ending after December 15, 2003.

In December 2003 FIN 46 was substantially revised and a new interpretation FIN 46 (revised) was issued. The key differences between FIN 46 (revised) and its predecessor FIN 46 include:

· FIN 46R now scopes out many but not all businesses, as that term is defined in the interpretation. A business, assuming it is scoped out of FIN 46R, should be consolidated with its accounting parent (if it has one) only when required by longstanding, conventional consolidation guidance.

· FASB partially delayed the effective date of FIN 46R (for most public companies until no later than the end of the first reporting period ending after March 15, 2004). The delay notwithstanding, public companies must apply either FIN 46 or FIN 46R to special-purpose entities (SPEs) no later than the end of the first reporting period ending after December 15, 2003. For many foreign private issuers the effective date continues to be the beginning of the first annual period ending after December 15, 2003. For SPEs created by foreign private issuers after February 1, 2003, however, the effective date is no later than the end of the first reporting period ending after December 15, 2003.

· FIN 46R improves the definition of a variable interest and provides a more understandable illustration than those originally provided in FIN 46.

Business Combinations, Purchase Accounting and Goodwill

Under Accounting Practices Adopted in Brazil, business combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is generally based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under U.S. GAAP, in accordance with APB No. 16 "Business Combinations", applicable for business combinations until June 30, 2001, business combinations were accounted for as either purchases or pooling of interests. However, these two methods were not alternatives for the same transaction and distinctive conditions had to be met to require pooling of interests. All other business combinations were treated as the acquisition of one company by another and accounted for by the purchase method. During June 2001, the FASB issued SFAS No. 141 "Business Combinations" which amends APB No. 16 and which requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method – the purchase method.

Under both APB No. 16 and SFAS No. 141, the acquiring company records identifiable assets and liabilities acquired at their fair values. Under APB No. 16, after the assets and liabilities of the acquired companies were adjusted to their fair values at the acquisition date, if the purchase price exceeded the amount of such fair value, the excess was recorded as goodwill in the books of the acquiring company and amortized over the period of benefit, not to exceed forty years. Under SFAS No. 141, more detailed guidelines have been provided as to the recognition of "intangible assets" (as defined in the SFAS). Also, under SFAS No. 141 and SFAS No. 142, "Goodwill and Other Intangible Assets" goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill will be evaluated for impairment annually, and in the case of impairment its recorded value will be adjusted accordingly. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under APB No. 16, the excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, was initially used to reduce noncurrent assets to zero, and any remaining balance was considered a deferred credit and amortized over the estimated period of benefit, not to exceed forty years. Under SFAS No. 141 negative goodwill will be recognized as an extraordinary gain in the statement of operations.

SFAS No. 147, "Acquisitions of Certain Financial Institutions" has been issued and amends SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Under the new standard, which is effective for acquisitions for which the date of acquisition is on or after October 1, 2002, the requirement in paragraph 5 of SFAS No. 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset is no longer within the scope of SFAS No. 72. Such transactions are now required to be accounted for in accordance with SFAS No. 141 and SFAS No. 142. In addition, SFAS No. 72 amends SFAS No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Those intangible assets are now subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used.

Marketable Debt and Equity Securities

Under Accounting Practices Adopted in Brazil until June 30, 2002, marketable debt and equity securities were generally stated at the lower of cost or market value. Gains were recognized in earnings when realized. Additionally, certain specific investments, such as mutual funds investments, were carried at market.

In November 2001 the Central Bank issued a new regulation relating to the classification and valuation of securities in general – Circular 3,068 which was effective on June 30, 2002. This new regulation establishes the criteria by which securities are classified based on the investment strategy of the financial institution as either

trading securities, available-for-sale or held-to-maturity and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available-for-sale securities it is directly in stockholders' equity. The rules to account for securities under Circular 3,068 are stated more generally and are less comprehensive than the standards to account for securities under U.S. GAAP.

Under U.S. GAAP, in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities", for enterprises in industries not having specialized accounting practices, marketable securities are carried at (i) amortized cost (debt securities held to maturity), (ii) at market value with gains and losses reflected in income (debt and equity securities classified as trading account securities), and (iii) at market value with gains and losses reflected in equity (debt and equity securities classified as available for sale).

Comprehensive Income

Accounting Practices Adopted in Brazil do not recognize the concept of comprehensive income.

Under U.S. GAAP, SFAS No. 130 "Reporting Comprehensive Income", effective for years beginning after December 15, 1997, requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "other comprehensive income" that includes charges or credits directly to equity which are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments under SFAS No. 52, unrealized gains and losses under SFAS No. 115, and the effects of cash flow hedge accounting under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities".

Financial Derivative Instruments

Under Accounting Practices Adopted in Brazil, until June 30, 2002, the notional amount of financial derivative instruments were generally recorded in memorandum accounts and not readjusted to market value. The outstanding receivable and payable or premium and discount associated with the financial derivative instruments were included in the financial statements. The "hedge accounting" concept generally does not exist for Accounting Practices Adopted in Brazil purposes.

For periods from June 30, 2002, the accounting principles prescribed by the Corporation Law Method specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions. According to the accounting principles established by the Central Bank, derivative financial instruments are classified based on management's intention to use them for hedging or non-hedging purposes.

- Transactions involving derivative financial instruments to meet customer needs or for own purpose that did not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the global exposure are accounted for at fair value with unrealized gains and losses recognized currently in earnings.
- Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

Fair value hedge

The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and

Cash flow hedge

The effective hedge portion of financial assets and liabilities is accounted for at fair value and unrealized gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes. The non-effective hedge portion is recognized currently in earnings.

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Such Statement requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- a hedge of the exposure to variable cash flows of a forecasted transaction;
- a hedge of the foreign currency exposure of a net investment in a foreign operation;
- an unrecognized firm commitment;
- an available-for-sale security; or
- a foreign-currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge was terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

In April 2003, FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. This standard is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003.

Transfer of Financial Assets

No specific pronouncement addresses the accounting for transfers of financial assets under Accounting Practices Adopted in Brazil.

Under U.S. GAAP, SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" provides a consistent application of a financial-components approach that focuses on control to account for transfers of financial assets. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished. SFAS No. 140 provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings from an accounting perspective.

A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration is received in exchange. Under SFAS No. 140, it is considered that the transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- The transferred assets have been isolated from the transferor—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.
- Each transferee (or, if the transferee is a qualifying special-purpose entity ("SPE"), each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entities and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Under SFAS No. 140, liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets are initially measured at fair value. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer.

Accounting for Guarantees by a Guarantor

Under Accounting Practices Adopted in Brazil, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" is effective for guarantees issued or modified after December 31, 2002. FIN No. 45 requires that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required under FIN No. 45.

Loan Accounting and Disclosure

Under Accounting Practices Adopted in Brazil, loans are generally carried at cost. Up to March 31, 2000, when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time in arrears. As from March 31, 2000, loans should be categorized in eight categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by Resolution No. 2,682 of the Central Bank, which requires periodic analysis of the portfolio and its classification, by risk level, in 8 categories between AA (minimum risk) and H (maximum risk - loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independently of their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for six months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for doubtful accounts and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged-off are recognized as revenue on a cash basis.

Under U.S. GAAP, loan accounting and footnote disclosure are more complex as loans may be carried at cost, market value or present or future cash flow, and are governed by various accounting standards, including SFAS No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings", SFAS No. 65 "Accounting for Certain Mortgage Banking Activities", SFAS No. 114 "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118 "Accounting by Creditor for Impairment of a Loan—Income Recognition and Disclosures".

Specific allowances identified for individual loans or pools of loans governed by such pronouncements are supplemented by an amount which covers inherent loan losses not specifically provided for. The amount of inherent loan losses not specifically provided for can be based upon historical charge-off experience, mix of loans and other factors.

Leasing Operations

Banco do Brasil's leasing operations are recorded on the basis of accounting principles prescribed by the Central Bank. Leased assets are recorded at cost and adjusted for inflation, less depreciation calculated on the straight-line method over 70% of the assets' useful lives. Gains on sale of leased assets are recognized as income in the year in which the purchase options relating to such assets are exercised. Losses on sales of leased assets are deferred and amortized over the remaining useful lives of the assets, at rates determined by applicable tax legislation. Central Bank regulations require that an adjustment be made to the book value of the leasing portfolio corresponding to present value, utilizing the internal rate of return of each contract. The amount of the adjustment is recorded as an excess/insufficiency of depreciation in the property for lease balance sheet account and credited/charged to other operating income/expenses. Lease financing receivables are recorded at initial contract amounts and adjusted for inflation in conformity with the criteria and indices established by each contract. Corresponding adjustments to unearned lease income are amortized to income over the life of respective contracts.

Under U.S. GAAP, in the case of capital leases, gross lease receivables are reported at the principal amount outstanding plus lease income receivable and guaranteed residual value. Unearned lease income is shown separately as a deduction from the gross lease receivables.

Accrued Interest and Indexation Adjustments

Under Accounting Practices Adopted in Brazil accrued interest and indexation adjustments are presented with the principal amounts.

Under U.S. GAAP accrued interest and indexation adjustments would be separately recorded.

Recoveries of Loans Previously Charged-off

Under Accounting Practices Adopted in Brazil, recoveries of loans previously charged-off are reflected in income on a cash basis. Under U.S. GAAP, recoveries of loans previously charged-off are reflected an increase of the allowance for loan losses.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under Accounting Practices Adopted in Brazil providing certain formalities are complied with. The revaluation increment, normally net of deferred tax effects, is credited to a reserve account in stockholders' equity. As from July 1, 1995, companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income and an offsetting portion is deducted from the revaluation reserve in stockholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under U.S. GAAP, property, plant and equipment are reported at their historical cost less accumulated depreciation. Voluntary revaluations are not permitted, except in the case of the valuation of property, plant and equipment acquired in business combinations.

Extraordinary Items

Under Accounting Practices Adopted in Brazil extraordinary items may be disclosed separately in the income statement but normally gross of the income tax effect. Under U.S. GAAP extraordinary items (i.e., items of unusual nature and infrequent occurrence) are disclosed separately in the income statement, net of the income tax effect if applicable. Additionally, extraordinary items are defined in a more restricted manner than under Accounting Practices Adopted in Brazil.

Organizational and Start-up Costs

Under Accounting Practices Adopted in Brazil organizational and start-up costs may be recognized as assets under “Deferred charges” and deferred of the expected period to be benefited.

Under U.S. GAAP organizational and start-up costs are expensed when incurred.

Software for Internal Use

Under Accounting Practices Adopted in Brazil, external computer development costs are capitalized at cost and amortized at annual rates of 20%.

Under U.S. GAAP, through Statement of Position – SOP 98-1, certain identified costs related to the development and installation of software for internal use should be capitalized as fixed assets, including design of the chosen path, software configuration, software interfaces, coding, installation of hardware and testing. Costs incurred for conceptualization and formulation of alternatives, training and application maintenance should be expensed as incurred.

Contingent Liabilities

Under Accounting Practices Adopted in Brazil, the accounting and disclosure requirements are generally not as comprehensive as under U.S. GAAP.

Under US GAAP, according to SFAS 5 "Accounting for Contingencies" and Interpretation No. 14 "Reasonable Estimation of the Amount of a Loss," recognition of loss contingencies is required when the conditions known before the issuance of the financial statements show that: (i) it is probable that losses had been incurred at the date of the financial statements; and (ii) the amount of such losses can be reasonably estimated. Also, US GAAP require the constantly monitoring litigation in progress to evaluate, among other things: (i) its nature and complexity; (ii) the evolution of the proceedings; (iii) the views of legal advisors; and (iv) the experience with similar proceedings.

Income Taxes

Under Accounting Practices Adopted in Brazil the recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is evidence of future realization in a continuous operation. The Central Bank’s Circular No. 2746, dated March 1997, specifies that tax credits can be accounted only if: (a) the loss has been caused by identified and unusual events and the probability of new and similar events is unlikely; (b) there is an expectation of generating positive results for subsequent periods, as well as generation of tax liabilities to permit the realization of tax credits, properly verified through a technical analysis; and (c) there are tax obligations accounted for as liabilities, up to the limit and corresponding to the same period, in order to apply the tax credit. Tax credit recognition rules prohibit keeping the tax credit whenever there has been a tax loss for the last three-year period (including the current year) or available evidence indicates that realization is unlikely. On December 30, 2002, the Central Bank issued Circular No. 3171

which: (i) requires additional supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that will be realized in more than 5 years as from the reporting date. Such Circular No. 3171 is effective as from December 2002 and supersedes prior Circular No. 2746.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses that are recognized as assets. A valuation allowance is recognized against a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Prior Period Adjustment

Under Accounting Practices Adopted in Brazil, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. Brazilian GAAP does not permit restatement of previous financial statements to provide consistency in reporting, which U.S. GAAP requires in certain circumstances. The CVM has required that such prior period adjustments arising from accounting errors be recorded as an extraordinary item in the results of operations of the current year.

Under U.S. GAAP, companies effectively limit prior period adjustments to corrections of material errors effected by adjusting prior periods' financial statements and making appropriate footnote disclosure regarding the effects of the error on prior periods.

Notional Interest Charge on Own Capital

Subject to certain limitations, Accounting Practices Adopted in Brazil permits companies to distribute or capitalize an amount of interest on shareholders' equity based on the government long-term interest rate (the "TJLP''). Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders' equity.

No similar concept exists under U.S. GAAP and such payments are recorded in the same manner as dividends.

Insurance Premium Deficiency

Under Accounting Practices Adopted in Brazil, no calculation of premium deficiency was required until the year ended December 31, 2000.

Under U.S. GAAP a premium deficiency must be recognized if the sum of expected liabilities, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums. The premium deficiency must be recorded in income by initially reducing unamortized acquisition costs and, if necessary, by increasing the liability for future policy benefits.

Insurance Claim Reserves

Under Accounting Practices Adopted in Brazil until the year ended December 31, 2000 claims could be recorded taking into consideration reported claims. Incurred but not reported ("IBNR") reserves were recommended to be calculated using an actuarial method as from financial year 2000.

In U.S. GAAP, claims costs are recognized when insured events occur taking into account both reported cases and IBNR.

Employee Pension Costs and Other Post-employment Benefits

Under Accounting Practices Adopted in Brazil employee pension costs and other benefits were expensed as they fall due until issuance of NPC 26. As from the fiscal years beginning on or after December 31, 2002, with prior application encouraged, a new statement of the IBRACON (NPC 26) approved by the CVM should be applied by plan sponsors that are public companies to account for employee benefits including pension costs and other-post-employment benefits. Under the new standard an actuarial method is used for determining defined benefit pension costs and other post-employment benefits and provides for the deferral of actuarial gains and losses (in excess of a specific band). Defined contribution pension plans and other post-employment benefits require the recognition as an expense of contributions when they fall due. If the new standard were implemented up to December 31, 2001 the impact on adoption may be recognized against retained earnings; if the standard is implemented after December 31, 2001 such impact should be recognized in net income over five years or over the estimated remaining life if it is shorter. Specific disclosures are required in financial statements for the year ended December 31, 2001 including the funded/unfunded status of the plan.

Under U.S. GAAP employee pension costs are recognized in accordance with SFAS No. 87 “Employers’ Accounting for Pensions”.

SFAS No. 87 requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific band) that result from changes in assumptions or actual experience differing from that assumed. SFAS No. 87 also provides for the prospective amortization of costs related to changes in the benefit plan, as well as the obligation resulting from transition and requires disclosure of the components of periodic pension costs and the funded status of pension plans. SFAS No. 132, “Employers’ Disclosures About Pensions and Other Postretirement Benefits,” which became effective for all entities for fiscal years beginning after December 15, 1997, modified the disclosure requirements under SFAS No. 87.

Under U.S. GAAP, SFAS No. 106 “Employers’ Accounting for Post-retirement Benefits other than Pensions” applies to all post-retirement benefits related to life insurance provided outside a pension plan or to other post-retirement benefits, including health care and welfare benefits, expected to be provided by an employer to current and former employees. SFAS No. 106 is similar to SFAS No. 87 in that the cost of a post-retirement benefits plan should be recognized over the employees’ service periods and that actuarial assumptions are used to project the cost of health care benefits and the present value thereof. Under SFAS No. 106 a company is required to describe the plan, employee groups covered, type of benefits provided, funding policy, periodic plan costs, types of assets held, and any matter affecting comparability, among other disclosures.

For employee termination benefits associated with exit or disposal activities initiated after December 31, 2002, SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities’’ applies. Under this new pronouncement, a liability for a cost associated with an exit or disposal activity should be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for onetime termination benefits that is incurred over time. A liability for a cost associated with an exit or disposal activity is incurred when the definition of a liability is met in accordance with Paragraph 35 of FASB Concepts Statement No. 6 “Elements of Financial Statements.’’ In the unusual circumstances in which fair value cannot be reasonably estimated, the liability should be recognized initially in the period in which fair value can be reasonably estimated. In the case of a liability for one-time benefits that is incurred over time a liability for the termination benefits shall be measured initially at the communication date of the termination plan based on the fair value of the liability as of the termination date. The liability should be recognized ratably over the future service period. A change resulting from a revision to either the timing or the amount of estimated cash flows over the future service period shall be measured using the credit-adjusted risk-free rate that was used to measure the liability initially. The cumulative effect of the change shall be recognized as an adjustment to the liability in the period of the change.

Disclosures on Financial Instruments and Concentration of Credit Risk

Under Accounting Practices Adopted in Brazil, there are less detailed requirements regarding the disclosure of information on financial instruments not reflected on the balance sheet or on concentration on financial instruments with credit risk.

U.S. GAAP requires disclosures prescribed by SFAS No. 105 “Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk,” SFAS No. 107 “Disclosure about Fair Market Value of Financial Instruments” and SFAS No. 119 “Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments.” SFAS No. 105, with certain exceptions, requires disclosure of the following in regard to financial instruments with off-balance-sheet risk:

- face or contract or notional principal amount;
- nature and terms including (i) credit and market risk, (ii) cash requirements and (iii) accounting policy followed;
- amount of loss, if any party to the financial instrument fails to perform; and
- policy as to requiring collateral.

As to concentration of credit risk arising from all financial instruments, including accounts receivable, SFAS No. 105 requires:

- information about the activity, region or other characteristic that identifies the concentration;
- amount of loss if parties to the concentrated risk fail to completely perform; and
- policy as to requiring collateral.

SFAS No. 119 amended SFAS No. 105 to require disclosures about amounts, nature and terms of derivative financial instruments that are not subject to SFAS No. 105 because they do not result in off-balance sheet risk of accounting loss. A derivative financial instrument is a future, forward, swap or option contract. Subsequently, SFAS No. 133 superseded SFAS No. 105 and No. 119 (incorporating the credit risk disclosures described above into SFAS No. 107). Specific disclosures required by SFAS No. 133 include:

- objectives for holding derivative instruments and the strategy to reach the objectives including description for each type of hedging category and for those not classified as hedges;
- risk management policy for each type of hedge; and
- specific quantitative disclosures for derivative financial instruments designated as hedges.

Statement of Cash Flows

Brazilian financial statements do not present a Statement of Cash Flows in the form required under U.S. GAAP pursuant to SFAS No. 95 “Cash Flow Statements”, in which cash receipts and payments are classified by investing, financial and operating activities. Instead, they include a Statement of Changes in Financial Position, which accounts for the origin and use of cash in the case of financial institutions and of working capital for all other entities.

Related Parties

Brazilian standards define related parties in a more limited manner and require fewer disclosures than U.S. standards. As a result, many of the disclosures required in the United States are not required under Accounting Practices Adopted in Brazil.

Earnings Per Share

Under Accounting Practices Adopted in Brazil, disclosure of earnings per share is computed based on the number of shares outstanding at the end of the year.

Under U.S. GAAP, in accordance with SFAS No. 128 “Earnings per Share”, the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is

required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Segment Information

Under the Accounting Practices Adopted in Brazil, there is no requirement for financial reporting of operating segments.

Under the U.S. GAAP, publicly held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision maker. Segment information is given about any operating segment that broadly accounts for 10% or more of all segment revenue, results of operating activities, or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed include segment profit or loss, certain specific revenue and expense items and segment assets as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

Financial Statement Note Disclosure

Accounting Practices Adopted in Brazil in general require less information to be disclosed in the notes to the financial statement than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in the Accounting Practices Adopted in Brazil financial statements include the following:

- guarantees provided to third parties;
- irrevocable commitments such as take-or-pay or minimum sales contracts;
- reconciliation of the statutory tax rate to the effective tax rate;
- advertising expense and assets;
- research and development costs;
- financing facilities and terms;
- nature and amount of transactions with related parties;
- financial information by operating business segments and geographical areas; and
- nature and amounts of recorded and unrecorded contingencies.

AVAILABLE INFORMATION

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

LEGAL MATTERS

The validity of the Notes will be passed upon for the Bank by Linklaters, its U.S. counsel, and for the Initial Purchasers by Dewey Ballantine LLP, U.S. counsel to the Initial Purchasers.

Matters of Brazilian law will be passed upon for the Bank by Lefosse Advogados, its Brazilian counsel, and for the Initial Purchasers by Pinheiro Neto Advogados, Brazilian counsel to the Initial Purchasers. Matters of Cayman Islands law, relating to the Notes and the Indenture, will be passed upon for the Bank by Walkers, Cayman Islands, its Cayman Islands counsel.

Matters as to New York law relating to the Trustee will be passed upon by Thacher Proffitt & Wood LLP.

ENFORCEABILITY OF CIVIL LIABILITIES

Brazil

The Bank is a corporation organized under the laws of Brazil. Substantially all of the Bank's directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of the Bank's assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against the Bank any judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. In the Indenture, the Bank will (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes 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 Lefosse Advogados, its Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank (including the Grand Cayman Branch) or any other person described above obtained outside Brazil would be enforceable in Brazil against the Bank or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Federal Supreme Court. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made;
- is not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth in Brazilian law).

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Notes. The Bank understands that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, Brazilian

courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein. Pursuant to Article 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 Federal Supreme Court, nor to the exceptions set forth in certain limited circumstances (enforcement of trade bills and counterclaims) under Article 836 of such code.

Cayman Islands

The Grand Cayman Branch is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less developed body of securities law as compared to the United States and provides protection for investors to a significantly lesser extent.

The Bank has been advised by Walkers, its Cayman Islands Counsel, that a final and conclusive judgment in personam of the courts of the State of New York or Brazil having competent jurisdiction for a debt or definite sum of money (other than a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other similar penalty) and obtained without fraud or without breaching the principles of natural justice in the Cayman Islands or in contravention of Cayman Islands public policy in respect of any of the transaction documents would be recognized and enforced by the Courts of the Cayman Islands by originating action on such judgment.

INDEPENDENT ACCOUNTANTS

The audited consolidated and non-consolidated financial statements of the Bank as of and for the years ended December 31, 2003, 2002 and 2001 and as of and for the six-month periods ended June 30, 2004 and 2003 included in this Offering Circular, have been audited by PricewaterhouseCoopers, independent accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

The issue and terms of the Notes have been authorized by the Bank pursuant to resolutions of its Board of Directors adopted on June 15, 2004.

Application has been made to list the Notes on the Luxembourg Stock Exchange. In connection with and prior to application to list the Notes on the Luxembourg Stock Exchange, a legal notice relating to the issue of the Notes and copies of the Bank's constitutional documents will be deposited with the *Registre de Commerce et des Sociétes à Luxembourg*, where such documents may be examined and copies of such documents may be obtained.

As set forth in Article 2 of the Bank's *Estatuto Social*, 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 *Estatuto Social* is available on the Bank's website at www.bb.com.br and copies of the Indenture (containing the forms of the Notes) will be available for inspection during the term of the Notes at the office of the Trustee (currently 60 Wall Street, New York, New York 10005) and Deutsche Bank Luxembourg S.A., 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 annual and interim financial statements of the Bank, if any, may be obtained at those offices during the term of the Notes.

The Bank produces audited annual and semi-annual consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Accounting Practices Adopted in Brazil. The Bank also produces interim quarterly unaudited consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Accounting Practices Adopted in Brazil. Copies of all such financial statements including the Bank's audited consolidated and non-consolidated financial statements at and for the years ended December 31, 2003, 2002 and 2001 and the Bank's audited consolidated and non-consolidated financial statements at and for the six-month periods ended June 30, 2004 and 2003 prepared in accordance with Accounting Practices Adopted in Brazil may be obtained from the Bank's offices and its website. Since June 30, 2004, there has been no material adverse change in the financial condition of Banco do Brasil.

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; please see "Business of Banco do Brasil S.A.—Technological Resources"), industrial, commercial or financial contract, in each case where such dependence would be of fundamental importance to the Bank's business or profitability.

Except as described otherwise herein, the Notes, the Indenture, the Purchase Agreement, the Letter of Credit and the Letter of Credit Agreement are governed by the laws of the State of New York.

The Notes offered and sold outside the United States to purchasers in transactions outside the United States in accordance with the requirements of Regulation S have been assigned a CUSIP Number of G07402 AE 3, an International Securities Identification Number of USG07402AE39 and a Common Code of 020145480. Notes offered or sold in the United States to qualified institutional buyers pursuant to Rule 144A have been assigned a CUSIP Number of 05958A AA 6, an International Securities Identification Number of US05958AAA60 and a Common Code of 020147415. The Notes have been accepted for clearance through DTC's book-entry settlement system and the applicable systems used by Euroclear and Clearstream, Luxembourg.

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*.

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(A free translation of the original in Portuguese)

Banco do Brasil S.A.

Financial Statements at
September 30, 2004 and 2003

(A free translation of the original in Portuguese)

Banco do Brasil S.A.

Financial Statements

(in thousands of reais)

Balance Sheet

	BB – Domestic and Foreign Branches		BB - Consolidated	
ASSETS	**09.30.2004**	**09.30.2003**	**09.30.2004**	**09.30.2003**
CURRENT ASSETS	**129,657,083**	**118,617,155**	**122,653,597**	**105,361,741**
AvailableFunds	**16,655,962**	**6,052,523**	**16,668,752**	**6,082,946**
Short-term Interbank Investments (Note 4)	**24,691,050**	**36,339,702**	**16,865,378**	**21,957,260**
Open market investments	6,155,271	7,586,737	6,101,412	7,523,809
Interbank deposits	18,535,779	28,752,965	10,763,966	14,433,451
Marketable securities (Note 5)	**15,101,477**	**13,063,150**	**16,040,814**	**13,749,147**
Own portfolio	8,747,912	3,782,939	9,706,828	4,479,595
Subject to repurchase commitments	5,358,229	7,549,975	5,362,084	7,549,975
Restricted deposits – Central Bank	540,713	1,307,807	540,713	1,307,807
Restricted to guarantees provided	--	21,393	--	25,193
Derivative financial instruments	454,623	401,036	431,189	386,577
Interbank accounts	**21,146,415**	**18,164,802**	**21,151,794**	**18,279,269**
Payments and receipts pending settlement	2,099,550	1,981,269	2,099,725	2,095,736
Restricted deposits				
Central Bank deposits	18,919,329	16,126,846	18,919,331	16,126,846
National Treasury – rural credit receivable	18,198	7,074	18,198	7,074
National Housing Financing System (SFH)	1,814	1,224	1,814	1,224
Interbank onlendings	5,384	6,012	5,385	6,012
Correspondent banks	102,140	42,377	107,341	42,377
Interdepartmental accounts	**108,315**	**413,127**	**108,315**	**413,127**
Internal transfers of funds	108,315	413,127	108,315	413,127
Lending operations	**35,872,600**	**30,978,496**	**35,611,806**	**31,315,062**
Lending operations				
Public sector (Note 6b)	704,454	320,950	712,748	478,906
Private sector (Note 6b)	37,969,687	32,554,228	37,733,853	33,068,357
(Allowance for loan losses) (Notes 6e and 6f)	(2,801,541)	(1,896,682)	(2,834,795)	(2,232,201)
Leasing operations	**2,347**	**--**	**627**	**17,581**
Leases and subleases receivable				
Public sector	14,426	--	14,426	8,817
Private sector	2,882	--	210,161	169,515
(Unearned income from leasing operations)	(14,950)	--	(206,259)	(150,974)
(Allowance for leasing losses) (Note 6e)	(11)	--	(17,701)	(9,777)
Other receivables	**15,830,842**	**13,380,644**	**15,954,109**	**13,319,668**
Receivables on guarantees honored	38,161	56,698	41,286	56,698
Foreign exchange portfolio (Note 8a)	11,455,409	10,146,307	11,455,409	9,970,847
Income receivable	284,530	263,036	307,776	282,738
Negotiation and intermediation of securities	6,246	28,177	41,211	48,180
Specific credits (Note 8b)	264,955	240,005	264,955	240,005
Special operations	1,355	1,356	1,355	1,356
Sundry (Note 8c)	5,391,672	3,799,523	5,460,789	3,878,105
(Allowance for other losses) (Notes 6e and 6f)	(1,611,486)	(1,154,458)	(1,618,672)	(1,158,261)
Other assets	**248,075**	**224,711**	**252,002**	**227,681**
Shareholdings	4	3	4	3
Other assets (Note 9)	383,632	402,063	391,235	403,211
(Allowance for losses)	(193,682)	(202,912)	(200,906)	(203,759)
Prepaid expenses	58,121	25,557	61,669	28,226

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Banco do Brasil S.A.
Financial Statements
(in thousands of reais)

Balance Sheet

	BB – Domestic and Foreign Branches		BB - Consolidated	
ASSETS	**09.30.2004**	**09.30.2003**	**09.30.2004**	**09.30.2003**
Long-term receivables	**106,036,285**	**104,363,974**	**108,360,887**	**105,725,000**
Interbank investments (Note 4)	**1,427,617**	**1,123,369**	**1,693,955**	**1,299,692**
Open market investments	58,186	120,231	58,186	120,231
Interbank deposits	1,369,431	1,003,138	1,635,769	1,179,461
Marketable securities and Derivative financial instruments (Note 5)	**54,449,788**	**59,630,650**	**55,079,219**	**60,305,917**
Own portfolio	19,548,953	16,057,713	20,066,119	16,617,113
Subject to repurchase commitments	31,871,785	32,590,408	31,984,050	32,706,275
Restricted deposits - Central Bank	2,510,008	10,460,216	2,510,008	10,460,216
Restricted for guarantees provided	461,940	513,359	461,940	513,359
Derivative financial instruments	57,102	8,954	57,102	8,954
Lending operations	**33,005,642**	**28,705,448**	**34,342,684**	**29,102,666**
Lending operations				
Public sector (Note 6b)	3,835,550	4,201,946	3,839,559	4,214,246
Private sector (Note 6b)	31,258,485	26,021,688	32,786,159	26,406,606
(Allowance for loan losses) (Notes 6e and 6f)	(2,088,393)	(1,518,186)	(2,283,034)	(1,518,186)
Leasing operations	**4,175**	**--**	**5,559**	**6,528**
Leases and subleases receivable				
Public sector	25,647	--	25,647	--
Private sector	1,661	--	221,928	156,379
(Unearned income from leasing operations)	(23,113)	--	(237,241)	(144,601)
(Allowance for leasing losses) (Note 6e)	(20)	--	(4,775)	(5,250)
Other receivables	**17,149,063**	**14,904,507**	**17,239,470**	**15,010,197**
Receivables on guarantees honored	--	18,702	--	18,702
Income receivable	46,437	58,945	46,546	59,054
Specific credits (Note 8b)	264,955	240,005	264,955	240,005
Sundry (Note 8c)	16,958,821	14,736,506	17,057,865	14,850,966
(Allowance for other losses) (Notes 6e and 6f)	(121,150)	(149,651)	(129,896)	(158,530)
Permanent assets	**7,454,246**	**6,629,938**	**4,584,811**	**4,047,189**
Investments	**4,231,053**	**3,912,487**	**842,701**	**916,174**
Investments in subsidiaries and in associate companies (Note 19)				
Domestic	2,591,089	2,145,659	819,416	855,447
Abroad	1,599,698	1,726,681	--	221,460
Other investments	194,989	194,778	231,279	231,723
(Allowance for losses)	(154,723)	(154,631)	(207,994)	(392,456)
Property and equipment in use	**2,717,226**	**2,401,127**	**2,722,926**	**2,402,673**
Land and buildings in use	2,270,368	2,235,425	2,270,368	2,236,936
Other property and equipment in use	3,518,663	3,102,219	3,534,452	3,110,391
(Accumulated depreciation)	(3,071,805)	(2,936,517)	(3,081,894)	(2,944,654)
Leased assets	**38,839**	**--**	**519,113**	**411,258**
Leased assets	39,176	--	636,269	532,940
(Accumulated depreciation)	(337)	--	(117,156)	(121,682)
Deferred charges	**467,128**	**316,324**	**500,071**	**317,084**
Organization and expansion costs	847,502	617,621	906,622	627,621
(Accumulated amortization)	(380,374)	(301,297)	(406,551)	(310,537)
Total	**243,147,614**	**229,611,067**	**235,599,295**	**215,133,930**

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Banco do Brasil S.A.

Financial Statements

(in thousands of reais)

Balance Sheet

	BB – Domestic and Foreign Branches		BB - Consolidated	
Liabilities/Shareholders' Equity	**09.30.2004**	**09.30.2003**	**09.30.2004**	**09.30.2003**
Current liabilities	**190,326,441**	**177,014,034**	**181,293,469**	**162,159,102**
Deposits (Note 10)	**113,401,665**	**101,766,871**	**107,712,820**	**90,706,776**
Demand deposits	30,139,123	20,376,712	30,190,776	20,497,643
Savings deposits	29,914,859	26,577,861	29,914,859	26,577,861
Interbank deposits	8,865,805	16,001,889	2,997,155	4,724,014
Time deposits	44,481,878	38,810,409	44,610,030	38,907,258
Funds obtained in the open market	**38,242,526**	**42,569,299**	**37,602,925**	**42,157,194**
Own portfolio	32,833,822	34,725,326	32,737,894	34,313,221
Third-party portfolio	5,408,704	7,843,973	4,865,031	7,843,973
Notes and securities	**220,446**	**831,061**	**180,220**	**811,375**
Foreign marketable securities	220,446	831,061	180,220	811,375
Interbank accounts	**2,032,721**	**1,695,114**	**2,033,635**	**1,815,882**
Receipts and payments pending settlement	2,032,721	1,695,114	2,033,635	1,815,882
Interdepartmental accounts	**1,851,654**	**988,724**	**1,851,654**	**988,724**
Third-party funds in transit	1,742,914	967,679	1,742,914	967,679
Internal transfers of funds	108,740	21,045	108,740	21,045
Borrowings (Note 11)	**14,458,689**	**6,887,726**	**12,193,767**	**3,701,029**
Foreign borrowings	14,458,689	6,887,726	12,193,767	3,701,029
Local onlendings – official institutions (Note 12)	**1,753,491**	**899,593**	**1,757,299**	**903,096**
National Treasury	1,752,334	879,089	1,752,334	879,089
National Economic Development Bank (BNDES)	--	1,082	--	1,082
National Industrial Financing Authority (FINAME)	--	18,282	3,693	20,916
Other institutions	1,157	1,140	1,272	2,009
Foreign onlendings	**946,258**	**256,499**	**7,630**	**--**
Foreign onlendings	946,258	256,499	7,630	--
Derivative financial instruments (Note 5b)	**311,255**	**511,630**	**297,865**	**514,217**
Derivative financial instruments	311,255	511,630	297,865	514,217
Other liabilities	**17,107,736**	**20,607,517**	**17,655,654**	**20,560,809**
Collection of taxes and social contributions	2,328,242	2,185,059	2,328,500	2,185,282
Foreign exchange portfolio (Note 14a)	7,509,146	10,445,379	7,509,146	10,120,412
Social and statutory	261,466	125,218	262,166	125,267
Taxes and social security charges	654,306	570,815	990,110	875,729
Negotiation and intermediation of securities	2,676	329,660	54,656	368,994
Financial and development funds (Note 14b)	115,441	52,502	115,441	52,502
Special operations	2,394	2,402	2,394	2,402
Subordinated Debts (Note 14e)	--	4	--	4
Sundry (Note 14d)	6,234,065	6,896,478	6,393,241	6,830,217

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(in thousands of reais)

Balance Sheet

	BB – Domestic and Foreign Branches		BB - Consolidated	
PASSIVO / PATRIMÔNIO LÍQUIDO	**09.30.2004**	**09.30.2003**	**09.30.2004**	**09.30.2003**
Long-term liabilities	**38,910,606**	**40,804,688**	**40,395,101**	**41,182,001**
Deposits (Note 10)	**6,049,904**	**11,365,220**	**7,365,998**	**12,364,405**
Interbank deposits	1,216,299	714,464	2,532,393	1,713,649
Time deposits	4,833,605	10,650,756	4,833,605	10,650,756
Funds obtained in the open market	**4,342,871**	**4,247,492**	**4,400,324**	**4,320,307**
Own portfolio	3,884,089	3,933,480	3,941,542	4,006,295
Third-party portfolio	458,782	314,012	458,782	314,012
Notes and securities	**587,486**	**803,715**	**587,486**	**803,715**
Foreign marketable securities	587,486	803,715	587,486	803,715
Borrowings (Note 11)	**3,863,921**	**4,552,808**	**3,822,804**	**3,808,120**
Foreign borrowings	3,863,921	4,552,808	3,822,804	3,808,120
Local onlendings - official institutions (Note 12)	**7,016,643**	**5,401,471**	**7,020,952**	**5,407,558**
National Treasury	306,602	343,290	306,602	343,290
National Economic Development Bank (BNDES)	3,483,681	2,819,657	3,483,681	2,819,657
National Industrial Financing Authority (FINAME)	2,653,712	1,719,642	2,658,021	1,725,729
Other institutions	572,648	518,882	572,648	518,882
Foreign onlendings	**176,592**	**151,785**	**1,077**	**1,836**
Foreign onlendings	176,592	151,785	1,077	1,836
Derivative financial instruments (Note 5b)	**63,710**	**8,002**	**71,807**	**15,508**
Derivative financial instruments	63,710	8,002	71,807	15,508
Other liabilities	**16,809,479**	**14,274,195**	**17,124,653**	**14,460,552**
Taxes and social security charges	--	35	22,868	26,665
Negotiation and intermediation of securities	3,701,186	3,034,879	3,703,927	3,037,621
Financial and development funds	1,698,433	1,654,467	1,698,433	1,654,467
Subordinated debts (Note 14e)	6,636,942	4,832,844	6,636,942	4,832,844
Sundry (Note 14d)	4,772,918	4,751,970	5,062,483	4,908,955
Deferred income	**139,103**	**104,996**	**139,261**	**105,478**
Deferred income	139,103	104,996	139,261	105,478
Stockholders' equity (Note 16)	**13,771,464**	**11,687,349**	**13,771,464**	**11,687,349**
Capital	**8,366,189**	**8,366,189**	**8,366,189**	**8,366,189**
Local residents	8,343,671	8,363,797	8,343,671	8,363,797
Foreign residents	22,518	2,392	22,518	2,392
Increase of capital	**1,935,527**	**--**	**1,935,527**	**--**
Common Shares on Domestic Market	1,892,945	--	1,892,945	--
Common Shares on Foreign Market	42,582	--	42,582	--
(Unpaid capital)	**(445,182)**	**--**	**(445,182)**	**--**
Capital reserves	**4,768**	**4,754**	**4,768**	**4,754**
Revaluation reserves	**25,751**	**24,717**	**25,751**	**24,717**
Revenue reserves	**3,195,071**	**2,796,091**	**3,195,071**	**2,796,091**
Adjustments to market value –Securities and derivatives (Note 16e)	**(17,437)**	**(43,423)**	**(17,437)**	**(43,423)**
Retained earnings	**832,556**	**664,800**	**832,556**	**664,800**
(Treasury stocks)	**(125,779)**	**(125,779)**	**(125,779)**	**(125,779)**
Total	**243,147,614**	**229,611,067**	**235,599,295**	**215,133,930**

(A free translation of the original in Portuguese)

Banco do Brasil S.A.

Financial Statements

(in thousands of reais)

Statement of Income

	BB – Domestic and Foreign Branches		BB - Consolidated	
	09.30.2004	**09.30.2003**	**09.30.2004**	**09.30.2003**
Revenue from financial intermediation	**7,123,212**	**9,979,823**	**7,215,988**	**10,087,815**
Lending operations	4,093,111	4,200,451	4,119,736	4,238,580
Leasing operations	2,076	--	73,779	75,373
Marketable securities	2,652,524	4,447,160	2,660,472	4,444,089
Derivative financial instruments	35,072	(190,649)	21,572	(200,999)
Foreign exchange	--	1,085,267	--	1,093,178
Compulsory investments	340,429	437,594	340,429	437,594
Expenses from financial intermediation	**(4,876,119)**	**(7,103,326)**	**(4,882,073)**	**(7,125,574)**
Deposits and funds obtained in the open market	(3,257,312)	(4,620,822)	(3,221,812)	(4,597,622)
Borrowings and onlendings	(320,924)	(1,705,333)	(314,670)	(1,695,095)
Leasing operations	(777)	--	(50,750)	(55,529)
Net loss on exchange transaction	(231,492)	--	(224,199)	--
Provision for credit losses (Note 6e)	(1,065,614)	(777,171)	(1,070,642)	(777,328)
Gross profit from financial transaction	**2,247,093**	**2,876,497**	**2,333,915**	**2,962,241**
Other operating income / expenses	**(929,948)**	**(1,700,931)**	**(969,401)**	**(1,748,838)**
Services rendered (Note 14a)	1,575,300	1,322,556	1,716,648	1,412,355
Personnel expenses (Note 14b)	(1,724,564)	(1,668,577)	(1,743,945)	(1,681,214)
Other administrative expenses (Note 14c)	(1,326,638)	(1,211,417)	(1,344,030)	(1,220,809)
Taxes	(357,579)	(257,599)	(385,106)	(270,978)
Equity in the earnings of associated and subsidiaries (Note 18)	(177,550)	231,912	(274,697)	147,305
Other operating income (Note 14d)	2,636,220	365,171	2,637,452	365,944
Other operating expenses (Note 14e)	(1,555,137)	(482,977)	(1,575,723)	(501,441)
Operating profit	**1,317,145**	**1,175,566**	**1,364,514**	**1,213,403**
Non-operating income (Note 14f)	**76,498**	**18,401**	**80,432**	**17,352**
Income	90,785	46,685	94,878	49,336
Expenses	(14,287)	(28,284)	(14,446)	(31,984)
Income before taxes and profit sharing	**1,393,643**	**1,193,967**	**1,444,946**	**1,230,755**
Income tax and social contribution (Note 16)	**(494,075)**	**(479,310)**	**(545,378)**	**(516,098)**
Income tax	(362,303)	(350,018)	(399,806)	(375,658)
Social contribution	(133,564)	(130,758)	(146,771)	(139,914)
Deferred tax credits	1,792	1,466	1,199	(526)
Profit sharing (Note 21)	**(67,024)**	**(49,873)**	**(67,024)**	**(49,873)**
Net income	**832,544**	**664,784**	**832,544**	**664,784**
Number of shares	743,275,506	743,275,506	743,275,506	743,275,506
Treasury shares	(11,257,678)	(11,257,678)	(11,257,678)	(11,257,678)
Total shares used in the calculation of net income per share	732,017,829	732,017,829	732,017,829	732,017,829
Net income per share	1.14	0.91	1.14	0.91

Banco do Brasil S.A.

Notes to the Quarterly Information
at September 30, 2004 and 2003
All amounts in thousands of reais unless otherwise indicated

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Banco do Brasil S.A.

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1 The Bank and its Operations

Banco do Brasil S.A. is a publicly listed company established under private law and subject to the requirements of Brazilian corporate legislation. Its corporate purpose is to carry out all the asset, liability and accessory banking operations, to provide bank services, intermediate and originate financial transactions in various forms and exercise any activity permitted to the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of art, 19 of Law 4595/1964.

2 Presentation of the Financial Statements

2.a) The financial statements of Banco do Brasil S.A. have been prepared in accordance with the requirements of Law 6404/1976 and the rules and instructions issued by the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM).

The financial statements labeled “BB - Domestic and Overseas branches” include the Bank’s operations in Brazil and its branches abroad. The consolidated amounts (“BB – Consolidated”) also include the financial subsidiaries. The balances of foreign branches and subsidiaries included in the financial statements of “BB - Domestic and Overseas branches” and “BB – Consolidated”, respectively, are as follows:

	Foreign branches		Foreign branches and subsidiaries	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Current assets	34,537,242	37,378,637	32,870,437	36,650,402
Long-term receivables	9,862,219	7,111,843	10,148,507	7,555,205
Permanent assets	192,051	194,389	216,829	213,266
Total assets	44,591,512	44,684,869	43,235,773	44,418,873
Current liabilities	29,603,228	31,841,254	26,798,853	29,963,084
Long-term liabilities	12,126,616	9,675,847	11,975,397	9,560,857
Deferred income	3,456	4,668	3,613	5,151
Stockholders' equity	2,858,212	3,163,100	4,457,910	4,889,781
Total liabilities and stockholders' equity	44,591,512	44,684,869	43,235,773	44,418,873
Net income for the Quarter	23,951	9,420	48,133	43,013

2.b) The consolidated financial statements (BB - Consolidated) comprise the domestic and foreign branches and the foreign subsidiaries: Banco do Brasil – A.G. Vienna - Austria, BB - Leasing Company Ltd., Brazilian American Merchant Bank – BAMB and the domestic subsidiaries: BB - Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A., BB - Banco de Investimento S.A. and BB - Leasing S.A. - Arrendamento Mercantil, Brasil Aconselhamento Financeiro S.A. and BB - Banco Popular do Brasil S.A.

The asset and liability and the income and expense accounts recording transactions between the foreign branches and subsidiaries and Banco do Brasil S.A. were eliminated on consolidation. The translation into Brazilian reais of the financial statements prepared in a foreign currency is carried out using current exchange rates, in conformity with CVM Decision 28/1986.

BB - Corretora de Seguros e Administradora de Bens S.A., BB - Administradora de Cartões de Crédito S.A., BBTUR Viagens e Turismo Ltda,, COBRA Tecnologia S.A., Ativos S.A. and BB - Administradora de Consórcios S.A. were not included in the consolidation, in accordance with CVM Instruction 247/1996, as they do not materially affect the consolidated financial statements. The investments in these companies were recorded on the equity method of accounting and the information required by article 20 of CVM Instruction 247/1996 and CVM Deliberation 26/1986 is presented in Notes 19 and 20, respectively.

3 Significant Accounting Practices

3.a) Net income is determined on the accrual basis of accounting.

3.b) The assets and liabilities in foreign currencies and those subject to indexation are adjusted in accordance with the exchange rates or official indices as of the balance sheet date and are presented at realizable values. The assets and liabilities with floating financial charges are recorded at present value, calculated pro rata based on the variations in the contractual indices. Those with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses.

3.c) The allowance for loan losses is recorded based on the parameters of CMN Resolution 2682/1999, for domestic branches and subsidiaries, as well as those abroad, taking into consideration the risks of the transactions based on consistent and verifiable criteria, supported by internal and external information, and covering all aspects established in the resolution.

3.d) Securities:

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on the intention of management, in three different categories:

3.d.1) Trading securities: these are securities purchased to be actively and frequently traded. They are adjusted to market value on a monthly basis and increases and decreases in value are recorded in income and expense accounts for the period;

3.d.2) Securities available for sale: these are securities which, although not actively and frequently traded, can be traded at any time. They are adjusted to market value on a monthly basis and increases and decreases in value are recorded, net of tax effects, in a separate stockholders' equity account;

3.d.3) Securities held to maturity: these are securities that the Bank intends and has the financial capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. They are not adjusted to market value.

The mark-to-market methodology used for securities was established following consistent and verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, pricing models that estimate the probable net realizable value.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata basis on the accrual basis of accounting up to the date of maturity or of final sale, on an exponential or linear method, based on the contractual remuneration and purchase price, and recorded directly in income for the period.

Losses with securities classified as available for sale and held to maturity, if judged not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

3.e) Derivative Financial Instruments:

Derivative financial instruments are recorded at market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

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:

3.e.1) Market Risk Hedge – increases or decreases in value of the financial instruments classified in this category, as well as of the item hedged, are recorded in income and expense accounts for the period;

3.e.2) Cash Flow Hedge – the effective amount of the increases or decreases in value of the financial instruments classified in this category is recorded, net of tax effects, in a separate stockholders' equity account. The effective amount is that in which the variation of the item hedged, directly related to the corresponding risk, is offset by the variation in the financial instrument used for hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income or expense accounts for the period.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the probable net realizable value, according to the characteristics of the derivative.

3.f) Permanent assets

Investments are stated at cost and, when material, are recorded on the equity method of accounting. Property and equipment is stated at cost less depreciation calculated on the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles, installations and equipment - 20%; others - 10%;

Organization and expansion expenses recorded in deferred charges relate to:

3.f.1) Leasehold improvements in properties owned by third parties for the installation of facilities, amortized at rates based on the rental terms;

3.f.2) Cost of purchase and development of systems, amortized at the annual rate of 20%;

3.g) Vacations, paid leave and thirteenth month salaries are accrued monthly, in accordance with the period of acquisition of the right;

3.h) Current benefits for existing employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2003 in accordance with criteria established by CVM Deliberation 371/2000, considering a 6,9% annual interest rate, and are being allocated monthly in accordance with this calculation, as shown in Note 23. The retirement benefit liability relating to the assumption of the obligation to employees admitted before April 14, 1967 was provided on the basis of an actuarial calculation considering the 6% annual interest rate established in the contract between PREVI – Caixa de Previdência dos Funcionários do Banco do Brasil and the Bank.

3.i) Corporate income tax is calculated at the basic rate of 15% plus a surcharge of 10% on taxable income above a specific limit, and the social contribution on net income is calculated at the basic rate of 9% on taxable income (Note 17.a). Income tax and social contribution on net income tax credits are recorded in accordance with the criteria mentioned in Note 18 and are supported by a study of future realization prepared by management.

4 Short-term Interbank Deposits

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Repurchase agreements	6,213,457	7,706,968	6,159,598	7,644,039
Sales pending settlement – own operations	985,535	1,013	989,862	1,013
Sales pending settlement – financed operations	5,227,922	7,705,955	5,169,736	7,643,026
Interbank deposits	18,993,857	22,776,656	12,166,932	15,612,906
Foreign currency deposits	911,353	6,979,447	232,803	7
Total	26,118,667	37,463,071	18,559,333	23,256,952

5 Securities and Derivative Financial Instruments

Securities are classified in three categories: trading securities, securities available for sale and securities held to maturity, and derivative financial instruments in derivates for trading and derivatives for hedging purposes. Trading securities are adjusted to market value and the adjustments recorded as income or expense for the period while similar adjustments for securities available for sale are recorded in a separate stockholders' equity account. Securities held to maturity are stated at cost plus income accrued in the period.

The derivative financial instruments for trading, used at the request of clients or for own account, do not comply with the hedging criteria and are recorded at market value and the adjustments recorded as income or expense. Derivatives for hedging purposes are used to protect exposures to risk or to modify the characteristics of financial assets and liabilities. They are directly related to a specific transaction and are also adjusted to market value with contra-entry to income or expense when a market risk hedge and to a separate stockholders' equity account when a cash flow hedge.

The parameters for the calculation of market values of marketable securities and derivative financial instruments are:

- the average of the representative trading price on the day of the calculation and the daily adjustment of future market transactions reported by ANDIMA, BM&F, BOVESPA and the Brazilian Central Bank; or

- the net probable realizable value obtained through the use of curves of future interest rates, foreign exchange rates, price and currency indices, all consistent with prices in effect during the six-month period.

5.a) Securities

The cost plus accrued income and the market value of securities at September 30, 2004 are as follows:

	BB - Domestic and Foreign Branches 9.30.2004					
Maturity in days	**Market Value**					
	With no maturity	**0-30**	**31-180**	**181-360**	**Over 360**	**Cost**
I – Trading securities	13,264	22,975	3,259,369	6,531,394	2,716,470	12,571,
Domestic	13,264	22,975	3,259,369	6,531,394	2,716,470	12,571,
Financial Treasury Bills	--	12,827	2,805,141	4,866,392	1,660,492	9,347,
Federal Treasury Bills	--	10,148	454,228	1,665,002	901,979	3,051,
Federal Treasury Notes	--	--	--	--	153,999	158,
Shares in listed companies	13,264	--	--	--	--	13,
II – Securities available for sale	27,221	437,317	985,438	144,507	28,959,820	30,456,
Domestic	17,489	437,317	685,009	1,566	27,804,916	28,800,
Financial Treasury Bills	--	--	--	--	17,987,377	18,065,
Brazilian Central Bank Notes	--	156,039	--	--	209,364	353,
Federal Treasury Notes	--	277,647	680,423	--	4,771,463	5,570,
Federal Government Securities –Other	--	--	--	--	4,773,035	4,721,
Debentures	--	--	--	--	48,519	47,
Agricultural Debt Securities	--	3,631	4,586	1,566	15,158	27,

Maturity in days	9.30.2004					
	Market Value					
	With no maturity	0-30	31-180	181-360	Over 360	Cost
Shares in Investment Funds	5,834	--	--	--	--	5,
Shares in Social Development Funds	1,678	--	--	--	--	1,
Shares in listed companies	9,977	--	--	--	--	7,
Foreign	9,732	--	300,429	142,941	1,154,904	1,655,
EUROBONDS	--	--	--	--	82,707	82,
Brazilian Foreign Debt Securities	--	--	--	--	1,071,256	1,120,
Foreign Debt Securities – Other Countries	--	--	11	142,941	941	145,
Shares in Equity Funds	9,731	--	--	--	--	8,
Shares in listed companies	1	--	--	--	--	
Other	--	--	300,418	--	--	298,
III – Securities held to maturity	--	319,167	1,525,929	1,289,400	22,085,065	25,941,
Domestic	--	317,668	1,506,946	1,289,400	20,787,747	24,793,
Debentures	--	--	--	--	44,585	47,
Financial Treasury Bills	--	--	1,085,182	1,084,227	16,871,079	19,439,
Federal Treasury Notes	--	--	--	--	1,706,086	2,184,
Federal Government Securities – Other	--	278,052	--	--	2,165,997	2,472,
Commodities	--	39,616	421,764	205,173	--	648,
Foreign	--	1,499	18,983	--	1,297,318	1,148,
EUROBONDS	--	--	--	--	--	

Maturity in days	9.30.2004					
	Market Value					
	With no maturity	0-30	31-180	181-360	Over 360	Cost
Brazilian Foreign Debt Securities	--	--	--	--	1,294,474	1,125,
Certificates of Deposit	--	34	18,869	--	--	18,
Foreign Debt Securities – Other Countries	--	1,426	--	--	1,023	2,
Other	--	39	114	--	1,821	1,
Total	40,485	779,459	5,770,736	7,965,301	53,761,355	68,969,

BB - Domestic and Foreign Branches
9.30.2004

Maturity in days	Market Value					Cost
	With no maturity	0-30	31-180	181-360	Over 360	
Total by Portfolio	40,485	779,459	5,770,736	7,965,301	53,761,355	68,969,
a) Own Portfolio	40,485	779,459	4,263,196	3,750,912	19,115,836	28,165,
b) Subject to Repurchase Agreements	--	--	1,507,540	3,672,484	31,701,145	37,291,
c) Deposits with the Brazilian Central Bank	--	--	--	541,905	2,488,054	3,050,
d) Pledged in Guarantee	--	--	--	--	456,320	461,

BB - Domestic and Foreign Branches
9.30.2004

Maturity in years	Market Value				
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due y
Total by category	40,485	14,515,496	45,930,319	7,490,928	
I - Trading securities	13,264	9,813,738	2,716,470	--	
II - Securities available for sale	27,221	1,567,262	28,483,808	135,904	
III – Securities held to maturity	--	3,134,496	14,730,041	7,355,024	

The portfolio after marking-to-market is as follows:

	9.30.2004		9.30.2003	
		% of the total portfolio		% of the total portfolio
Total by category	69,039,540	100%	72,283,810	100%
I - Trading securities	12,543,472	18%	5,311,037	7%
II - Securities available for sale	30,554,303	44%	41,866,425	58%
III – Securities held to maturity	25,941,765	38%	25,106,348	35%

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BB - Consolidated
9.30.2004

Maturity in days	Market Value					
	With no maturity	0-30	31-180	181-360	over 360	Cost
I – Trading securities	13,264	24,258	3,334,734	6,601,604	2,716,470	12,718,527
Domestic	13,264	22,975	3,331,834	6,531,394	2,716,470	12,644,037
Financial Treasury Bills	--	12,827	2,877,606	4,866,392	1,660,492	9,420,305
Federal Treasury Bills	--	10,148	454,228	1,665,002	901,979	3,051,505
Federal Treasury Notes	--	--	--	--	153,999	158,676
Shares in listed companies	13,264	--	--	--	--	13,551
Foreign	--	1,283	2,900	70,210	--	74,490
EUROBONDS	--	927	53	50,426	--	51,670
Brazilian Foreign Debt Securities	--	356	--	19,767	--	19,956
Foreign Debt Securities – Other Countries	--	--	2,847	--	--	2,847
Other	--	--	--	17	--	17
II – Securities available for sale	643,311	535,998	1,307,064	315,112	29,195,355	31,915,003
Domestic	594,874	528,632	1,002,781	165,852	27,928,009	30,087,954
Financial Treasury Bills	--	--	--	--	17,987,377	18,065,872
Brazilian Central Bank Notes	--	156,040	--	--	209,364	353,713
Federal Treasury Notes	--	277,647	680,423	--	4,771,463	5,570,245
Federal Government Securities –Other	--	--	--	--	4,773,035	4,721,168
Debentures	--	--	--	--	171,513	170,670
Promissory Notes	--	--	--	--	--	--
Agricultural Debt Securities	--	3,631	4,586	1,566	15,158	27,527
Shares in investment Funds – Other	5,834	--	--	--	--	5,834
Shares in Social Development Funds	1,678	--	--	--	--	10,321
Shares in listed companies	426,411	--	--	--	--	403,724

Maturity in days	9.30.2004					
	Market Value					
	With no maturity	0-30	31-180	181-360	over 360	Cost
Shares in Equity Funds	160,951	--	--	--	--	189,099
Commodities – Agricultural Products Certificates	--	91,314	317,772	164,286	99	568,973
Securities in Special Status Company	--	--	--	--	--	808
Foreign	48,437	7,366	304,283	149,260	1,267,346	1,827,049
EUROBONDS	--	--	--	--	82,707	82,620
Brazilian Foreign Debt Securities	--	--	3,854	--	1,177,380	1,220,285
Foreign Debt Securities – Other Countries	--	--	11	142,941	941	145,020
Shares in Equity Funds	46,715	--	--	--	--	42,628
Shares in listed companies	1,722	--	--	--	--	1,285
Other	--	7,366	300,418	6,319	6,318	335,211
III – Securities held to maturity	--	319,174	1,525,929	1,289,400	22,087,874	25,944,572
Domestic	--	317,668	1,506,946	1,289,400	20,787,747	24,793,042
Debentures	--	--	--	--	44,585	47,817
Financial Treasury Bills	--	--	1,085,182	1,084,227	16,871,079	19,439,430
Federal Treasury Notes	--	--	--	--	1,706,086	2,184,443
Federal Government Securities - Other	--	278,052	--	--	2,165,997	2,472,931
Commodities	--	39,616	421,764	205,173	--	648,421
Foreign	--	1,506	18,983	--	1,300,127	1,151,530
EUROBONDS	--	--	--	--	--	--
Brazilian Foreign Debt Securities	--	--	--	--	1,297,080	1,128,004
Certificates of Deposit	--	34	18,869	--	--	18,903
Foreign Debt Securities – Other Countries	--	1,427	--	--	1,091	2,514
Other	--	45	114	--	1,956	2,109
Total	656,575	879,430	6,167,726	8,206,116	53,999,699	70,578,102

BB - Consolidated
9.30.2004

Maturity in days	Market Value					Cost
	With no maturity	0-30	31-180	181-360	over 360	
Total by Portfolio	656,575	879,430	6,167,727	8,206,116	53,999,699	70,578,
a) Own Portfolio	656,575	879,430	4,656,333	3,991,727	19,241,915	29,668,
b) Subject to Repurchase Agreements	--	--	1,511,394	3,672,484	31,813,410	37,396,
c) Deposits with the Brazilian Central Bank	--	--	--	541,905	2,488,054	3,050,
d) Pledged in Guarantee	--	--	--	--	456,320	461,

BB - Consolidated
9.30.2004

Maturity in years	Market Value				
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due y
Total by category	656,575	15,253,273	46,062,434	7,491,034	
I - Trading securities	13,264	9,960,596	2,716,470	--	
II - Securities available for sale	643,311	2,158,174	28,613,220	135,904	
III – Securities held to maturity	--	3,134,503	14,732,744	7,355,130	

The portfolio after marking-to-market is as follows:

	9.30.2004		9.30.2003	
		% of total portfolio		% of total portfolio
Total by Portfolio	70,631,742	100%	73,659,533	100%
I - Trading securities	12,690,330	18%	5,393,025	7%
II - Securities available for sale	31,996,840	45%	43,157,558	59%
III – Securities held to maturity	25,944,572	37%	25,108,950	34%

5.b) Derivative Financial Instruments

The Bank uses Derivative Financial Instruments to manage, in a consolidated manner, its positions and to meet clients' needs, classifying own positions into Hedging (market risk) and Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated within the Bank.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a previous risk analysis.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by management.

Risk analysis of the subsidiaries is individual and its control consolidated.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using models of values at risk sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments resulting from the Bank's and its subsidiaries' business are credit, market and operating risks, all similar to those related to other types of financial instruments.

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. Swap contracts registered at CETIP and at BM&F are subject to credit risk if the counterparty is unable or unwilling to comply with his contractual liabilities. Total credit exposure in swaps at September 30, 2004 is R$ 1,111,812 (R$ 873,780 at September 30, 2003). The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotations of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

The tables below show the notional amounts restated to market value and the respective net exposures in the balance sheet at September 30, 2004 for the derivative financial instruments classified in conformity with their classification as Trading or Hedge instruments.

5.b.1) Trading Derivatives

By Index	Counterparty (*)	BB - Domestic and Foreign Branches					
		9.30.2004			9.30.2003		
		Notional Amount	Cost	Market Value	Notional Amount	Cost	Market Value
Exchange Trading							
Futures contracts							
Purchase commitments		**2,889,312**	**(124,530)**	**(123,524)**	**1,420,180**	**(6,746)**	**(6,746)**
DI	E	--	3,335	3,335	1,056,705	410	410
U,S, dollar	E	358,867	(18,830)	(18,830)	58,040	(3,468)	(3,468)
Index	E	--	569	569	--	149	149
Foreign exchange coupon	E	1,111,237	(109,560)	(109,560)	305,046	(3,832)	(3,832)
Commodities	E	--	(44)	(44)	389	(5)	(5)
Libor	FI	1,419,208	--	1,006	--	--	--
Sales commitments		**3,738,687**	**(35,893)**	**(35,503)**	**400,215**	**(3,860)**	**(3,860)**
DI	E	2,344,591	(6,372)	(6,372)	33,531	(2,093)	(2,093)
U,S, dollar	E	--	797	797	--	(59)	(59)
Index	E	9,120	471	471	4,840	(462)	(462)
Foreign exchange coupon	E	321,678	22,948	22,948	361,844	(1,314)	(1,314)
Commodities	E	--	9	9	--	68	68
SCC	E	494,596	(53,746)	(53,746)	--	--	--
Libor	FI	568,702	--	390	--	--	--
Fixed term options					**95,356**	**(3,340)**	**(4,075)**
Purchase options	E	**--**	**--**	**--**	**37,120**	**2,013**	**1,535**
Sales options	E	**--**	**--**	**--**	**58,236**	**(5,353)**	**(5,610)**
Fixed term currency options							
Asset position	E	**228,250**	**14,067**	**9,020**	**--**	**--**	**--**
Liability position	E	**215,485**	**(28,724)**	**(25,099)**	**--**	**--**	**--**
Options market							
Purchase options		**570**	**134**	**137**	**--**	**--**	**--**
Shares	E	570	134	137	--	--	--
Sales options		**(231)**	**(275)**	**(269)**	**--**	**--**	**--**
Shares	E	(231)	(275)	(269)	--	--	--
Over-the-counter trading							
Swap contracts							
Asset position		**5,716,308**	**518,566**	**488,529**	**13,082,508**	**355,249**	**369,446**
DI	C	2,857,674	379,427	349,473	2,182,501	183,321	193,760
	FI	356,908	55,305	51,832	393,279	22,845	20,087
Foreign currency	C	--	--	--	9,402	225	299
	FI	1,546,560	78,841	81,405	8,804,630	137,411	130,355

Prefixed	C	791,581	4,822	5,630	455,293	8,943	21,617
Referential Rate (TR)	C	26,411	140	158	38,728	536	1,360
Other	--	137,174	31	31	1,198,675	1,968	1,968
Liability position		**11,613,004**	**(347,843)**	**(349,162)**	**13,048,823**	**(496,878)**	**(499,492)**
DI	C	8,462,277	(135,137)	(136,047)	6,177,686	(207,754)	(207,316)
	FI	428,525	(74,030)	(67,323)	1,368,681	(132,606)	(129,284)
Foreign currency	C	143,500	967	(868)	112,488	(2,412)	(3,681)
	FI	1,065,898	(67,338)	(72,464)	2,179,566	(64,107)	(67,912)
Prefixed	C	4,073	(92)	(107)	34,424	(1,084)	(1,560)
SELIC rate	C	630,392	(41,851)	(41,851)	2,050,934	(52,929)	(52,929)
Referential Rate (TR)	C	764,027	(30,304)	(30,444)	841,448	(34,739)	(35,562)
General Price Index – Market (IGP-M)	FI	--	--	--	283,596	(1,248)	(1,248)
Other	--	114,312	(58)	(58)	--	--	--

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

	BB – Domestic and Foreign Branches					
	9.30.2004			9.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market Value**	**Notional Amount**	**Cost**	**Market Value**
Futures contracts						
Purchase commitments	**2,889,312**	**--**	**1,006**	**1,420,180**	**--**	**--**
Up to 30 days	607,219	--	--	650,163	--	--
31 to 60 days	144,472	--	--	436,722	--	--
61 to 90 days	207,480	--	286	389	--	--
91 to 180 days	419,317	--	224	194,944	--	--
181 to 360 days	547,671	--	233	18,375	--	--
1 to 5 years	963,153	--	263	119,587	--	--
Sales commitments	**3,738,687**	**--**	**390**	**400,215**	**--**	**--**
Up to 30 days	838,626	--	--	33,914	--	--
31 to 60 days	197,501	--	--	--	--	--
61 to 90 days	381,234	--	109	--	--	--
91 to 180 days	548,244	--	119	--	--	--
181 to 360 days	1,168,400	--	157	224,472	--	--
1 to 5 years	604,682	--	5	141,829	--	--

	BB – Domestic and Foreign Branches					
	9.30.2004			9.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market Value**	**Notional amount**	**Cost**	**Market Value**
Fixed term currency options						
Asset position	**228,250**	**14,067**	**9,020**	**--**	**--**	**--**
Up to 30 days	138,739	5,809	5,042	--	--	--
31 to 60 days	43,704	2,185	1,795	--	--	--
61 to 90 days	3,014	230	163	--	--	--
91 to 180 days	4,381	475	347	--	--	--
181 to 360 days	38,412	5,369	1,673	--	--	--
1 to 5 years				--	--	--
Liability position	**215,485**	**(28,724)**	**(25,099)**	**--**	**--**	**--**
Up to 30 days	76,061	(7,842)	(7,520)	--	--	--
31 to 60 days	38,188	(5,915)	(5,405)	--	--	--
61 to 90 days	30,490	(4,684)	(4,164)	--	--	--
91 to 180 days	70,445	(10,220)	(7,971)	--	--	--
181 to 360 days	216	(44)	(29)	--	--	--
1 to 5 years	84	(20)	(11)	--	--	--
Options market						
Purchase options						
Shares	**570**	**134**	**137**	**37,120**	**2,013**	**1,535**
Up to 30 days	570	134	137	11,720	809	241
31 to 60 days	**--**	**--**	**--**	6,200	395	311
91 to 180 days	--	--	--	19,200	809	983
Sales options						
Shares	**(231)**	**(275)**	**(269)**	**58,236**	**(5,353)**	**(5,610)**
Up to 30 days	(231)	(275)	(269)	32,836	(3,120)	(2,583)
31 to 60 days	**--**	**--**	**--**	6,200	(318)	(804)
91 to 180 days	--	--	--	19,200	(1,915)	(2,223)
Swap contracts						
Asset	**5,716,308**	**518,566**	**488,529**	**13,082,508**	**355,249**	**369,446**
Up to 30 days	718,215	64,981	65,098	7,288,933	76,218	80,840
31 to 60 days	718,568	31,340	29,193	698,667	36,237	35,569
61 to 90 days	903,026	74,718	70,065	751,487	38,548	42,646
91 to 180 days	814,709	90,036	82,360	1,283,487	94,020	99,955
181 to 360 days	1,774,357	189,944	175,992	1,684,756	61,096	66,153
1 to 5 years	787,433	67,547	65,821	1,375,091	49,114	44,236
5 to 10 years	--	--	--	87	16	46
Liability	**11,613,004**	**(347,843)**	**(349,162)**	**13,048,823**	**(496,878)**	**(499,492)**
Up to 30 days	719,606	(46,611)	(46,709)	2,336,708	(78,721)	(85,091)

31 to 60 days	317,836	(22,631)	(21,908)	1,001,463	(49,478)	(48,735)
61 to 90 days	151,751	(12,730)	(12,645)	660,689	(32,884)	(33,057)
91 to 180 days	944,115	(58,620)	(58,057)	929,701	(111,624)	(105,322)
181 to 360 days	6,297,119	(139,379)	(137,104)	4,922,807	(100,634)	(102,431)
1 to 5 years	3,182,577	(67,872)	(72,739)	3,197,455	(123,537)	(124,855)

By Index	Counterparty (*)	BB - Consolidated 9.30.2004 Notional Amount	9.30.2004 Cost	9.30.2004 Market Value	9.30.2003 Notional Amount	9.30.2003 Cost	9.30.2003 Market Value
Exchange Trading							
Futures contracts							
Purchase commitments		**2,889,312**	**(124,530)**	**(123,524)**	**1,420,180**	**(6,746)**	**(6,746)**
DI	E	--	3,335	3,335	1,056,705	410	410
U,S, dollar	E	358,867	(18,830)	(18,830)	58,040	(3,468)	(3,468)
Index	E	--	569	569	--	149	149
Foreign exchange coupon	E	1,111,237	(109,560)	(109,560)	305,046	(3,832)	(3,832)
Commodities	--	--	(44)	(44)	389	(5)	(5)
Libor	FI	1,419,208	--	1,006	--	--	--
Sales commitments		**3,738,687**	**(35,893)**	**(35,503)**	**400,215**	**(3,860)**	**(3,860)**
DI	E	2,344,591	(6,372)	(6,372)	33,531	(2,093)	(2,093)
U,S, dollar	E	--	797	797	--	(59)	(59)
Index	E	9,120	471	471	4,840	(462)	(462)
Foreign exchange coupon	E	321,678	22,948	22,948	361,844	(1,314)	(1,314)
Commodities	E	--	9	9	--	68	68
SCC	E	494,596	(53,746)	(53,746)	--	--	--
Libor	FI	568,702	--	390	--	--	--
Fixed term currency options							
Asset position		**228,250**	**14,067**	**9,020**	**--**	**--**	**--**
Liability position		**215,485**	**(28,724)**	**(25,099)**	**--**	**--**	**--**
Options market							
Purchase options		**3,730**	**344**	**409**	**86,990**	**3,909**	**2,549**
Shares	E	570	134	137	37,120	2,013	1,535
Financial assets and goods	C	3,160	210	272	49,870	1,896	1,014
Sales options		**2,929**	**(485)**	**(541)**	**108,106**	**(7,249)**	**(6,624)**
Shares	E	(231)	(275)	(269)	58,236	(5,353)	(5,610)
Financial assets and goods	FI	3,160	(210)	(272)	49,870	(1,896)	(1,014)
Over-the-counter trading							
Swap contracts							
Asset position		**4,988,592**	**501,973**	**464,823**	**12,797,233**	**349,070**	**353,973**
DI	C	2,857,674	379,427	349,473	2,182,501	183,321	193,759
	FI	337,317	48,756	43,736	373,689	18,459	12,582
Foreign currency	FI	1,393,643	70,089	67,993	8,692,277	137,853	131,447
Prefixed	C	236,373	3,530	3,433	311,362	6,933	12,857
Referential Rate (TR)	C	26,411	140	157	38,729	536	1,360
Other	--	137,174	31	31	1,198,675	1,968	1,968

By Index	Counterparty (*)	BB - Consolidated 9.30.2004 Notional Amount	Cost	Market Value	9.30.2003 Notional amount	Cost	Market Value
Liability position		**11,346,962**	**(342,506)**	**(343,597)**	**12,969,362**	**(505,967)**	**(508,571)**
DI	C	8,340,912	(135,057)	(135,497)	6,177,686	(207,754)	(207,316)
	FI	428,525	(74,030)	(67,323)	1,368,681	(132,606)	(129,284)
Foreign currency	C	143,500	967	(868)	112,488	(2,412)	(3,681)
	FI	921,221	(62,081)	(67,449)	2,097,880	(73,196)	(76,969)
Prefixed	C	4,073	(92)	(107)	36,649	(1,084)	(1,583)
SELIC rate	C	630,392	(41,851)	(41,851)	2,050,934	(52,928)	(52,928)
Referential rate (TR)	C	764,027	(30,304)	(30,444)	841,448	(34,739)	(35,562)
Other	--	114,312	(58)	(58)	283,596	(1,248)	(1,248)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer

By Maturity	BB – Consolidated 9.30.2004 Notional Amount	Cost	Market Value	9.30.2003 Notional amount	Cost	Market Value
Futures contracts						
Purchase commitments	**2,889,312**	**--**	**1,006**	**1,420,180**	**--**	**--**
Up to 30 days	607,219	--	--	650,163	--	--
31 to 60 days	144,472	--	--	436,722	--	--
61 to 90 days	207,480	--	286	389	--	--
91 to 180 days	419,317	--	224	194,944	--	--
181 to 360 days	547,671	--	233	18,375	--	--
1 to 5 years	963,153	--	263	119,587	--	--
Sales commitments	**3,738,687**	**--**	**390**	**400,215**	**--**	**--**
Up to 30 days	838,626	--	--	33,914	--	--
31 to 60 days	197,501	--	--	--	--	--
61 to 90 days	381,234	--	109	--	--	--
91 to 180 days	548,244	--	119	--	--	--
181 to 360 days	1,168,400	--	157	224,472	--	--
1 to 5 years	604,682	--	5	141,829	--	--

	BB – Consolidated					
	9.30.2004			9.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market Value**	**Notional amount**	**Cost**	**Market Value**
Fixed term currency options						
Asset position	**228,250**	**14,067**	**9,020**	**--**	**--**	**--**
Up to 30 days	138,739	5,809	5,042			
31 to 60 days	43,704	2,185	1,795			
61 to 90 days	3,014	230	163			
91 to 180 days	4,381	475	347	--	--	--
181 to 360 days	38,412	5,369	1,673	--	--	--
Liability position	**215,485**	**(28,724)**	**(25,099)**	**--**	**--**	**--**
Up to 30 days	76,061	(7,842)	(7,520)			
31 to 60 days	38,188	(5,915)	(5,405)			
61 to 90 days	30,490	(4,684)	(4,164)			
91 to 180 days	70,445	(10,220)	(7,971)	--	--	--
181 to 360 days	216	(44)	(29)	--	--	--
1 to 5 years	84	(20)	(11)	--	--	--
Options market						
Purchase options						
Shares	**3,730**	**344**	**409**	**86,990**	**3,909**	**2,549**
Up to 30 days	1,231	169	165	14,506	971	418
31 to 60 days	88	2	5	911	97	3
61 to 90 days	285	11	4	11,148	557	318
91 to 180 days	86	5	11	33,585	1,244	1,022
181 to 360 days	2,040	157	224	26,840	1,040	788
Sales options						
Shares	**2,929**	**(485)**	**(541)**	**108,106**	**(7,249)**	**(6,624)**
Up to 30 days	430	(310)	(297)	35,622	(3,282)	(2,760)
31 to 60 days	88	(2)	(5)	911	(97)	(3)
61 to 90 days	285	(11)	(4)	11,148	(480)	(811)
91 to 180 days	86	(5)	(11)	33,585	(2,350)	(2,262)
181 to 360 days	2,040	(157)	(224)	26,840	(1,040)	(788)
Swap contracts						
Asset	**4,988,592**	**501,973**	**464,823**	**12,797,233**	**349,070**	**353,973**
Up to 30 days	586,219	65,564	65,674	7,288,865	87,064	91,688

31 to 60 days	624,099	31,230	29,064	698,603	36,233	35,565
61 to 90 days	851,050	74,626	69,941	742,060	38,321	42,345
91 to 180 days	705,678	89,752	81,890	1,181,596	92,635	94,591
181 to 360 days	1,606,287	189,272	174,654	1,595,185	57,382	60,078
1 to 5 years	615,259	51,529	43,600	1,290,837	37,419	29,660
5 to 10 years	--	--	--	87	16	46
Liability	**11,346,962**	**(342,506)**	**(343,597)**	**12,969,362**	**(505,967)**	**(508,571)**
Up to 30 days	550,970	(41,348)	(41,670)	2,336,708	(89,578)	(95,948)
31 to 60 days	317,809	(22,631)	(21,906)	1,001,463	(49,478)	(48,735)
61 to 90 days	151,719	(12,729)	(12,644)	657,074	(32,468)	(32,673)
91 to 180 days	878,842	(58,554)	(57,758)	929,633	(111,621)	(105,320)
181 to 360 days	6,265,224	(139,379)	(136,881)	4,917,107	(100,210)	(101,942)
1 to 5 years	3,182,398	(67,865)	(72,738)	3,127,377	(122,612)	(123,953)

5.b.2) Hedge Derivatives

By Index	Counterparty (*)	BB - Domestic and Foreign Branches					
		9.30.2004			9.30.2003		
		Notional Amount	Cost	Market Value	Notional amount	Cost	Market Value
Exchange Trading							
Futures contracts							
Purchase commitments		--	--	--	71,659	(2,089)	(2,089)
Foreign exchange coupon	E	--	--	--	71,659	(2,089)	(2,089)
Sales commitments		--	--	--	691,278	3,200	3,200
Foreign exchange coupon	E	--	--	--	691,278	3,200	3,200
Over-the-counter trading							
Swap contracts							
Asset position		210,550	15,581	14,039	378,102	46,670	39,009
DI	C	134,068	7,891	7,410	209,067	28,306	27,108
	FI	58,803	6,779	5,745	160,287	17,568	10,965
Prefixed	C	17,679	911	884	8,748	796	936
Liability position		14,301	--	1	96,436	(18,547)	(14,530)
Foreign currency	C	14,301	--	1	60,000	(11,120)	(7,599)
DI	FI	--	--	--	36,436	(7,427)	(6,931)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

By Maturity	BB - Domestic and Foreign Branches					
	9.30.2004			9.30.2003		
	Notional Amount	Cost	Market Value	Notional amount	Cost	Market Value
Futures contracts						
Purchase commitments	**--**	**--**	**--**	**71,658**	--	--
91 to 180 days	--	--	--	43,110	--	--
181 to 360 days	--	--	--	28,548	--	--
Sales commitments	**--**	**--**	**--**	**691,278**	**--**	**--**
181 to 360 days	--	--	--	381,882	--	--
1 to 5 years	--	--	--	309,396	--	--
Swap contracts						
Asset	**210,550**	**15,551**	**14,039**	**378,102**	**46,670**	**39,009**
Up to 30 days	77,753	1,278	1,031	17,351	2,307	2,513
31 to 60 days	1,195	157	159	10,147	924	942
61 to 90 days	12,535	1,560	1,522	3,702	931	848
91 to 180 days	43,170	3,728	3,620	53,505	13,487	12,547
181 to 360 days	17,094	2,049	1,962	293,397	29,021	22,159
1 to 5 years	58,803	6,779	5,745	--	--	--
Liability	**14,301**	**--**	**(1)**	**96,436**	**(18,547)**	**(14,530)**
Up to 30 days	14,301	--	(1)	36,436	(7,427)	(6,931)
181 to 360 days	--	--	--	60,000	(11,120)	(7,599)

By Index	Counterparty (*)	BB – Consolidated 9.30.2004 Notional Amount	Cost	Market Value	9.30.2003 Notional Amount	Cost	Market Value
Exchange Trading							
Futures contracts							
Purchase commitments		--	--	--	71,658	(2,089)	(2,089)
Foreign exchange coupon	E	--	--	--	71,658	(2,089)	(2,089)
Sales commitments		--	--	--	691,278	3,200	3,200
Foreign exchange coupon	E	--	--	--	691,278	3,200	3,200
Over-the-counter trading							
Swap contracts							
Asset position		210,550	15,581	14,039	378,102	46,670	39,009
DI	C	134,068	7,891	7,410	209,067	28,306	27,108
	FI	58,803	6,779	5,745	160,287	17,568	10,965
Prefixed	C	17,679	911	884	8,748	796	936
Liability position		14,301	--	1	96,436	(18,547)	(14,530)
Foreign currency	C	14,301	--	1	60,000	(11,120)	(7,599)
DI	FI	--	--	--	36,436	(7,427)	(6,931)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

By Maturity	BB - Consolidated					
	9.30.2004			9.30.2003		
	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Futures contracts						
Purchase commitments	--	--	--	71,658	--	--
91 to 180 days	--	--	--	41,110	--	--
181 to 360 days	--	--	--	28,548	--	--
Sales commitments	--	--	--	691,278	--	--
181 to 360 days	--	--	--	381,882	--	--
1 to 5 years	--	--	--	309,396	--	--
Swap contracts						
Asset	210,550	15,551	14,039	378,102	46,670	39,009
Up to 30 days	77,753	1,278	1,031	17,351	2,307	2,513
31 to 60 days	1,195	157	159	10,147	924	942
61 to 90 days	12,535	1,560	1,522	3,702	931	848
91 to 180 days	43,170	3,728	3,620	53,505	13,487	12,547
181 to 360 days	17,094	2,049	1,962	293,397	29,021	22,159
1 to 5 years	58,803	6,779	5,745	--	--	--
Liability	14,301	--	(1)	96,436	(18,547)	(14,530)
Up to 30 days	--	--	--	36,436	(7,427)	(6,931)
91 to 180 days	14,301	--	(1)	--	--	--
1 to 5 years	--	--	--	60,000	(11,120)	(7,599)

The margin given as guarantee for transactions with derivative financial instruments is comprised of Financial Treasury Bills (LFT) amounting to R$ 456,320 THOUSAND (R$ 520,706 at September 30, 2003).

Banco do Brasil uses derivative financial instruments to minimize the risks arising from commercial and financial operations, as well as providing for the need of its customers.

The portfolio of derivative financial instruments for hedging market risks and the items hedged are as follows:

I – Hedged item:

	Market Value	
	9.30.2004	**9.30.2003**
Asset		
Foreign exchange securities	158,580	945,442
Federal Treasury Notes– D	34,075	651,119
Brazilian Central Bank Notes – E	124,505	294,323

II – Derivatives for Market Risk Hedge:

	Reference Value	
	9.30.2004	**9.30.2003**
Liability		
Derivative financial instruments	272,502	1,112,318
DI Contracts	--	619,620
Swap contracts	272,502	492,698

The effectiveness calculated for the hedge portfolio at September 30, 2004 was 100.41% (118.90% at September 30, 2003). This percentage complies with that established by BACEN Circular Letter 3082/02, which determines that hedge effectiveness should range from 80% to 125%.

5.c) Adjustment to market value – securities and derivatives:

The mark-to-market accounting requirement established by Circulars Letters 3068 and 3082 and later regulations resulted in the following income and expense being recognized in the third quarter:

	BB – Consolidated	
	3rd quarter 2004	3rd quarter 2003
Securities	11,619	33,544
Derivatives	(65,394)	(30,104)
Total	(53,775)	3,440

The changes of the specific account in stockholder's equity is shown in Note 16.e.

6 Loan Operations

6.a) Details of the loan portfolio and loan operations classified as Other receivables:

	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	9.30.2003	9.30.2004	9.30.2003
Loan operations	68,878,242	59,683,944	69,954,490	60,417,728
Loans and bills discounted	34,506,744	28,756,211	35,099,581	29,738,993
Financing	13,346,615	9,711,146	14,063,391	9,806,158
Rural and Agribusiness financing	25,909,347	24,622,964	25,909,347	24,622,964
Financing of securities	5,470	8,491	--	--
Allowance for loan losses	(4,889,934)	(3,414,868)	(5,117,829)	(3,750,387)
Other receivables with loan characteristics	8,407,238	7,837,376	8,789,840	8,129,721
Receivables from guarantees honored	38,161	75,400	41,286	75,400
Advances on foreign exchange contracts	7,168,569	6,731,405	7,168,569	6,731,405
Sundry	1,429,423	1,307,679	1,813,524	1,601,586
Provision for other losses	(228,915)	(277,108)	(233,539)	(278,670)
Lease operations	6,522	--	6,186	9,082
Lease operations	6,553	--	28,662	24,109
Allowance for lease losses	(31)	--	(22,476)	(15,027)
Total	77,292,002	67,521,320	78,750,516	68,556,531

6.b) Details of the loan portfolio by sector, including operations with loan characteristics classified as Other receivables:

	BB - Domestic and Foreign Branches				BB – Consolidated			
	9.30.2004	%	9.30.2003	%	9.30.2004	%	9.30.2003	%
PUBLIC SECTOR	4,576,246	5.5	4,524,236	6.4	4,588,549	5.5	4,703,310	6.5
Domestic	474,474	0.5	295,902	0.4	474,474	0.5	295,902	0.4
Government	335,394	0.4	186,163	0.2	335,394	0.4	186,163	0.2
Direct Administration	159,061	0.2	163,266	0.2	159,061	0.2	163,266	0.2
Indirect Administration	176,333	0.2	22,897	--	176,333	0.2	22,897	--
Business entities	139,080	0.1	109,739	0.2	139,080	0.1	109,739	0.2
Industry	35,036	--	20	--	35,036	--	20	--
Financial services	68,046	0.1	66,764	0.1	68,046	0.1	66,764	0.1
Other services	35,998	--	42,955	0.1	35,998	--	42,955	0.1
Foreign	4,101,772	5.0	4,228,334	5.9	4,114,075	5.0	4,407,408	6.1
Business entities	4,101,772	5.0	4,228,334	5.9	4,114,075	5.0	4,407,408	6.1
Other banks	--	--	26,574	--	--	--	35,392	0.1
Public services	4,101,772	5.0	4,201,760	5.9	4,114,075	5.0	4,372,016	6.0
PRIVATE SECTOR	77,858,142	94.5	66,689,060	93.7	79,559,317	94.5	67,897,305	93.5
Domestic	73,336,924	88.9	63,146,973	88.6	73,657,670	87.5	63,352,760	87.2
Rural	24,836,642	30.1	21,499,416	30.2	24,836,642	29.5	21,499,416	29.6
Industry	17,046,522	20.7	16,713,865	23.5	17,163,746	20.4	16,800,299	23.1
Commerce	8,715,098	10.6	6,434,247	9.0	8,819,502	10.5	6,481,444	8.9
Financial services	292	--	316	--	292	--	316	--
Other services	8,115,619	9.8	7,078,503	9.9	8,182,953	9.7	7,096,957	9.8
Individuals	14,622,751	17.7	11,420,626	16.0	14,654,535	17.4	11,474,328	15.8
Foreign	4,521,218	5.6	3,542,087	5.1	5,901,647	7.0	4,544,545	6.3
BB Group	58,398	0.1	79,391	0.1	65,494	0.1	49,815	0.1
Commerce	147,069	0.2	221,117	0.3	180,983	0.2	270,315	0.4
Industry	3,601,617	4.4	2,720,041	3.9	4,667,580	5.6	3,194,342	4.4
Other companies	556	--	--	--	28,192	--	--	--
Other banks	467,983	0.6	395,346	0.6	517,009	0.6	406,963	0.6
Individuals	19,434	--	21,602	--	19,480	--	23,067	--
Other services	226,161	0.3	104,590	0.2	422,909	0.5	600,043	0.8
Total	82,434,388	100.0	71,213,296	100.0	84,147,866	100.0	72,600,615	100.0

6.c) Details of the loan portfolio by risk level and maturity, including operations with loan characteristics classified as Other receivables:

BB - Domestic and Foreign Branches

Loans falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 9.30.2004	Share %	Total Portfolio 9.30.2003	Share %
AA	1,206,960	625,898	1,529,796	1,207,380	1,497,778	1,025,301	9,245,557	16,338,670	21%	15,334,066	23%
A	1,185,769	1,055,971	1,,911,813	1,802,369	2,900,366	4,819,197	8,104,120	21,779,605	29%	30,698,159	45%
B	1,708,785	892,857	1,467,464	1,091,385	3,159,279	7,210,573	10,686,842	26,217,185	34%	14,742,730	22%
C	671,838	277,878	580,218	513,172	1,224,846	1,945,849	4,870,434	10,084,235	13%	4,397,275	7%
D	86,891	40,078	236,675	81,379	158,619	220,705	1,197,020	2,021,367	3%	1,494,082	1%
E	30,250	3,539	5,842	5,786	60,683	34,654	214,218	354,972	--	309,931	--
F	4,812	1,743	2,978	3,059	5,696	12,112	72,620	103,020	--	99,685	--
G	4,014	1,360	2,507	2,250	5,511	7,678	77,253	100,573	--	78,852	--
H	37,331	8,250	10,283	18,401	22,430	58,422	610,781	765,898	1%	498,249	1%
Total	4,936,650	2,907,574	5,747,576	4,725,181	9,035,208	15,334,491	35,078,845	77,765,525	100%	67,653,029	100%

BB - Domestic and Foreign Branches

Loans overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 9.30.2004	Share %	Total Portfolio 9.30.2003	Share %
B	85,348	626,316	23,314	392	238	56	155	735,819	16%	492,534	14%
C	17,155	341,198	385,983	11,319	6,451	20	41	762,167	16%	396,681	11%
D	3,814	89,015	134,928	271,356	22,931	542	119	522,705	11%	403,665	11%
E	845	31,175	35,012	64,673	204,031	8,104	--	343,840	7%	265,160	7%
F	371	16,423	14,785	26,988	224,531	9,527	1	292,626	6%	240,932	7%
G	286	11,356	10,325	12,161	214,566	11,371	--	260,065	6%	240,808	7%
H	1,040	69,088	61,429	52,619	273,877	1,139,772	153,816	1,751,641	38%	1,520,487	43%
Total	108,859	1,184,571	665,776	439,508	946,625	1,169,392	154,132	4,668,863	100%	3,560,267	100%

BB – Consolidated
Loans falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 9.30.2004	Share %	Total Portfolio 9.30.2003	Share %
AA	1,229,326	627,717	1,538,019	1,219,056	1,521,768	1,033,386	9,402,186	16,571,458	21%	15,672,954	23%
A	1,197,304	1,063,185	1,911,931	1,819,863	2,912,489	4,843,294	8,698,691	22,446,757	28%	30,878,873	45%
B	1,711,697	893,259	1,475,248	1,096,479	3,162,960	7,270,541	10,957,865	26,568,049	33%	15,131,944	22%
C	674,675	277,888	580,330	520,070	1,234,216	1,950,350	4,918,475	10,156,004	13%	4,490,754	7%
D	87,102	40,084	236,724	81,426	174,604	221,729	1,322,711	2,164,380	3%	1,548,992	2%
E	30,343	3,539	5,908	5,809	60,732	34,811	229,647	370,789	--	311,071	--
F	4,812	1,743	2,987	3,059	5,716	12,142	72,701	103,160	--	99,973	--
G	4,080	1,360	2,507	2,250	5,511	7,698	87,437	110,843	--	101,371	--
H	41,349	8,253	10,285	18,409	25,581	58,472	791,316	953,665	1%	768,921	1%
Total	4,980,688	2,917,028	5,763,939	4,766,421	9,103,577	15,432,423	36,481,029	79,445,105	100%	68,004,853	100%

BB - Consolidated
Loans overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 9.30.2004	Share %	Total Portfolio 9.30.2003	Share %
B	91,741	628,020	23,662	392	238	56	155	744,264	16%	496,838	14%
C	18,234	341,883	388,714	11,321	6,476	20	41	766,689	16%	399,296	11%
D	4,797	89,527	135,601	272,552	22,941	542	124	526,084	11%	406,513	11%
E	1,026	31,305	35,441	64,866	204,661	8,104	--	345,403	7%	266,353	7%
F	520	16,435	14,930	27,093	[illegible]	9,527	1	293,815	6%	242,102	7%
G	358	11,454	10,484	12,218	[illegible]	11,386	--	261,337	6%	241,710	7%
H	1,377	69,404	61,826	52,952	274,874	1,143,106	161,630	1,765,169	38%	1,542,950	43%
Total	118,053	1,188,028	670,658	441,394	949,936	1,172,741	161,951	4,702,761	100%	3,595,762	100%

6.d) Details of the allowance for loan losses by risk level, including operations with loan characteristics classified as Other receivables:

BB – Domestic and Foreign Branches

Risk level	%	Balance 9.30.2004	Allowance 9.30.2004	Balance 9.30.2003	Allowance 9.30.2003
AA	0	16,338,670	--	15,334,066	--
A	0.5	21,779,605	108,898	30,698,159	153,491
B	1	26,953,004	269,530	15,235,264	152,353
C	3	10,846,402	325,392	4,793,955	143,819
D	10	2,544,072	254,407	1,897,747	189,775
E	30	698,812	209,644	575,091	172,526
F	50	395,646	197,822	340,617	170,308
G	70	360,638	252,446	319,660	223,762
H	100	2,517,539	2,517,539	2,018,737	2,018,736
Subtotal		82,434,388	4,135,678	71,213,296	3,224,770
Additional Allowance Foreign *		--	46,620	--	58,984
Additional Allowance Domestic **		--	936,581	--	408,222
Total		82,434,388	5,118,880	71,213,296	3,691,976

BB – Consolidated

Risk level	%	Balance 9.30.2004	Allowance 9.30.2004	Balance 9.30.2003	Allowance 9.30.2003
AA	0	16,571,458	--	15,672,954	--
A	0.5	22,446,757	112,234	30,878,873	154,395
B	1	27,312,313	273,123	15,628,782	156,288
C	3	10,922,693	327,681	4,890,050	146,700
D	10	2,690,464	269,046	1,955,505	195,550
E	30	716,192	214,858	577,424	173,227
F	50	396,975	198,487	342,075	171,038
G	70	372,180	260,526	343,081	240,157
H	100	2,718,834	2,718,834	2,311,871	2,311,871
Subtotal		84,147,866	4,374,789	72,600,615	3,549,226
Additional Allowance Foreign*		--	62,410	--	86,636
Additional Allowance Domestic **		--	936,645	--	408,222
Total		84,147,866	5,373,844	72,600,615	4,044,084

* Additional allowance required by local legislation.
** Includes R$ 497,640 at September 30, 2004 (R$ 329,992 at September 30, 2003) of adjustment to present value of the Bank's PESA risk operations, in compliance with the recommendation of the Brazilian Central Bank; R$ 147,647 thousand relating to interest on PROAGRO operations pending reimbursement by the Brazilian Central Bank; R$ 146,035 thousand relating to the reclassification of risk levels of renegotiated operations; and R$ 101,000 thousand relating to the estimated loss of the small business segment, due to the adoption of the new model of risk analysis to conform with the new Basel Agreement.

6.e) Changes in the allowance for loan and lease losses and for operations with loan characteristics classified as Other receivables:

	BB – Domestic and Foreign Branches		BB – Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Opening balance	4,831,544	3,476,037	5,101,508	3,822,896
Additional allowances	930,359	746,650	935,380	747,316
Exchange variation on allowances – foreign	(2,014)	1,456	(21,565)	7,582
Loans written off	(641,009)	(532,167)	(641,479)	(533,710)
Closing balance	5,118,880	3,691,976	5,373,844	4,044,084

6.f) Changes in the provision for loss on Other receivables without loan characteristics:

	BB – Consolidated	
	3rd quarter 2004	3rd quarter 2003
Opening balance *	1,382,627	1,011,662
Additional provisions	135,254	30,012
Exchange variation on allowances – foreign	180	343
Loans written off	(3,032)	--
Reclassification **	--	38,924
Provision used	--	(42,820)
Closing balance	1,515,029	1,038,121

* Includes the provision of R$ 444,285 in March 2003 relating to the restatement of judicial deposits made in respect of litigation recorded in the "Provision for contingent tax liabilities".

** Reclassification of provisions for loss on transactions with sundry debtors which are not encompassed by the rules of CMN Resolution 2682/99.

6.g) Supplementary information:

	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Renegotiated loans	920,527	849,182	920,527	849,310
Recoveries of loans written off as losses*	276,942	286,422	277,936	287,320

* Includes R$ 13,178 (R$ 10,894 at September 30, 2003) of recoveries of assignments of loans to individuals and corporate entities which are recorded in the statement at income in the account Income from loan operations, as permitted by CMN Resolution 2836/2001.

7 Provision for Vacation Pay, Paid Leave and Litigation:

The changes in the provisions are as follows:

	Bank	
7.a) Vacation pay (Other liabilities – Sundry):	**9.30.2004**	**9.30.2003**
Opening balance	580,076	486,136
Provision/(reversal)	150,924	177,300
Provision used	(110,062)	(97,926)
Closing balance	620,938	565,510

7.b) Paid leave (Other liabilities – Sundry):	**9.30.2004**	**9.30.2003**
Opening balance	571,585	525,463
Provision/(reversal)	67,274	109,463
Provision used	(48,538)	(47,823)
Closing balance	590,321	587,103

7.c) Labor claims (Other liabilities – Sundry):	**9.30.2004**	**9.30.2003**
Opening balance	1,891,235	1,429,004
Provision/(reversal)	55,437	44,486
Closing balance	1,946,672	1,473,490

7.d) Tax claims (Other liabilities –Taxes and social security charges):		
	9.30.2004	**9.30.2003**
Opening balance	124,272	137,969
Provision/(reversal)	1,887	(924)
Closing balance	126,159	137,045

7.e) Other legal claims (Other liabilities – Sundry):	**9.30.2004**	**9.30.2003**
Opening balance	658,591	710,412
Provision/(reversal)	27,198	71,506
Closing balance	685,789	781,918

8 Other Receivables

8.a) Foreign Exchange Portfolio

	Current and long-term			
	BB - Domestic and Foreign Branches		BB - Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Forward foreign exchange purchases pending settlement	8,902,193	8,283,414	8,902,193	8,195,684
Bills of exchange and time drafts in foreign currency	117,859	117,777	117,859	117,777
Receivables from sales of foreign exchange	5,775,828	8,468,465	5,775,828	8,380,735
Advances received	(3,425,564)	(6,897,002)	(3,425,564)	(6,897,002)
Foreign currency receivables	18,554	39,604	18,554	39,604
Income receivable on advances granted	66,535	134,031	66,535	134,031
Income receivable on financed imports	4	18	4	18
Total	11,455,409	10,146,307	11,455,409	9,970,847

8.b) Specific Credits

These are credits from the Federal Treasury of R$ 529,910 for the extension of terms of rural financing (R$ 480,010 at September, 2003), as determined by Law 9138/1995.

8.c) Sundry

	Current and long-term			
	BB – Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Salary and other advances	101,149	192,120	101,399	192,137
Accounts receivable – Federal Treasury	497,928	402,458	497,928	402,458
Accounts receivable – Credit card operations	931,371	737,550	931,371	737,550
Accounts receivable – Other	290,272	291,402	303,408	305,484
Tax credits (Note 18)	8,390,076	9,758,962	8,505,199	9,897,078
Sundry debtors – foreign	41,238	39,691	41,894	40,030
Sundry debtors – domestic *	2,895,953	575,145	2,900,493	576,005
Receivables from guarantee deposits**	8,114,889	5,697,419	8,127,137	5,697,612
Income tax and social contribution on net income to offset	240,285	34,741	305,565	89,013
Receivables from sale of assets and rights	575,505	560,749	593,283	580,935
Other	271,827	245,792	210,977	210,769
Total	22,350,493	18,536,029	22,518,654	18,729,071

* At September 30, 2004, includes the net amount of R$ 1,449,509 of the PREVI actuarial liability relating to the 1997 contract, less the adjustment account of this liability (Note 23.e).

** Includes R$ 6,427,163 relating to filing appeals of tax claims, R$ 1,259,476 relating to filing appeals of labor claims and R$ 411,491 relating to other appeals, in the multiple Bank.

9 Other Assets

	Current and long-term			
	BB – Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	9.30.2003	9.30.2004	9.30.2003
Non-operating assets	357,755	369,278	365,358	370,427
Supplies materials	25,877	32,785	25,877	32,784
Total	383,632	402,063	391,235	403,211

10 Deposits

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Demand deposits	30,139,123	20,376,712	30,190,776	20,497,643
Related companies	1,554,477	514,291	1,554,477	514,291
Individuals	9,762,842	7,538,065	9,767,014	7,539,498
Corporate entities	12,168,477	7,133,121	12,221,722	7,254,835
Financial institutions	190,551	138,375	185,026	136,206
Government	1,499,454	1,308,827	1,499,454	1,308,827
Federal Treasury	268,401	132,591	268,401	132,591
Domiciled abroad	28,991	17,441	28,707	17,394
Restricted	3,795,514	2,834,358	3,795,559	2,834,358
In foreign currency	848,058	720,161	848,058	720,161
Other	22,358	39,482	22,358	39,482
Savings deposits	29,914,859	26,577,861	29,914,859	26,577,861
Individuals	28,444,912	25,450,737	28,444,912	25,450,737
Corporate entities	1,163,764	891,215	1,163,764	891,215
Related companies	303,683	232,835	303,683	232,835
Financial institutions	2,500	3,074	2,500	3,074
Interbank deposits	10,082,104	16,716,353	5,529,548	6,437,663
Time deposits	49,315,483	49,461,165	49,443,635	49,558,014
Time deposits	24,194,760	28,285,565	24,322,911	28,382,414
Time deposits in foreign currency	974	768	974	768
Time deposits with automatic renewal	190,101	195,324	190,102	195,324
Remunerated judicial deposits	16,054,942	15,284,638	16,054,942	15,284,638
Special deposits relating to Funds and Programs (Note 14.c)	8,874,706	5,694,870	8,874,706	5,694,870
Total	119,451,569	113,132,091	115,078,818	103,071,181

11 Borrowings – Foreign Borrowings

	BB - Domestic and Foreign Branches							
	No Maturity	**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 9.30.2004**	**Total 9.30.2003**
Exports	--	44,623	91,579	--	--	--	136,202	368,925
Imports	--	74,683	176,670	77,086	31,149	3,208	362,796	388,533
Foreign exchange	10,250,197	--	--	--	--	--	10,250,197	2,593,968
Specific credit lines	--	35,728	--	204,707	162,276	3,301,507	3,704,218	3,737,915
Other	--	2,256,747	1,528,462	83,988	--	--	3,869,197	4,351,193
Total	10,250,197	2,411,781	1,796,711	365,781	193,425	3,304,715	18,322,610	11,440,534

	BB – Consolidated							
	No Maturity	**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 9.30.2004**	**Total 9.30.2003**
Exports	--	14,394	--	--	--	--	14,394	113,991
Imports	--	53,244	102,239	77,086	31,149	3,208	266,926	320,597
Foreign exchange	10,250,197	--	--	--	--	--	10,250,197	2,593,968
Specific credit lines	--	35,728	--	204,707	162,276	3,301,507	3,704,218	3,737,915
Other	--	887,299	850,666	42,871	--	--	1,780,836	742,678
Total	10,250,197	990,665	952,905	324,664	193,425	3,304,715	16,016,571	7,509,149

Banco do Brasil S.A. policy in respect of its foreign borrowings is to seek the lowest possible cost for the maturity, type of instrument, and its balance sheet profile. The Bank uses the Libor and US Treasury rates, respectively, as references for its financial and capital transactions, constantly monitoring rates in the various markets.

12 Local Onlendings – Official Institutions

Programs	Financial charges	BB - Domestic and Foreign Branches		BB – Consolidated	
		9.30.2004	9.30.2003	9.30.2004	9.30.2003
Federal Treasury		2,058,936	1,222,379	2,058,936	1,222,379
Rural Credit		2,055,564	1,137,705	2,055,564	1,137,705
Farming and livestock breeding	TR or 9% p.a.	37,242	36,446	37,242	36,446
PGPM-EGF	TR or 5.75% p.a. to 9% p.a.	--	1,500	--	1,500
PNDR (C)	TJLP + 9.81% p.a.	2,827	3,444	2,827	3,444
PROFIR	TJLP + 5% p.a.	5,647	9,787	5,647	9,787
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	35,020	26,811	35,020	26,811
PRONAF	1% p.a. or 4% p.a.	1,680,072	732,931	1,680,072	732,931
RECOOP	5.75% to 7.25% p.a.	294,756	326,785	294,756	326,785
Other funds and programs		3,372	84,674	3,372	84,674
PNDA	Foreign exchange variation + 7.31% p.a. or TJLP + 9.81% p.a.	3,372	3,274	3,372	3,274
Alcohol storage	TMS	--	81,400	--	81,400
BNDES	*	3,483,681	2,820,739	3,483,681	2,820,739
FINAME	**	2,653,712	1,737,924	2,661,714	1,746,645
Other Institutions	--	573,805	520,022	573,920	520,891
PROHEMP	--	1,264	1,414	1,264	1,414
FBB – Fundec II	--	14,433	19,068	14,433	19,068
FUNCAFÉ	TR or TMS (Available) or TJLP + 3% p.a. or 4% p.a. (Invested)	557,875	498,415	557,875	498,415
Other	--	233	1,125	348	1,994
Total		8,770,134	6,301,064	8,778,251	6,310,654

* BNDES

- Programs with fixed interest rates: interest paid to the BNDES varies from 3% p.a. to 9% p.a.
- Programs with Long-Term Interest Rate (TJLP) or foreign exchange variation: interest paid to the BNDES varies from 0.5% p.a. to 11% p.a.

** FINAME
- Programs with fixed interest rates: interest paid to BNDES/FINAME varies from 5.75% p.a. to 11% p.a.
- Programs with TJLP or foreign exchange variation: interest paid to BNDES/FINAME varies from 0.5% p.a. to 4.5% p.a.

13 Funds Obtained in Foreign Capital Markets

The current outstanding transactions in the foreign capital markets are listed below, in millions:

Transactions	Coupon	Amount	Date of funding	Maturity
"Global Medium-Term Notes" Program**	9.375% p.a.	US$ 200	Jun/97	Jun/07
Securitization of the Flow of Remittance of Funds –Dekasseguis*	7.875% p.a.	US$ 300	Aug/01	Aug/06
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 450	Dec/01	Dec/08
Securitization of the Flow of Electronic Remittances (MT - 100)*	Libor 3m+0.60% p.a.	US$ 300	Jul/02	Jun/09
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 40	Sep/02	Sep/09
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.26% p.a.	US$ 120	Mar/03	Mar/10
"Global Medium-Term Notes" Program**	6.375% p.a.	US$ 75	Apr/03	Apr/05
Securitization of Credit Card Receivables – Visanet*	5.911% p.a.	US$ 178	Jul/03	Jun/11
Securitization of Credit Card Receivables – Visanet*	4.777% p.a.	US$ 45	Jul/03	Jun/11
Securitization of the Flow of Electronic Remittances (MT - 100)*	6.55% p.a.	US$ 250	Dec/03	Dec/13
Subordinated Debt	8.5% p.a.	US$ 300	Sep/04	Sep/14

Total issued per program:

	Foreign Currency	Reais***
"Global Medium-Term Notes" Program – GMTN	US$ 275	786
Securitization of the Flow of Electronic Remittances (MT - 100)	US$ 1,160	3,315
Securitization of Credit Card Receivables – Visanet	US$ 223	637
Securitization of the Flow of Remittance of Funds – Dekasseguis	US$ 300	857
Subordinated Debt	US$ 300	857
Total		6,453

* Recorded under Other liabilities – Negotiation and intermediation of securities
** Recorded under Funds from acceptance and issue of securities – foreign securities
*** Converted at R$ 2.8578 per US$ 1.00

14 Other Liabilities

14.a) Foreign Exchange Portfolio

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Forward foreign exchange sales pending settlement	5,612,177	8,435,790	5,612,177	8,198,553
Advances in foreign currencies	(151,464)	(18,997)	(151,464)	(18,997)
Import financing	(11,136)	(2,459)	(11,136)	(2,459)
Foreign exchange purchase liabilities	9,189,864	8,532,574	9,189,864	8,444,844
Advances on foreign exchange contracts	(7,168,569)	(6,616,180)	(7,168,569)	(6,616,180)
Foreign currency payables	34,816	38,759	34,816	38,759
Unearned income on advances granted	3,458	2,681	3,458	2,681
Liabilities for sales – floating rates	--	73,211	--	73,211
Total	7,509,146	10,445,379	7,509,146	10,120,412

14.b) Financial and Development Funds

	Current and long-term	
	BB - Domestic and Foreign Branches and BB - Consolidated	
	9.30.2004	**9.30.2003**
PIS/PASEP	1,264,424	1,212,367
Merchant Navy	14,614	7,999
Land and Agrarian Reform - BB Banco da Terra	106,520	94,989
Special Lending Program for Agrarian Reform – Procera	318,937	376,504
Other	109,379	15,110
Total	1,813,874	1,706,969

14.c) Fund for Worker Assistance (FAT) and Fund to Guarantee the Increase in Employment and Earnings (FUNPROGER):

FAT is a special accounting and financial fund, established by Law 7998/90, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Worker Assistance Fund (CODEFAT). CODEFAT is a collective, tripartite and equal level organization, composed of representatives of workers, employees and government, which acts as the manager of FAT.

The main sources of funding of FAT are contributions payable to the Social Integration Program (PIS) and to the Public Service Employees Savings Program (PASEP).

FAT's objective is to fund the Unemployment Insurance Program (with specific responsibilities for payment of Unemployment Insurance benefits, professional qualification and requalification, and orientation and intermediation of employment), the Salary Bonus, and finance programs for economic development as well as to promote employment.

The main actions to promote employment using FAT funds are centralized in the Programs for the Increase in Earnings (PROGER), whose resources are allocated by special deposits, established by Law 8352/91, in official federal financial institutions (including, among others, PROGER in the Urban and Rural categories, and the National Program to Strengthen Family Farming - PRONAF).

The Bank acts as a partner of FAT in carrying out programs for the increase in employment and earnings, through special deposits to be invested in PROGER, Urban and Rural, and in PRONAF, offering credit lines to micro and small companies, cooperatives, workers in the informal economic sector, and rural workers.

Special deposits held by Banco do Brasil, while available, are remunerated on a pro rata basis by the TMS (Average SELIC Rate). When they are invested in financing to support PRONAF and PROGER, they are remunerated by the TJLP (Long-term Interest Rate) during the period in which the financing is in effect.

The remuneration of the funds held by the Bank are paid to FAT in the month subsequent to that of deposit. Remuneration of funds applied to finance final borrowers are paid as stipulated in each specific resolution.

The Fund to Guarantee the Increase in Employment and Earning (FUNPROGER) is a special accounting fund, established on November 23, 1999 through Law 9872, changed by Law 10360/01, and regulated by CODEFAT Resolution 231/99, changed by CODEFAT Resolution 276/01, and is managed by the Bank with the supervision of CODEFAT/MTE, with a balance of R$ 184,397 at September 30, 2004 (R$ 94,570 at September 30, 2003).

The objective of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano financing, through the payment of a commission.

The net assets of FUNPROGER are accumulated through funds arising from the difference between the average SELIC Rate and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in the Fund for Worker Assistance (FAT). Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the Fund manager.

Program	Resolution	TMS Available (1)	TJLP Invested (2)	Total	Return of FAT funds Type (*)	Initial date	Final date
PROGER Rural and PRONAF		**1,013,174**	**2,723,324**	**3,736,497**			
Rural III	129/1996						
	133/1996	607,611	84,565	692,175	03 PAS	11/2004	11/2006
Rural IV	140/1997	51,226	659,351	710,578	PU	-	06/2005
Rural V and Pronaf III	239/2000	65,411	17,427	82,838	05 PAS	10/2004	10/2008
Rural VI	271/2001	22,869	40,251	63,120	04 PAS	05/2004	05/2007
Rural VII	300/2002	6,606	108,799	115,405	07 PAS	07/2005	07/2011
Rural VIII	366/2003	551	467,257	467,808	07 PAS	07/2006	07/2012
Rural iX	398/2004	50,000	-	50,000	07 PAS	07/2013	07/2019
Pronaf I	173/1998	56,864	243,133	299,997	PU	-	09/2006
Pronaf II	217/1999	55,927	215,974	271,902	07 PAS	07/2004	07/2010
Pronaf IV	283/2002	27,905	215,869	243,774	06 PAS	07/2005	07/2010
Pronaf V	303/2002	67,540	146,121	213,661	07 PAS	07/2005	07/2011
Pronaf VI	367/2003	663	524,577	525,239	07 PAS	07/2006	07/2012
PROGER Urban		**431,673**	**3,385,014**	**3,816,687**			
Urbano V	228/1999	7,972	94,897	102,869	13 PSS	02/2002	02/2008
Urbano VI	243/2000	9,448	96,051	105,499	12 PSS	06/2003	12/2008
Urbano VII	260/2001	13,273	152,555	165,828	12 PSS	12/2003	06/2009
Urbano VIII	280/2002	13,470	231,636	245,106	12 PSS	02/2005	08/2010
Urbano IX	307/2002	12,599	165,152	177,750	12 PSS	06/2005	12/2010
Urbano X	312/2003	7,448	108,607	116,055	12 PSS	09/2005	03/2011
Urbano XI	322/2003	6,132	216,894	223,026	12 PSS	01/2006	07/2011
Urbano XII	357/2003	1,388	322,027	323,415	12 PSS	05/2006	11/2011
Urbano XIII	375/2003	494	305,725	306,219	12 PSS	10/2006	04/2012
Urbano XIV	397/2004	100,000	-	100,000	12 PSS	04/2007	10/2012
Popular company 1 – 1st tranche	294/2002	16,997	101,774	118,772	09 PSS	11/2004	11/2008
Popular company 1 – 2nd tranche	294/2002	14,531	99,303	113,834	09 PSS	04/2005	04/2009
Popular company 2	338/2003	46,616	162,403	209,019	09 PSS	10/2005	10/2009
Small/medium size company 1	297/2002	50,678	514,887	565,565	07 PSS	01/2005	01/2008
Small/medium size company 2	331/2003	52,085	796,665	848,750	09 PSS	11/2004	11/2008
Turismo I	323/2003	34,168	16,440	50,608	16 PSS	02/2006	08/2013
Turismo II	324/2003	44,372	1	44,373	09 PSS	08/2004	08/2008
Other		**183,979**	**703,029**	**887,009**			
Electric appliances	360/2003	8,656	2,579	11,236	07 PSS	03/2004	03/2007
Export i	347/2003	49,934	67	50,001	09 PSS	06/2005	06/2009
Residence I	349/2003	18,152	195,078	213,231	09 PSS	11/2004	11/2008
Residence II	378/2003	7,090	303,329	310,419	09 PSS	04/2005	04/2009
Residence III	387/2004	100,147	201,977	302,123	09 PSS	07/2005	07/2009
Total		**1,628,826**	**6,811,367**	**8,440,193**			

(1) Funds remunerated by the TMS: Average SELIC Rate
(2) Funds remunerated by the TJLP: Long-term Interest Rate
(*) Type: PU (Single payment at the end of the period), PAS (Annual and successive installments) and PSS (Semiannual and successive installments)

The FAT and FUNPROGER funds refer to the balance of the account “Special Deposits relating to Funds and Programs” (Note 10).

14.d) Sundry

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	9.30.2004	**9.30.2003**	**9.30.2004**	**9.30.2003**
Provisions for payments*	4,850,097	5,593,936	4,858,523	5,595,524
Contracts of assumption of liabilities	1,242,542	1,519,132	645,623	653,657
Provisions for contingent liabilities (Note 7)	2,643,933	2,262,442	2,677,759	2,266,076
Sundry creditors – overseas	43,157	30,570	45,267	33,927
Sundry creditors – domestic	706,912	672,038	708,948	673,713
Credit card operations	859,217	716,820	859,217	716,820
Liabilities for official agreements	102,387	389,408	102,387	389,408
Accounts payable for payment services provided	428,404	273,705	428,404	273,705
Funds restricted to credit operations	108,007	70,098	997,558	899,999
Other	22,327	120,299	132,038	236,343
Total	11,006,983	11,648,448	11,455,724	11,739,172

* Includes R$ 2,884,910 relating to the sum of the "PREVI Actuarial Liability of the Informal Plan” (exclusive responsibility of the Bank) and the “CASSI Actuarial Liability" at September 30, 2004. (Note 23.e).

14.e) Subordinated Debt

As from June 30, 2001, as determined by CMN Vote No. 67 of June 28, 2001 and Bacen-Diret Official Letter 2001/1602 of June 29, 2001, Banco do Brasil has considered the funds from the Central-Western Constitutional Fund (FCO) as subordinated debt and as Level II Reference Equity, due to the low repayment requirement and extended period held in the Bank.

On September 13 2004, Banco do Brasil issued for the first time in the international market subordinated debt. The operation totals an amount of USS 300 million (R$ 850,921 thousand) for a 10 years term. The operation was made by Credit Suisse First Boston and BB Securities.

At September 30, 2004, these payables amount to R$ 6,636,942 (at September 30, 2003, R$ 4,832,848).

15 Analysis of Income Statement Items

15.a) Banking services fees

	BB - Domestic and Foreign Branches		BB – Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Investment fund management	--	--	269,829	213,841
Collection services	157,935	129,542	158,246	129,988
Services rendered to related companies	191,631	163,178	46,070	34,380
Fund transfers	33,333	30,353	33,394	30,438
Guarantees granted	38,478	17,439	38,490	17,439
Check clearing services and other	138,301	118,254	138,301	118,254
Review of requests for exclusion from CCF	17,198	15,483	17,198	15,483
PASEP administration	18,745	20,834	18,745	20,834
Loans contracted	150,301	132,190	150,301	132,190
Deposit account fees	51,468	45,207	51,468	45,207
Checking account fees	23,742	25,725	23,742	25,725
Fees for issuing documents	27,523	25,454	27,523	25,454
Fees for preparing customer record data	11,038	10,968	11,038	10,968
Ouro plan	299,720	218,330	299,720	218,330
Fees for official services	65,619	62,885	65,619	62,885
International trade services	3,989	4,192	3,989	4,192
Third party collection services	41,787	37,779	41,787	37,779
Commissions for administration of public sector debt	14,519	11,759	14,519	11,759
Payments for third parties	32,869	28,153	32,869	28,153
Annuities	64,899	52,512	64,899	52,512
Credit cards – fees on cash withdraws and purchases	2,029	2,043	2,029	2,043
Credit cards – commissions of issuing bank	56,420	40,306	56,420	40,306
Other	133,756	129,970	150,452	134,195
Total	1,575,300	1,322,556	1,716,648	1,412,355

15.b) Personnel expenses

	BB – Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Salaries	(699,023)	(678,849)	(712,018)	(687,616)
Benefits	(180,927)	(162,493)	(182,254)	(163,173)
Social charges	(295,779)	(274,742)	(300,330)	(277,792)
Training	(9,859)	(10,128)	(9,921)	(10,174)
Directors and board member fees	(2,164)	(1,048)	(2,610)	(1,142)
Personnel provisions*	(395,519)	(416,598)	(395,519)	(416,598)
Provisions for labor claims	(76,079)	(44,485)	(76,079)	(44,485)
Labor claim losses	(65,214)	(80,234)	(65,214)	(80,234)
Total	(1,724,564)	(1,668,577)	(1,743,945)	(1,681,214)

15.c) Other Administrative Expenses

	BB – Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Water, electricity and gas	(45,715)	(39,640)	(45,745)	(39,676)
Rent	(53,225)	(50,171)	(54,576)	(50,880)
Leasing costs	(40,383)	(66,714)	(40,383)	(66,714)
Communications	(181,556)	(163,796)	(182,890)	(164,628)
Maintenance and upkeep	(42,832)	(44,580)	(43,436)	(45,174)
Materials	(34,833)	(35,250)	(35,017)	(35,364)
Data processing	(129,719)	(124,978)	(132,366)	(127,220)
Promotion and public relations	(82,388)	(47,597)	(82,452)	(47,654)
Advertising and publicity	(47,369)	(54,409)	(49,308)	(54,411)
Financial system services	(74,437)	(64,379)	(75,022)	(64,711)
Third party services	(99,041)	(78,203)	(100,225)	(78,246)
Security services	(86,812)	(83,684)	(86,903)	(83,732)
Specialized technical services	(25,203)	(16,758)	(27,109)	(17,692)
Transportation	(85,800)	(80,376)	(86,123)	(80,669)
Domestic travel	(25,378)	(19,549)	(26,064)	(19,784)
Amortization	(26,137)	(26,132)	(28,372)	(26,614)
Depreciation	(102,275)	(94,928)	(102,651)	(95,141)
Expenses with tax and civil lawsuits	(79,243)	(75,888)	(79,243)	(75,888)
Other	(64,292)	(44,385)	(66,145)	(46,611)
Total	(1,326,638)	(1,211,417)	(1,344,030)	(1,220,809)

15.d) Other operating income

	BB – Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Recovery of charges and expenses	77,081	103,882	76,905	103,973
Income from special operations	26,429	27,160	26,429	27,160
Income from specific credits	13,773	16,048	13,773	16,048
Income from other credit operations	19	6,654	19	6,654
Income from payments of INSS benefits	13,852	15,584	13,852	15,584
Income from guarantee deposits	220,676	117,599	220,676	117,599
Income from securities and credits receivable from the Federal Treasury	66,202	13,562	66,202	13,562
Dividends received	3,453	2,847	3,453	2,847
Exchange adjustments of credit card transactions	4,773	7,122	4,773	7,122
Tax unduly paid	21,433	--	21,433	--
Reversal of provisions	183,036	--	183,036	--
Exchange losses/Reclassification of balances	1,951,779	--	1,951,779	--
Revenues from clearance services abroad	4,027	856	4,027	856
Other	44,687	53,857	46,095	54,539
Total	2,636,220	365,171	2,637,452	365,944

15.e) Other operating expenses

	BB – Domestic and Foreign Branches		BB – Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Discounts granted on renegotiations – credit operations	(15,862)	(18,194)	(15,862)	(18,194)
Updating of the pension liability	(75,988)	(132,651)	(75,988)	(132,651)
Interest on funds allocated for payment of benefits	(7,728)	(8,312)	(7,728)	(8,312)
CASSI – Adjustments arising from CVM Resolution 371	(69,930)	(57,563)	(69,930)	(57,563)
Losses from robberies and theft	(7)	(8,111)	(7)	(8,111)
Errors and fraud	(8,923)	(7,067)	(8,923)	(7,067)
BB Personal Banking expenses	(22,832)	(26,395)	(22,832)	(26,395)
Expenses with credit card operations	(35,844)	(67,826)	(35,844)	(67,826)
Provision for restatement of taxes and contributions payable	--	(60,024)	--	(60,024)
Foreign exchange losses	(1,123,343)	--	(1,123,343)	--
Law 9138/95 – Restatement of funds to be returned to the Federal Treasury	(37,221)	(18,363)	(37,221)	(18,363)
Securitization dekasseguis – liabilities with the SPE	(9,489)	(13,809)	(9,489)	(13,809)
Securitization SWIFT MT100 – liabilities with the SPE	(58,659)	(49,427)	(58,659)	(49,427)
Other	(89,311)	(15,235)	(109,897)	(33,699)
Total	(1,555,137)	(482,977)	(1,575,723)	(501,441)

15.f) Non-operating income

	BB – Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Non-operating income	90,785	46,685	94,878	49,336
Profit on the sale of assets	46,152	13,439	46,152	13,475
Capital gains	1,330	1,134	1,330	1,178
Rental income	2,178	2,439	2,178	2,439
Valuation of other assets	9,745	10,515	9,745	10,815
Gains on shares and quotas	--	--	3,260	385
Sale of properties	29,438	16,262	29,439	16,262
Other non-operating income	1,942	2,896	2,774	4,782
Non-operating expenses	(14,287)	(28,284)	(14,446)	(31,984)
Loss on sale of investments	--	(1,745)	--	(4,007)
Loss on sale of assets	(6,506)	(459)	(6,519)	(459)
Capital losses	(3,404)	(3,659)	(3,409)	(3,962)
Loss in value of other assets	(3,590)	(21,711)	(3,620)	(21,711)
Losses with shares and quotas	--	--	(111)	(1,135)
Other non-operating expenses	(787)	(710)	(787)	(710)
Total	76,498	18,401	80,432	17,352

16 Stockholders' Equity

16.a) Stockholders' equity of R$ 13,771,464 (R$ 11,687,349 at September 30, 2003) includes net income for the period, and the book value per share is R$ 18.81 (R$ 15.97 per a lot of thousand shares at September 30, 2003) considering the total of 732,017,829 common shares (disregarding treasury stock).

16.b) Capital

Capital comprises 743,275,506 common shares with no par value. The Federal Treasury is the controlling stockholder.

The Extraordinary General Meeting of stockholders held on November 12, 2003 approved the grouping, on January 23, 2004, of the Series B and C shares and subscription bonuses, in the proportion of one new share/bonus for each lot of one thousand existing shares/bonuses.

16.c) Treasury stock

The Bank purchased 10,234,252 preferred shares, equivalent to 1.44% of the total capital, as reimbursement to dissident stockholders not in agreement with the conversion of preferred shares into common shares, approved at the Special Preferred Stockholders' Meeting held on June 7, 2002. These shares were converted into 11,257,677 common shares and remain in treasury in accordance with article 45 of Law 6404/76.

The amount paid as reimbursement totaled R$ 125,778,962.78, equivalent to R$ 12.29 per share at the book value per share at December 31, 2001. The market value per common share at September 30, 2004 was R$ 25.20 (R$ 16.00 per a lot of thousand shares at September 30,2003).

16.d) Revaluation reserves

These refer to revaluations of property of the associated company Kepler Weber. The realizations of the reserves in the period through depreciation, totaling R$ 54 thousand, were transferred to the "Retained earnings" account.

16.e) Adjustment to Market Value – Securities and Derivative Financial Instruments

In accordance with BACEN Circular Letters 3068/01 and 3082/02, this account records the mark-to-market adjustment of securities available for sale, totaling R$ 17,437 (R$ 43,423 at September 30, 2003), net of tax effects. The changes in this stockholders' equity account are as follows:

	June 2004	Net changes in the period	September 2004
Securities available for sale	**Balance**		**Balance**
Bank	250,726	(111,721)	139,005
Subsidiary and associated Companies	(212,931)	106,012	(106,919)
Tax effects	(89,032)	39,509	(49,523)
Total	(51,237)	33,800	(17,437)

	June 2003	Net changes in the period	September 2003
Securities available for sale	**Balance**		**Balance**
Bank	(214,693)	243,057	28,364
Subsidiary and associated Companies	(58,961)	(10,855)	(69,816)
Tax effects	79,551	(81,522)	(1,971)
Total	(194,103)	150,680	(43,423)

16.f) Shareholding positions

As prescribed in paragraphs IV, V, VI and VII of Article 40 of the Bank's by-laws, the shareholding positions are as follows:

Paragraph IV: Shareholdings of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	Total shares	% Total
Federal Treasury	533,507,414	71.8
Banco do Brasil Employees Retirement Fund (PREVI)	102,536,547	13.8
BNDES Participações S.A. – BNDESPAR	42,822,675	5.8

Paragraph V: Number and characteristics of the securities issued by the Bank and directly or indirectly held by the controlling stockholder, management and members of the Fiscal Council; and

Paragraph VI: Changes in ownership of the parties referred to in the previous paragraph of these securities during the preceding twelve months:

Controlling stockholder – Federal Treasury	**9.30.2004**	**9.30.2003**
Common shares (ON)	533,507,414	533,507,414,282
B Bonus	155,276,743	155,276,743,847
C Bonus	258,794,573	258,794,573,092

Board of Directors	**Position**	**ON Shares**		**B Bonds**		**C Bonds**	
		9.30.04	**9.30.03**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**
Bernard Appy	President	01	01	--	--	--	--
Cássio Casseb Lima	Vice-President	01	01	--	--	--	--
Carlos Augusto Vidotto	Counselor	02	01	--	--	--	--
Francisco Augusto da Costa e Silva	Counselor	02	01	--	--	--	--
João Carlos Ferraz	Counselor	02	01	--	--	--	--
José Carlos Rocha Miranda	Counselor	01	01	--	--	--	--
Tarcísio José Massote de Godoy	Counselor	01	01	--	--	--	--
		ON Shares		**B Bonds**		**C Bonds**	
Fiscal Council	**Position**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**
Marcus Pereira Aucélio	President	--	--	--	--	--	--
Luiz Awazu Pereira da Silva	Member	--	--	--	--	--	--
Rodrigo Pirajá Wienskoski	Member	--	--	--	--	--	--
Artemio Bertholini	Member	--	--	--	--	--	--
Vicente de Paulo Barros Pegoraro	Member	01	1,232	--	336	--	560
Ernesto Rubens Gelbcke	Deputy	--	--	--	--	--	--
Marcos de Andrade Reis Villela	Deputy	--	--	--	--	--	--
Otávio Ladeira de Medeiros	Deputy	--	--	--	--	--	--
Pedro Paulo Bernardes Lobato	Deputy	--	--	--	--	--	--

		ON Shares		B Bonus		C Bonus	
Executive Board of Directors	**Position**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**
Cássio Casseb Lima	President	01	01	-	-	-	-
Adézio de Almeida Lima	Vice-President	02	2,464	-	769	1	1,233
Edson Machado Monteiro	Vice-President	57	57,876	17	17,362	28	28,939
José Luiz de Cerqueira César	Vice-President	-	-	-	-	-	-
Luiz Eduardo Franco de Abreu	Vice-President	01	1,000	-	-	-	-
Luiz Oswaldo Sant'Iago Moreira de Souza	Vice-President	02	2,544	-	748	1	1,249
Ricardo Alves da Conceição	Vice-President	371	371,463	111	111,253	185	185,424
Rossano Maranhão Pinto	Vice-President	-	-	-	-	-	-

		ON Shares		B Bonds		C Bonds	
Directors	**Position**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**	**9.30.04**	**9.30.03**
Aldo Luiz Mendes	Director	-	-	-	-	-	-
Antônio Francisco de Lima Neto	Director	-	403	-	120	-	203
Augusto Braúna Pinheiro	Director	-	-	-	-	-	-
Derci Alcântara	Director	33	33,676	9	9,806	16	16,345
Henrique Pizzolato	Director	26	26,537	7	7,714	12	12,858
Izabela Campos Alcântara Lemos	Director	-	-	-	-	-	-
João Carlos de Mattos	Director	-	-	-	-	-	-
José Carlos Soares	Director	219	-	6	-	10	-
José Gilberto Jaloretto	Director	-	-	-	-	-	-
José Maria Rabelo	Director	20	-	6	-	10	-
Juraci Masiero	Director	-	-	-	-	-	-
Manoel Gimenes Ruy	Director	14	14,267	4	4,192	6	6,988
Miguel Oscar Viana Peixoto	Director	-	-	-	-	-	-
Murilo Castellano	Director	3	-	-	-	1	-
Paulo César Simplício da Silva	Director	29	29,044	8	8,568	14	14,281
Paulo Euclides Bonzanini	Director	-	-	-	-	-	-
Paulo Rogério Caffarelli	Director	-	-	-	-	-	-
Renato Donatello Ribeiro*	Director	84,9811*	84,9811*	2	2,438	4	4,064
Ricardo José da Costa Flores	Director	19	-	5	-	9	-
William Bezerra Cavalcanti Filho	Director	-	-	-	-	-	-

* Shares held by the Banco do Brasil Employees Investment Club (CIN).

Statutory Auditor							
José Luis Salinas	General Auditor	-	-	-	-	-	-

Paragraph VII – Number of shares in the market and percentage in relation to the total issued:

BB shares	**Number**	**%**
Market	53,151,193	7.2
Total issued	743,275,506	100.0

17 Income Tax and Social Contribution on Net Income

17.a) Details of calculation basis

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Income before taxes and after employee profit sharing	3,837,001	3,837,001	3,523,438	3,523,438
- Income before taxation	3,654,171	3,654,171	3,474,814	3,474,814
- Net income of foreign entities	(161,619)	(161,619)	(68,021)	(68,021)
- Intercompany eliminations	523,729	523,729	184,681	184,681
- Employee profit sharing	(179,280)	(179,280)	(68,036)	(68,036)
b) Permanent additions/(deductions) :	(1,439,458)	(1,458,560)	149,020	110,549
- Equity in the (earnings)/loss of subsidiary and associated companies	(686,310)	(686,310)	695,459	695,459
- Expense with interest on own capital	(449,958)	(449,958)	(321,916)	(321,916)
- Non-deductible expenses and provisions	225,622	197,004	205,045	160,432
- Other additions/(deductions)	(528,812)	(519,296)	(429,568)	(423,426)
c) Temporary additions/(deductions):	2,345,294	2,362,995	1,512,070	2,570,590
- Allowance for loan losses	3,642,868	3,642,868	2,509,944	2,509,944
- Provision for loss on securities and investments	1,145	1,149	(788)	(788)
- Provision for pension liabilities	(1,554,098)	(1,552,605)	(1,381,033)	(337,277)
- Provision for labor claims, tax contingencies, and contingent liabilities	355,956	376,598	510,188	532,007
- Amortization of goodwill on investments	5,730	--	7,248	--
- Other additions/(deductions)	(106,307)	(105,015)	(133,489)	(133,296)
d) Other additions/(deductions) :	(1,612,028)	(1,603,881)	(590,986)	(578,553)
- Foreign profits	117,248	117,248	157,797	157,797
- Adjustment – BACEN Resolution 2682/99 and Law 9430/99	(1,712,045)	(1,712,045)	(732,618)	(732,618)
- Other	(17,231)	(9,084)	(16,165)	(3,732)
e) Taxable income	3,130,809	3,137,,555	4,593,542	5,626,024
f) Income tax/Social contribution:	756,750	280,297	1,100,618	499,655
- Rate of 15% / 9%	472,566	284,147	689,031	506,342
- Additional 10%	314,972	--	459,282	--
- Tax incentives	(13,369)	--	(19,841)	--
- Income tax on profits of foreign entities	(17,419)	(3,850)	(27,854)	(6,687)

17.b) Details of income tax and social contribution on net income expense:

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution expenses per the Statement of income	(399,806)	(146,771)	(375,658)	(139,914)
- Provision for income tax and social contribution – present values	(379,111)	(140,097)	(370,561)	(140,038)
- (Provision)/reversal of deferred income tax on the adjustment of the portfolio and depreciation (leasing operations)	970	--	4,316	--
- Foreign income tax	(4,492)	--	(10,808)	--
- (Provision)/reversal of provision for deferred taxes – positive MTM	10,831	3,407	1,521	169
- (Provision)/reversal of the provision for deferred income tax – sale of investments in installments (BB - BI)	214	77	(126)	(45)
- (Provision)/reversal of provision for deferred taxes-restatement of judicial deposits	(28,218)	(10,158)	--	--
b) Deferred tax credits	1,140	59	(1,088)	562
- Recording/(reversal) of tax credits on temporary differences	326	37	1,757	560
- Recording/(reversal) of tax credits on income tax and social contribution losses	(1,040)	--	(4,316)	--
- Recording/(reversal) of tax credits – negative MTM	1,854	22	1,471	2
c) Total income tax and social contribution expense (a + b)	(398,666)	(146,712)	(376,746)	(139,352)

17.c) Reconciliation of income tax and social contribution on net income expense:

	BB – Consolidated	
a) Income Tax	3rd quarter 2004	3rd quarter 2003
Income before taxation and profit sharing	1,444,946	1,230,755
- Total income tax charge (rate of 25%)	(361,237)	(307,689)
- Effects of non-taxable income	318,584	240,180
- Effects of non-deductible expenses	(469,707)	(333,527)
- Effects of foreign profits	(8,726)	(19,854)
- Reclassification/(additional write-off) of tax credit	--	1,329
- Deferred charges on mark-to-market adjustments	605	348
- Other	117,297	46,643
- Fiscal incentives (Workers Meal Program, Culture and others)	4,518	(4,176)
Income tax expense	(398,666)	(376,746)
b) Social Contribution on Net Income		
Income before taxation and profit sharing	1,444,946	1,230,755
- Total social contribution charge (rate of 9%)	(130,045)	(110,768)
- Effects of non-taxable income	112,832	80,998
- Effects of non-deductible expenses	(169,176)	(120,070)
- Effects of foreign profits	(2,821)	(4,163)
- Deferred charges on mark-to-market adjustments	218	125
- Other	42,280	14,526
Social contribution expense	(146,712)	(139,352)

17.d) Litigation: Income tax and social contribution on net income

In February 1998, the Bank filed a legal request for full offset of prior year income tax and social contribution on net income losses against taxable income, whereas tax legislation enacted as from 1995 restricted this offset to 30% of annual taxable income. Since then, the Bank has offset these tax losses in full against income tax and social contribution taxable income and has made judicial deposits of the taxes otherwise due (on 70% of the amount offset). These deposits prompted the Federal District 16th Court to issue a dispatch recognizing the suspension of payment of these taxes until final judgment of the Bank's request, based on article 151, II, of the Tax Code.

The amounts relating to this matter are as follows:

	BB - Consolidated	
	9.30.2004	**9.30.2003**
a) Judicial deposits	4,843,161	3,406,625
- Amount paid	3,738,731	2,800,950
- Restatement	1,104,430	605,675
b) Receivables from guarantee deposits	4,843,161	3,406,625
- Original amounts	3,738,731	2,800,950
- Restatement	1,104,430	605,675
c) 70% thereof	3,842,960	2,937,274
- Income tax losses incurred up to December 31, 1994	739,067	739,067
- Income tax losses incurred after December 31, 1994	1,372,944	726,672
- Social contribution losses incurred up to December 31, 1994	356,007	356,007
- Social contribution losses incurred after December 31, 1994	560,880	560,880
- Social contribution to offset (Temporary differences up to 1998)	814,062	554,648

d) The offset of income tax and social contribution losses results in the reduction of the deferred tax credits.

e) The provision relating to the judicial deposit, recorded in Provision for losses on assets without loan characteristics, amounts to R$ 1,104,430. Management considers this provision sufficient based on the status of the lawsuit at September 30, 2004.

f) In the event of an unfavorable decision, the extraordinary appeal of which was accepted by the President of the Federal Regional Court – First Region on November 26, 2001 and submitted to the Federal Supreme Court for judgment, the deposits equivalent to the amount of taxes determined to be payable will be transferred to the Federal Revenue Secretariat; the amount of these deposits, net of the provision recorded, will be expensed. The resulting deferred tax asset to be recorded in this event, arising from the reinstatement of the tax losses previously offset, will be subject to analysis in respect of its possible future realization at the time it is recorded.

18 Tax credits

18.a) Tax credits recorded as assets:

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Income tax and social contribution losses	4,922,954	--	8,782,630	--
a.1) Rate (%)	25	9	25	9
a.2) Tax credit recorded	1,230,739	--	2,195,658	--
b) Timing differences	14,142,467	11,508,558	14,144,540	11,519,868
b.1) Rate (%)	25	9	25	9
b.2) Tax credit recorded	3,535,617	1,035,770	3,536,135	1,036,788
c) Negative mark-to-market adjustments	124,206	114,689	263,709	255,926
c.1) Rate (%)	25	9	25	9
c.2) Tax credit recorded	31,051	10,322	65,927	23,033
d) Social Contribution to offset	--	2,638,105	--	3,014,491
e) Tax credits abroad	14,449	--	14,487	--
f) Total income tax and social contribution tax credits recorded (a.2 + b.2 + c.2 + d + e) .	4,811,856	3,684,197	5,812,207	4,074,312
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Negative mark-to-market adjustments	196,691	196,691	279,889	276,263
g.1) Rate (%)	0.65	4	0.65	4
g.2) Tax credit recorded	1,278	7,868	1,820	8,739
h) Total PASEP and COFINS credits recorded (g.2)	1,278	7,868	1,820	8,739
i) Total tax credits recorded (f + h)	4,813,134	3,692,065	5,814,027	4,083,051

18.b) Tax credits not recorded as assets:

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Income tax and social contribution losses	652,660	40,040	604,721	39,695
a.1) Rate (%)	25	9	25	9
a.2) Tax credits not recorded	163,165	3,604	151,180	3,573
b) Timing differences	3,522,135	5,920,660	1,446,087	3,603,669
b.1) Rate (%)	25	9	25	9
b.2) Tax credits not recorded	880,534	532,859	361,522	324,330
c) Negative mark-to-market adjustments	68,642	68,642	20,251	20,464
c.1) Rate (%)	25	9	25	9
c.2) Tax credits not recorded	17,161	6,178	5,063	1,842
d) Accounting losses of foreign entities in countries with favorable taxation	444,073	444,073	414,444	414,444
d.1) Rate (%)	25	9	25	9
d.2) Tax credits not recorded	111,018	39,967	103,611	37,300
e) Tax credits abroad	132,034	--	130,636	--
f) Total income tax and social contribution credits not recorded (a.2 + b.2 + c.2 + d.2 + e)	1,303,912	582,608	752,012	367,045

	PASEP	COFINS	PASEP	COFINS
g) Negative mark to market adjustments	1,958	1,958	6,328	9,954
g.1) Rate (%)	0.65	4	0.65	3
g.2) Tax credits not recorded	12	78	41	398
h) Total PASEP and COFINS tax credits not recorded (g.2)	12	78	41	398
i) Total tax credits not recorded (f + h)	1,303,924	582,686	752,053	367,443

18.c) Changes during the period

Tax credits recorded during the period

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) On timing differences	3,887	1,382	1,740	638
b) On negative mark-to-market adjustments	13,741	4,923	--	--
c) Total income tax and social contribution credits recorded (a + b)	17,628	6,305	1,740	638
	PASEP	**COFINS**	**PASEP**	**COFINS**
d) On negative mark-to-market adjustments	545	3,354	--	223
e) Total tax credits recorded (c + d)	18,173	9,659	1,740	861

Tax credits reversed during the period

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Relating to income tax and social contribution losses	671,848	--	1,027,525	--
b) Relating to timing differences	4,382	2,386	51	1
c) Relating to social contribution to offset (MP 1858/99)	--	245,890	--	470,247
d) Relating to negative mark-to-market adjustments	635	292	300,235	92,905
e) Tax credits abroad	3,203	--	5,546	--
f) Total reversals of income tax and social contribution tax credits (a + b + c + d + e)	680,068	248,568	1,333,357	563,153
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Relating to negative mark-to-market adjustments	51	134	9,987	45,974
h) Total tax credits reversed (f + g)	680,119	248,702	1,343,344	609,127

18.d) Deferred tax liabilities

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Arising from sale of investments	1,137	409	1,618	583
b) Arising from mark-to-market adjustments	65,868	23,701	87,024	31,329
c) Arising from portfolio adjustment	30,198	--	41,507	--
d) Arising from tax incentive depreciation	3	--	3	--
e) Entities abroad	2,025	--	4,941	--
f) Arising from restatement of judicial deposits	92,933	33,456	--	--
g) Total deferred income tax and social contribution liabilities (a + b + c + d + e + f)	192,164	57,566	135,093	31,912
	PASEP	**COFINS**	**PASEP**	**COFINS**
h) Arising from mark-to-market adjustments	1,795	11,047	2,349	10,920
i) Arising from restatement of judicial deposits	2,534	15,594	--	--
j) Total deferred tax liabilities (g + h + I)	196,493	84,207	137,442	42,832

18.e) Estimates of the realization of tax credits recorded (tax losses, timing differences and social contribution available for offset)

	BB - Consolidated	
	Nominal value	Present value
In 2004	645,754	627,798
In 2005	1,864,975	1,735,900
In 2006	1,964,763	1,737,058
In 2007	2,454,684	2,067,455
In 2008	920,420	745,739
From 2009 to 2013	1,056,096	810,255
From 2014 to 2016	6,479	2,963
Total tax credits	8,913,171	7,727,168

In the 3rd quarter of 2004, the tax credits of the Bank were reduced by R$ 467,977, equivalent to 72.47% of the amount estimated to be offset during the year (R$ 645,754 million according to a technical study prepared as of June 30, 2004).

The above estimates of the annual realization of the tax credits are based on a technical study prepared as of June 30, 2004.

18.f) Other information

f.1) The tax credits were recorded at the current rates calculated on their respective bases. The rules established by BACEN Resolution 3059/2002 for the recording, maintenance and reversal/use of the credits are being followed.

f.2) The tax credits recorded include Social Contribution to Offset relating to tax credits calculated at the rate of 18% on tax losses and temporary differences existing on December 31, 1998. Provisional Measure (MP) 1.858/99 (current MP 2.158-35/2001) reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables – Sundry. At September 30, 2004, the balance of this account amounted to R$ 2,638,105.

Since January 1, 2003, the rate for social contribution on net income is 9%, in conformity with Law 10.637/2002.

f.3) The Bank, in order to accelerate the reversal of the tax credits recorded, has been recording additional reversals, from the 4th quarter 2001 to the 4th quarter 2003, when the provisions for income tax and social contribution, including deferred taxes, were less than the amount calculated by applying the total statutory rates (currently 34%) on accounting income before taxation. These reversals were discontinued in 2004, as explained below.

With the issue of BACEN Resolution 3059/02, more objective regulations to recognize and maintain tax credits were established, among which the exclusion, for purposes of calculation of level I of the Referential Equity (PR), of those tax credits that are estimated to be realized beyond five years, as shown in Note 20. The Bank has established a schedule beginning in January 2004 to exclude 20% of those credits annually, totaling 100% as from January 2008.

Accordingly, as from January 2004, the Bank has ceased to record the additional reversals in order to avoid a double impact on the calculation of the index of capital adequacy.

f.4) Projections of taxable income for the Bank indicate that the tax credits will be realized in up to seven years in the following proportions, according to the technical study prepared as of June 30, 2004: 2004, 7%; 2005, 21%; 2006, 22%; 2007, 28%; 2008, 10% and as from 2009, 12%. This study also considers the tax credits at their present value, based on the average rate of funding of the Bank.

The tax credits on temporary differences are recorded based on the amounts of the non-deductible provisions; most of these amounts are only expected to be realized in the long-term.

f.5) The Bank has recorded IRPJ, CSLL, PASEP and COFINS tax credits on the negative mark-to-market adjustments of securities and derivative financial instruments recorded in a separate account in Stockholders' equity. The Bank has only recognized PASEP and COFINS tax credits on negative mark-to-market adjustments recorded in income for the period, in compliance with the rules included in BACEN Resolution 3.059/2002 and BACEN Circular 3.171/2002 (Note 3, items "d" and "e").

IRPJ, CSLL, PASEP and COFINS) deferred tax liabilities have been recorded on the positive mark-to-market adjustments of securities and derivative financial instruments recorded in income and in a separate account in Stockholders' equity (Note 3, items "d" and "e").

19 Equity in the Earnings (Loss) of Subsidiary and Associated Companies

Significant investments in Brazil and abroad are stated on the equity method of accounting, in conformity with BACEN and CVM instructions, and are classified in an investment account in permanent assets.

The equity accounting adjustments were recorded in the account "Equity in the earnings (loss) of subsidiary and associated companies" as follows:

19.a) BB – Domestic and foreign branches
Investments of BB-Banco Múltiplo

DESCRIPTION	Paid in capital	Adjusted stockholders' equity	Ownership%	Dividends/ interest on own capital	Equity accounting adjustments		Book value	
					Operational	Foreign exchange variations	9.30.2004	9.30.2003
SUBSIDIARIES								
BAMB – Brazilian American Merchant Bank	1,214,565	1,412,941	100.00	--	24,289	(121,177)	1,412,941	1,317,721
Banco do Brasil A.G. Vienna (Austria)	66,795	96,669	100.00	--	(1,661)	(6,577)	96,669	89,399
BB – Leasing Company Ltd.	--	90,088	100.00	--	1,553	(7,711)	90,088	319,561
BB – Administradora de Cartões de Crédito S.A.	9,300	33,946	100.00	--	911	--	33,946	48,827
BB – Administradora de Consórcios S.A.	14,100	12,868	100.00	--	(1,232)	--	12,868	--
BB – Corretora de Seguros e Administradora. de Bens S.A.	26,918	64,840	100.00	--	10,700	--	64,840	64,549
BB – Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A.	99,628	176,393	100.00	--	56,414	--	176,393	156,606
BB – Banco de Investimento S.A.	1,589,399	2,087,110	100.00	--	116,917	--	2,087,110	1,719,809
BB – Leasing S.A. – Arrendamento Mercantil	61,860	21,523	100.00	--	(1,039)	--	21,523	48,301
Banco Popular do Brasil S.A.	116,550	113,419	100.00	--	(3,131)	--	113,419	--
Cobra Tecnologia S.A. *	17,183	--	99.35	--	(7,937)	--	--	21,846
ASSOCIATED COMPANIES								
Central Clearing	--	--	--	--	--	--	--	3,540
CADAM – Caulim da Amazônia S.A. **	183,904	377,283	21.64	--	(699)	--	80,990	82,181
SUBTOTAL	--	--	--	--	195,085	(135,465)	4,190,787	3,872,340
Abroad								
Foreign exchange gain/losses in the branches	--	--	--	--	--	(238,309)	--	--
Increase/decrease in stockholders' equity arising from other matters.	--	--	--	--	1,139	--	--	--
TOTAL	--	--	--	--	196,224	(373,774)	4,190,787	3,872,340

* Information from the July 2004 trial balance. The Stockholders Equity – R$ 25,134 thousand – present itself adjusted by the unrealized result of operations with controlling of R$ 28,715 thousand.
** Information from the August 2004 trial balance.

19.b) BB - Consolidated

DESCRIPTION	Paid in capital	Adjusted stockholders' equity	Ownership%	Dividends/ interest on own capital	Equity accounting Adjustments: Operational	Equity accounting Adjustments: Foreign exchange variations	Equity accounting Adjustments: Provision	Book value: 9.30.2004	Book value: 9.30.2003
1) Investments of the Bank									
SUBSIDIARIES									
BB – Administradora de Cartões de Crédito S.A.	9,300	33,946	100.00	--	911	--	--	33,946	48,827
BB – Administradora de Consórcios S.A.	14,100	12,868	100.00	--	(1,232)	--	--	12,868	--
BB – Corretora de Seguros e Admin. de Bens S.A.	26,918	64,840	100.00	--	10,700	--	--	64,840	64,549
Cobra Tecnologia S.A.	17,183	--	99.35	--	(7,937)	--	--	--	21,846
ASSOCIATED COMPANIES									
CADAM – Caulim da Amazônia S.A.	183,904	377,283	21.64	--	(699)	--	--	80,990	82,181
Central Clearing	--	--	--	--	--	--	--	--	3,540
SUBTOTAL (1)	--	--		--	1,743	--	--	192,644	220,943
2) Investments of BB - BI Banco de Investimento									
ASSOCIATED COMPANIES									
Brasilseg Participações S.A.	84,290	181,250	70.00	5,600	5,209	--	--	126,875	150,013
Cia. de Seguros Aliança do Brasil S.A.	129,861	227,346	70.00	21,544	28,085	--	--	159,142	137,085
Brasilprev (A)	77,687	186,264	49.99	5,759	12,378	--	--	98,201	81,141
Brasilcap	71,500	137,670	49.99	31,062	15,965	--	--	68,821	107,555
Brasilsaúde (B)	39,726	39,726	49.92	--	633	--	--	20,627	19,398
Cia. Brasileira de Meios de Pagamento (C)	74,534	92,879	32.03	747	15,064	--	--	29,998	39,023
Seguradora Brasileira de Crédito à Exportação	9,165	14,808	12.088	--	168	--	--	1,790	1,459
Cibrasec	60,003	54,951	10.00	323	307	--	--	5,495	5,424
Itapebi	150,000	200,367	19.00	--	4,244	--	--	38,527	30,879
Kepler Weber	51,228	111,299	24.38	--	1,425	--	--	27,135	20,457
Cia Brasileira de Soluções e Serviços	8,718	(440)	37.467	--	(245)	--	--	--	1,866
Ativos S.A..	4,577	17,108	74.50	11,212	6,420	--	--	12,745	5,699
Brasil Aconselhamento Financeiro S.A (D)	203,498	28,971	100.00	--	--	--	3,097	--	11,192
SUBTOTAL (2)	--	--	--	76,247	89,653	--	3,097	589,356	611,191
3) Investments of BAMB – Brazilian American Merchant Bank									
SUBSIDIARIES									
BBTUR – Viagens e Turismo Ltda.	12,634	12,995	99.00	1,252	931	1,026	--	12,865	12,598
Ativos S.A.	4,577	14,446	25.50	4,949	1,192	278	--	3,684	1,167
Other	--	--	--	--	--	--	--	17	18
SUBTOTAL (3)	--	--	--	--	2,123	1,304	--	16,566	13,783
4) Investment of BB – Leasing Company Ltd.									
ASSOCIATED COMPANY									
BB TUR – Viagens e Turismo Ltda.	12,634	12,995	1.00	--	17	--	--	127	--
SUBTOTAL (4)	--	--	--	--	17	--	--	127	--
5) Investment of BB – Administração de ativos – Distribuidora de Títulos e Valores Mobiliários S.A. ASSOCIATED COMPANIES- (not stated on the equity method)									
PRONOR	--	--	12.02	--	--	--	--	20,722	20,722
SUBTOTAL (5)	--	--	--	--	--	--	--	20,722	20,722
Abroad									
Foreign exchange gains/(losses) in the branches	--	--	--	--	--	(238,309)	--	--	--
Foreign exchange gains/(losses) in subsidiaries	--	--	--	--	--	(135,464)	--	--	--
Increase/decrease in stockholders' equity arising from other matters.	--	--	--	--	1,139	--	--	--	--
TOTAL	--	--	--	--	94,675	(372,470)	3,097	819,415	866,640

(A) Goodwill of R$ 5,088;

(B) Negative goodwill of R$ 111;
(C) Goodwill of R$ 249;
(D) On December 19, 2003, the contracts for the corporate dissolution of Maxblue Americas Holdings S.A were signed through which BB BI exchanged its 49.9% investment in this company for 100% of Maxblue DTVM. The Extraordinary General Meeting of stockholders held on 5/12/2004 changed the Company's name from Maxblue DTVM S.A to "Brasil Aconselhamento Financeiro e DTVM S.A." and the Extraordinary General Meeting of July 26, 2004 to "Brasil Aconselhamento Financeiro S.A", maintaining the provision for loss of investments in R$ 28,522.

Note: The goodwill recorded on the acquisition of investments was based on the expectation of future profits and the negative goodwill on other economic reasons.

20 Related Party Transactions

The transactions carried out between companies of the conglomerate:

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Cash and cash equivalents	**1,173**	**--**	**550**	**--**
Foreign subsidiaries	1,173	--	550	--
Short-term Interbank deposits	**903,578**	**59,025**	**7,129,441**	**56,739**
Foreign subsidiaries	678,550	48,764	6,979,441	43,884
BB – Banco de Investimento S.A.	--	--	65,000	3,570
BB – Leasing S.A. – Arrendamento Mercantil	224,928	10,261	85,000	9,285
BB – Banco Popular do Brasil S.A.	100	--	--	--
Securities	**9,710**	**(459)**	**17,390**	**(363)**
Foreign subsidiaries	--	411	--	221
BB – Banco de Investimento S.A.	717	--	--	--
BB – Leasing S.A. – Arrendamento Mercantil	8,993	--	16,565	--
BB – Administração de Ativos - DTVM S.A.	--	(178)	--	--
BB – Administradora de Cartões de Crédito S.A.	--	(692)	--	(584)
BB – Tur Viagens e Turismo Ltda.	--	--	825	--
Loan operations	**73,516**	**165,183**	**75,255**	**137,554**
Foreign subsidiaries	--	316	--	987
BB – Leasing S.A. – Arrendamento Mercantil	68,046	2,300	66,764	2,944
BB – Administração de Ativos - DTVM S.A.	5,470	162,567	8,491	133,623
Other receivables	**141,843**	**--**	**246,857**	**--**
Foreign subsidiaries	--	--	175,460	--
BB – Banco de Investimento S.A.	46,574	--	2,542	--
BB – Leasing S.A. – Arrendamento Mercantil	2,236	--	1,339	--
BB – Administração de Ativos - DTVM S.A.	55,655	--	45,931	--
BB – Administradora de Cartões de Crédito S.A.	583	--	961	--
BB – Corretora de Seguros e Administradora de Bens S.A.	17,200	--	19,363	--
BB – Banco Popular do Brasil S.A.	13,658	--	--	--
BB – Administradora de Consórcios S.A.	1,249	--	--	--
Brasil Aconselhamento Financeiro S.A.	323	--	--	--
BB – Tur Viagens e Turismo Ltda.	4,065	--	1,261	--
Ativos S.A.	300	--	--	--

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	**(12,050)**	**--**	**(12,385)**	**--**
Foreign subsidiaries	(284)	--	(47)	--
BB – Banco de Investimento S.A.	(900)	--	(1,299)	--
BB – Leasing S.A. – Arrendamento Mercantil	(232)	--	(30)	--
BB – Administração de Ativos - DTVM S.A.	(2,173)	--	(841)	--
BB – Administradora de Cartões de Crédito S.A.	(501)	--	(1,062)	--
BB – Corretora de Seguros e Administradora de Bens S.A.	(697)	--	(1,298)	--
BB – Tur Viagens e Turismo Ltda.	(1,284)	--	(4,609)	--
Cobra Tecnologia S.A.	(5,956)	--	(3,199)	--
Brasil Aconselhamento Financeiro S.A.	(10)	--	--	--
Ativos S.A.	(12)	--	--	--
BB – Administradora de Consórcios S.A.	(1)	--	--	--
Interbank Deposits	**(11,422,314)**	**--**	**(17,410,826)**	**--**
Foreign subsidiaries	(11,422,314)	--	(17,410,826)	--
Deposits received under security repurchase agreements	**(815,792)**	**(20,253)**	**(774,624)**	**(23,173)**
Foreign subsidiaries	(58,186)	--	(62,929)	--
BB – Banco de Investimento S.A.	--	(2,364)	(10,387)	(501)
BB – Leasing S.A. – Arrendamento Mercantil	(1,499)	(35)	(2,070)	(1,336)
BB – Administração de Ativos - DTVM S.A.	(375,899)	(11,338)	(351,064)	(13,862)
BB – Administradora de Cartões de Crédito S.A.	(188,688)	(258)	(232,050)	(2,259)
BB – Corretora de Seguros e Administradora de Bens S.A.	(123,900)	(4,007)	(114,390)	(5,210)
Cobra Tecnologia S.A.	--	--	(730)	--
BB – Banco Popular do Brasil S.A.	(44,406)	(1,881)	--	--
BB – Administradora de Consórcios S.A.	(12,718)	(370)	--	--
BB – Tur Viagens e Turismo Ltda.	(10,496)	--	(1,004)	(5)
Funds from acceptance and issue of securities	**(40,226)**	**--**	**(19,686)**	**--**
Foreign subsidiaries	(40,226)	--	(19,686)	--
Foreign borrowings	**(2,313,460)**	**--**	**(4,037,622)**	**--**
Foreign subsidiaries	(2,313,460)	--	(4,037,622)	--
Foreign onlendings	**(1,114,143)**	**(8,990)**	**(406,448)**	**(11,285)**
Foreign subsidiaries	(1,114,143)	(8,990)	(406,448)	(11,285)
Derivative financial instruments	**(7,321)**	**209**	**(2,115)**	**4,736**
Foreign subsidiaries	(5,726)	--	--	--
BB – Banco de Investimento S.A.	(745)	--	--	--

	BB – Consolidated			
	9.30.2004		9.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
BB – Leasing S.A. – Arrendamento Mercantil	--	359	(894)	3,148
BB – Administradora de Cartões de Crédito S.A.	(358)	(150)	(1,221)	1,828
BB – Administradora de Consórcios S.A.	(492)	--	--	--
BB – Tur Viagens e Turismo Ltda.	--	--	--	(240)
Other liabilities	**(633,346)**	**--**	**(1,205,506)**	--
Foreign subsidiaries	(597,020)	--	(1,190,546)	--
BB – Leasing S.A. – Arrendamento Mercantil	(36)	--	(13)	--
BB – Administradora de Cartões de Crédito S.A.	--	--	(330)	--
BB – Administração de Ativos – DTVM S.A.	(2,371)	--	(1,061)	--
Cobra Tecnologia S.A.	(29,432)	--	(9,713)	--
BB – Tur Viagens e Turismo Ltda.	(4,487)	--	(3,843)	--
Other operating income	**--**	**33,116**	**--**	**46,141**
Foreign subsidiaries	--	29,683	--	42,605
BB – Banco de Investimento S.A.	--	1,117	--	295
BB – Administração de Ativos – DTVM S.A.	--	2,138	--	3,096
BB – Corretora de Seguros e Administradora de Bens S.A.	--	178	--	145
BB – Tur Viagens e Turismo Ltda.	--	--	--	--
Other administrative/operating expenses	**(162,165)**	**(2,283)**	**(136,041)**	**(1,013)**
BB – Administração de Ativos – DTVM S.A.	--	(2,283)	--	(1,012)
BB – Administradora de Cartões de Crédito S.A.	--	--	--	(1)
Cobra Tecnologia S.A.	(162,165)	--	(136,041)	--

Other receivables include accounts receivable from related parties, dividends and interest on own capital receivable.

21 Operating Limits – Basel Agreement

At September 30, 2004, the referential stockholders' equity exceeded the minimum required by the Brazilian Central Bank by R$ 6,070,326, and the coefficient of capital adequacy was 15.70% (14.30% as of September 30, 2003), while the minimum required is 11%.

The risk-weighted assets are as follows:

	9.30.2004	9.30.2003
Cash and cash equivalents	2,554,182	1,681,405
Credits and securities issued or guaranteed by the Brazilian Government	73,697,190	76,906,377
Deposits with the Brazilian Central Bank	18,919,331	16,126,846
Receivables from related companies	114,976	41,128
Specific credits – rescheduling of rural credits	529,910	480,011
Foreign exchange portfolio	1,832,211	1,678,530
Other	1,142,042	606,808
Total subject to zero-risk	98,789,842	97,523,105
Foreign currency funds	9,797,740	2,302,466
Clearing services for checks and other papers	2,099,725	2,095,736
Foreign exchange portfolio	1,150,631	884,257
Deposits with other banks	4,320,975	2,086,099
Investments in gold	11,388	12,982
Total subject to 20% risk	17,380,459	7,381,541
Weighted amount	3,476,092	1,476,308
Funds applied in interbank deposits	12,051,956	15,571,779
Foreign exchange portfolio	7,822,690	6,928,162
Foreign securities	149,254	8,674
Other	848,438	770,025
Total subject to 50% risk	20,872,338	23,278,640
Weighted amount	10,436,169	11,639,320
Loan operations	69,814,145	60,290,915

	9.30.2004	9.30.2003
Property and equipment in use	2,722,926	2,402,673
Leased assets	507,209	405,782
Investments	860,240	889,958
Securities	2,948,492	4,382,290
Foreign exchange portfolio	649,877	479,899
Memorandum accounts	(8,308,671)	(10,876,277)
Other	13,179,571	8,339,125
Total subject to 100% risk	82,373,789	66,314,365
Weighted amount	82,373,789	66,314,365
Deferred tax credits – income tax and social contribution on net income	8,368,320	9,897,078
Total subject to 300% risk	8,368,320	9,897,078
Weighted amount	25,104,960	29,691,234
Total assets subject to risk weighting	227,784,748	204,394,729
Total weighted amount	121,391,010	109,121,227

The calculations of the required stockholders' equity and the adequacy coefficient are as follows:

	9.30.2004	9.30.2003
A) Assets subject to risk weighting	227,784,748	204,394,729
B) AWR (assets weighted by risk)	121,391,010	109,121,226
C) SWAP credit risk	1,117,360	866,296
D) Requirement of stockholders' equity on AWR (11% of B)	13,353,011	12,003,335
E) Requirement of stockholders' equity on SWAP (20% of C)	223,472	173,259
F) Requirement of stockholders' equity on interest rate exposure	624,719	528,821
G) Required stockholders' equity (RSE): D + E + F	14,201,202	12,705,415
H) Referential equity amount (RE)	20,271,527	16,520,197
Level I	13,608,833	11,662,632
- Capital	8,366,189	8,366,189
Capital Increase	1,935,527	-
Unpaid capital	(445,182)	-
- Capital reserves	4,768	4,754
- Revenue reserves	3,195,071	2,796,091
- Adjustment to market value – Securities and derivatives	(17,437)	(43,423)
- Retained earnings and accumulated deficit	12	16
- Income accounts	13,867,458	14,623,149
- Expense accounts	(13,034,914)	(13,958,365)
- Treasury stock	(125,779)	(125,779)
- 20% of tax credits realizable after 5 years	(136,879)	-
Level II	6,662,694	4,857,565
Subordinated debts eligible as capital	6,636,942	4,832,848
- Funds raised with the FCO	5,789,871	4,832,848
- Funds raised overseas	847,071	-
Revaluation reserves	25,751	24,717
I) Ratio between Referential equity amount to required stockholders' equity: RE and RSE (H/G)	1.43	1.30
J) Surplus/(insufficiency) of stockholders' equity: RE - RSE (H-G)	6,070,326	3,814,782
L) Margin/(surplus) of leverage: (J x 100)/11	55,184,778	34,679,837
M) Basel Ratio: RE x 100/(RSE/0.11)	15.70	14.30

22 Assets and Liabilities in Foreign Currencies

The balance sheet amounts in foreign currencies are as follows:

	BB – Domestic and Foreign Branches		BB - Consolidated	
	9.30.2004	9.30.2003	9.30.2004	9.30.2003
Assets				
Assets in foreign currencies recorded in Brazil (except investments)	33,860,421	21,716,796	33,180,698	14,562,239
Investments in foreign currencies recorded in Brazil	41,613	24,134	--	--
Assets in foreign currencies recorded abroad	35,140,829	35,592,787	28,355,097	28,097,065
Total	69,042,863	57,333,717	61,535,795	42,659,304
Liabilities				
Liabilities in foreign currencies recorded in Brazil	31,238,905	16,750,651	27,208,430	11,062,376
Liabilities in foreign currencies recorded abroad	36,841,632	40,630,611	33,361,398	31,657,895
Total	68,080,537	57,381,262	60,569,828	42,720,271

23 Retirement and Pension and Health Plans – Post-Employment Benefits

23.a) Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI are of defined contribution (Plano Previ Futuro) or defined benefit (Plan 1), the latter having adopted the capitalization method for actuarial calculations. At September 30, 2004, the number of participants was 128,908, of which 74,699 are active and 54,209 retired employees.

23.a.1) The funding of the vested and unvested benefits are summarized as follows:

a) Participants employed before April 14, 1967, contemplated in the contract signed on December 24, 1997 between the Bank and PREVI (Plan 1): The sponsor assumes the commitment for the payment of benefits for this group; the mathematical reserves which guarantee the benefits are not yet fully funded. The balance of the commitments assumed for this group of R$ 1,020,968 is fully provided by the Bank at September 30, 2004. The retirement benefit of this group is characterized as a defined benefit.

b) Participants employed between April 15, 1967 and December 23, 1997 (Plan 1): active participants contribute 3% of their contribution salary plus 2% of the amount of such salary that exceeds six-month of the PREVI contribution (R$ 2,057.53 at September 30, 2004), plus 8% of the amount of such salary that exceeds the PREVI contribution. Participants receiving benefits contribute 8% of the amount of the pension complement and the sponsor an amount equal to the contributions of the participants. The retirement benefit of this group is characterized as a defined benefit.

c) Participants employed as from December 24, 1997 (Plano Previ Futuro): active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, varying based on length of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants. The retirement benefit of this group is characterized as a defined contribution.

23.a.2) Effects of Benefit Plan 1, based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

	9.30.2004	9.30.2003
	Plan 1	Plan 1
1) Present value of actuarial liabilities with coverage	46,567,548	42,088,217
2) Present value of actuarial liabilities not covered	--	--
3) Present value of actuarial liabilities (1+2)	46,567,548	42,088,217
4) Fair value of the plan assets	(55,714,690)	(42,529,571)
5) Present value of liabilities in excess of (less than) the fair value of the assets (3 + 4)	(9,147,142)	(441,354)
6) Actuarial (gains) or losses not recognized	(6,676,666)	1,115,071
7) Net actuarial liability (asset) to be provided (5 – 6)	(2,470,476)	(1,556,425)

The Previ Futuro Plan, being a defined contribution plan, is not required to record actuarial assets or liabilities.

b) Amounts paid to PREVI – 3rd quarter:

	9.30.2004			9.30.2003		
	Plan 1	Plano Previ Futuro	Total	Plan 1	Plano Previ Futuro	Total
Sponsor contributions	101,747	9,451	111,198	86,003	5,738	91,741
Amounts paid to PREVI referring to the 1997 Contract	517,919	--	517,919	430,891	--	430,891
Total paid to PREVI	619,666	9,451	629,117	516,894	5,738	522,632

c) Effect on net income – 3rd quarter:

	9.30.2004			9.30.2003		
	Plan 1	**Plano Previ Futuro**	**Total**	**Plan 1**	**Plano Previ Futuro**	**Total**
1) Cost of current service (with interest)	75,378	18,444	93,822	89,248	10,197	99,445
2) Expected earnings on the plan assets	1,441,119	--	1,441,119	1,296,277	--	1,296,277
3) Interest on actuarial liabilities	1,190,066	--	1,190,066	1,272,371	--	1,272,371
4) Deferment of the net earnings from assets and liabilities as from June/2003 (2-3)	251,053	--	251,053	23,906	--	23,906
5) Total gross expense/(income) (1 – 2 + 3 +4)	75,378	18,444	93,822	89,248	10,197	99,445
6) Expected contributions from participants	41,068	9,465	50,533	49,832	5,746	55,578
7) Previ liability expense/(income) related to the 1997 contract	39,366	--	39,366	91,530	--	91,530
8) Subtotal net expense/(income) (5 – 6 + 7)	73,676	8,979	82,655	130,946	4,451	135,397
9) Previ management fee	5,082	473	5,555	4,300	287	4,587
10) Effect of the net expense/(income) (8 + 9)	78,758	9,452	88,210	135,246	4,738	139,984

23.a.3) The principal economic assumptions adopted for the actuarial calculations were the following:
- Real interest rate used for discounting actuarial liabilities to present value: 6.9% p.a.
- Real expected yield on plan assets: 6.9% p.a.
- Estimated salary increases: 1.5987% p.a. for Plan 1 and 3.1409% p.a. for Plano Previ Futuro

23.b) Benefits of sole responsibility of the Bank

Banco do Brasil is also responsible for assistance and pension benefits for employees employed before April 14, 1967, not covered by the PREVI Benefits Plan, with characteristics of a defined benefit plan, and the regime adopted for the actuarial calculations is that of capitalization. There were 7,969 participants at September 30, 2004.

The main benefits are: (a) retirement pensions to founder participants and pension payments to survivors of participants deceased prior to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in retirement benefits and pension payments in excess of those provided by the PREVI Benefit Plans, as a result of judicial and administrative decisions due to the restructuring of job and salary plans and incentives created by the Bank.

23.b.1) The cost of these benefits is totally funded by Banco do Brasil**.**

23.b.2) Effects on the financial statements based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	9.30.2004	9.30.2003
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	1,492,491	1,421,934
3) Present value of actuarial liabilities (1 + 2)	1,492,491	1,421,934
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,492,491	1,421,934
6) Actuarial (gains) or losses not recognized	259,090	188,429
7) Net actuarial liability/ (asset) to be provided (5 – 6)	1,233,401	1,233,505

b) Amounts paid to PREVI – 3rd quarter:

	9.30.2004	9.30.2003
Sponsor contributions	66,181	57,860

c) Effect on net income - 3rd quarter:

	9.30.2004	9.30.2003
1) Cost of current service (with interest)	--	--
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	36,622	41,121
4) Actuarial (gains) or losses	--	--
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	36,622	41,121

23.b.3) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 1 (item 23.a.3).

23.c) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses with the promotion, protection, recovery and rehabilitation of a member's health and of his/her inscribed beneficiaries. At September 30, 2004, there were 151,068 participants, of which 82,382 active and 68,686 retired participants and pensioners.

The Bank contributes monthly an amount equivalent to 150% of the total contributions from members (active and retired) and from pension beneficiaries of employees employed before December 23, 1997 and 100% of the total contributions from participants employed after that date. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

23.c.1) Effects of the CASSI Plan on the financial statements, based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

	9.30.2004	9.30.2003
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	2,389,460	1,831,412
3) Present value of actuarial liabilities (1 + 2)	2,389,460	1,831,412
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	2,389,460	1,831,412
6) Actuarial (gains) or losses not recognized	737,951	254,607
7) Net actuarial liability/(asset) to be provided (5 – 6)	1,651,509	1,576,805

b) Amounts paid to CASSI – 3rd quarter:

	9.30.2004	9.30.2003
Sponsor contributions	88,182	75,500

c) Effect on net income - 3rd quarter:

	9.30.2004	9.30.2003
1) Cost of current service (with interest)	5,944	5,256
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	60,939	55,428
4) Actuarial (gains) or losses	8,990	2,135
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 – 2 + 3 + 4 – 5)	75,873	62,819

23.c.2) The economic assumptions adopted for the actuarial calculations were the same as those applied to the PREVI Plan 1 (item 23.a.3).

23.d) Policy for the recognition of actuarial gains and losses

In accordance with CVM Deliberation 371, the actuarial gains or losses to be recognized as income or expense in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; and
- 10% of the fair value of plan assets.

This amount is being amortized annually over the estimated average time of service remaining for the participating employees.

23.e) Summary of the Provisions for the PREVI and CASSI Liabilities

9.30.2004					
	Net actuarial liability/ (asset) on 01.07.2004	**Expense (income) recorded in the income statement**	**Sponsor contributions in the 3rd quarter 2004**	**Prior period sponsor contributions**	**Net actuarial liability (asset) on 9.30.2004**
PREVI actuarial liability in respect of the 1997 contract	1,499,520	39,366	(517,919)	--	1,020,967
Adjustment account of the PREVI actuarial liability	(2,408,024)	34,310	(96,762)	--	(2,470,476)
PREVI actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,262,778	36,622	(66,181)	182	1,233,401
CASSI actuarial liability	1,631,114	75,873	(55,478)	--	1,651,509
Total	1,985,388	186,171	(736,340)	182	1,435,401

9.30.2003				
	Net actuarial liability/ (asset) on 01.07.2003	**Expense (income) recorded in the income statement**	**Sponsor contributions in the 3rd quarter 2004**	**Net actuarial liability (asset) on 9.30.2003**
PREVI actuarial liability in respect of the 1997 contract	2,844,523	91,530	(430,891)	2,505,162
Adjustment account of the PREVI actuarial liability	(1,514,138)	39,416	(81,703)	(1,556,425)
PREVI actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,250,244	41,121	(57,860)	1,233,505
CASSI actuarial liability	1,560,383	62,819	(46,397)	1,576,805
Total	4,141,012	234,886	(616,851)	3,759,047

23.f) PREVI contributions parity

In order to comply with the Federal Constitution, a parity was established as from April 6, 2001 between the contributions from the Bank and from participants.

On April 12, 2001, the Judge of the Seventh Federal Court of the Federal District granted a partial injunction for a claim filed by the São Paulo Bank Employees Union against the Secretariat of Complementary Retirement Benefits and against the Fiscal Director appointed by the Secretariat for PREVI.

The injunction suspends the decision issued by the Fiscal Director on April 6, 2001 which authorizes the use of R$ 2.2 billion attributable to Banco do Brasil's share in PREVI's remaining reserve balances, after the implementation of the parity, to amortize the pension liability with the entity that is the Bank's responsibility, retroactive to December 15, 2000.

While the injunction is in effect, the decision of the Fiscal Director cannot be carried out.

The readjusted amount of the initial R$ 2.2 billion totals R$ 4.5 billion at September 30, 2004.

A decision on October 17, 2003 partially granted the request by the São Paulo Bank Employees Union to exclude from the implementation of the contribution parity the retired beneficiaries who had already been receiving supplementary benefits from PREVI, as well as the insured employees who had already enrolled in PREVI prior to the enactment of Constitutional Amendment 20/98, which instituted the pension reform.

The compliance with the sentence (the re-establishment of the contribution in the proportion of 2 to 1) has been prevented by the Suspension of Injunction (Process 2004.01.06.024554-1), requested by the Government and granted by the President of the Federal Court of Appeals – 1st Region, on June 17, 2004. For this reason, Banco do Brasil maintains the parity between the contributions from the sponsor and the contributions from the participants.

24 Compensation Paid to Employees and Management

The monthly compensation of employees and management of the Bank in Brazil is presented below (in reais) in the format required by item 4, Section C of Ministry of Finance Statement of Justification 139/88:

	3rd quarter 2004	3rd quarter 2003
Lowest salary:		
Standard amount	780.30	638.40
Semiannual bonus	195.07	159.60
Total	975.37	798.00
Highest salary:		
Standard amount	1,079.68	883.50
Amount per individual/Supplement for length of service – I	374.81	305.39
Amount per individual – Standard amount	1,144.36	936.43
Variable temporary supplement – Commissioned position	10,426.63	8,536.96
Additional per function	2,597.40	2,125.80
Additional for temporary work updated	1,612.20	1,319.40
Semiannual bonus	1,702.12	1,392.63
Total	18,937.20	15,500.10
Average salary	2,834.63	4,740.39
Management		
President	24,679.20	20,200.20
Vice President	22,235.70	18,200.10
Director	18,937.20	15,500.10

25 Assignment of Employees to External Organizations

25.a) With costs for the Bank:

a) Federal Government

Assignments are regulated by article 93 of Law 8112/90 (amended by Law 9257/97), by Decree 925/93, and by PGFN/CJN Note 088/96 issued by the General Counsel of the Federal Treasury.

	3rd quarter 2004	3rd quarter 2003
Number of employees assigned	14	7
Cost for the period	R$ 660 Thousand	R$ 198 Thousand

b) Labor Unions

Assignments occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

	3rd quarter 2004	3rd quarter 2003
Number of employees assigned	115	93
Cost for the period	R$ 2,000 Thousand	R$ 1,280 Thousand

c) Other Organizations/Entities

Assignments occur as a result of agreements of strategic business interest of the Bank:

	3rd quarter 2004	3rd quarter 2003
Number of employees assigned	3	3
Cost for the period	R$ 217 Thousand	R$ 192 Thousand

25.b) Without cost to the Bank

	3rd quarter 2004	3rd quarter 2003
a) Federal, State and Municipal Governments	322	330
b) External organizations	619	655
c) Labor unions	--	1
d) Employee entities	33	--
e) Subsidiary and associated companies	296	22
Total employees assigned	1,402	1,101

26 Commitments, Responsibilities and Contingencies

26.a) Contingent liabilities

The Bank and its subsidiaries are parties in lawsuits involving labor, civil, tax and social security contingencies.

The Bank classifies contingencies as remote, possible and probable, based on the possibilities of loss determined after a legal update of each claim. This procedure complies with Statement XXII - Contingencies issued by the Institute of Independent Auditors of Brazil – IBRACON, which requires a provision for the total amount of the contingencies classified as probable, and does not require a provision to be recorded for those classified as possible and remote.

The provisions for claims are recorded taking into consideration the possibility of success by the plaintiff in the lawsuit against the Bank/subsidiary.

The provisions for labor claims are recorded considering, also, the jurisprudence applicable to each claim.

The details of the contingent liabilities at September 30, 2004, segregated by nature of claim and classification of loss, as well as the provisions recorded, whose changes on the multiple Bank are shown in Note 7, are the following:

	BB – Domestic and Foreign Branches		BB - Consolidated	
	Amount	Provision	Amount	Provision
Labor claims	**2,354,180**	**1,947,073**	**2,354,180**	**1,947,073**
Probable loss	1,947,073	1,947,073	1,947,073	1,947,073
Possible loss	407,107	--	407,107	--
Tax claims	**284,183**	**126,971**	**286,594**	**127,029**
Probable loss	126,971	126,971	127,029	127,029
Possible loss	157,212	--	159,565	--
Civil claims	**1,921,915**	**687,078**	**1,963,252**	**715,028**
Probable loss	687,078	687,078	715,028	715,028
Possible loss	1,234,837	--	1,248,224	--
Social security claims	**464**	**8**	**464**	**8**
Probable loss	8	8	8	8
Possible loss	456	--	456	--

26.b) Contingent tax assets

26.b.1) The Bank has filed lawsuits for reimbursement of taxes unduly paid, the most important being:

- Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st six months of 1992, in the amount of R$ 10,243;
- Tax on Financial Transactions (IOF) – Law 8033/90 (Price-level restatement), in the amount of R$ 160,006;
- Unconstitutionality of the payment of Social Contribution on Net Income during 1998 - Law 7.689/88, in the amount of R$ 239,312.

26.b.2) The Bank recorded R$ 564,621 as a credit to income relating to the recognition of the right to offset tax credits (FINSOCIAL) in a final unappelable decision. R$ 208,163 was recorded as Recovery of Charges and Expenses (principal) and R$ 356,458 thousand in Other Operating Income (interest).

26.c) Other commitments

26.c.1) 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.

26.c.2) Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries – guarantees, sureties and bonds - amounted to R$ 4,189,619 at September 30, 2004 (R$ 2,665,034 at September 30, 2003). A provision of R$ 43,584 has been recorded and is considered sufficient to cover any potential loss arising on these guarantees, it is registered in Other Obligations.

26.c.3) Available credit lines for loan and lease operations amount to R$ 20,827,379 at September 30, 2004 (R$ 15,458,256 at September 30, 2003).

26.c.4) The confirmed import and export letters of credit total R$ 1,158,328 at September 30, 2004 (R$ 1,314,129 at September 30, 2003).

26.c.5) The Bank is the operator of the Fund for Sectorial Investments (FISET), with net assets of R$ 2,292 (R$ 2,315 at September 30, 2003), and is the manager of the Public Service Employee Savings Program (PASEP), with net assets of R$ 1,264,424 at September 30, 2004 (R$ 1,212,367 at September 30, 2003). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

26.c.6) 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.

27 Statement of Added Value

	BB – Domestic and Foreign Branches				BB - Consolidated			
	3rd quarter 2004		3rd quarter 2003		3rd quarter 2004		3rd quarter 2003	
DESCRIPTION		%		%		%		%
Added Value Calculation								
Net income from financial intermediation	2,247,093		2,876,497		2,333,915		2,962,241	
Banking service fees	1,575,300		1,322,556		1,716,648		1,412,355	
Other operating income (expenses), net	(117,143)		(1,208,164)		(151,278)		(1,234,552)	
Non-operating income, net	76,498		18,401		80,432		17,352	
Added Value	3,781,748		3,009,290		3,979,717		3,157,396	
Equity in the earnings (loss) of subsidiary and associated companies	(177,550)		231,912		(274,697)		147,305	
Gross Added Value	3,604,198		3,241,202		3,705,020		3,304,701	
Depreciation and amortization	(128,412)		(121,060)		(131,023)		(121,755)	
Added Value to Be Distributed	3,475,786	100.00	3,120,142	100.00	3,573,997	100.00	3,182,946	100.00
Distribution of Added Value								
Employees	1,598,150	45.98	1,551,644	49.73	1,615,473	45.20	1,563,027	49.10
Salaries and fees	1,117,011		1,095,016		1,130,452		1,103,877	
Benefits, social charges, and training	414,115		406,755		417,997		409,277	
Employee profit sharing	67,024		49,873		67,024		49,873	
Governments	1,045,092	30.07	903,714	28.96	1,125,980	31.51	955,135	30.01
Brazil	1,043,097	30.01	893,684	28.64	1,122,858	31.42	944,582	29.68
Social security contributions (INSS) on salaries	193,438		166,805		195,496		168,060	
Tax expenses (except income tax and social contribution on net income)	356,007		255,423		383,318		268,714	
Income tax/social contribution on net income	493,652		471,456		544,044		507,808	
Foreign	1,995	0.06	10,030	0.32	3,122	0.09	10,553	0.33
Tax expenses (except income tax and social contribution on net income)	1,572		2,176		1,788		2,264	

	BB – Domestic and Foreign Branches				BB - Consolidated			
	3rd quarter 2004		3rd quarter 2003		3rd quarter 2004		3rd quarter 2003	
DESCRIPTION		%		%		%		%
Income tax and social contribution on net income	423		7,854		1,334		8,289	
Stockholders	832,544	23.95	664,784	21.31	832,544	23.29	664,784	20.89
Retained earnings	832,544		664,784		832,544		664,784	
Added Value Distributed	3,475,786	100.00	3,120,142	100.00	3,573,997	100.00	3,182,946	100.00

28 Statement of Cash Flows

	BB - Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Cash flows from operating activities				
Net income		664,784		664,784
Depreciation and amortization		121,060		121,755
Depreciation of leased assets		--		34,553
Amortization of losses		--		631
Equity in the (earnings) loss of subsidiary and associated companies		(231,912)		(147,305)
Foreign exchange gains (losses)		79,000		110,662
Restatement of disposal of investments long-term		--		(996)
(Gains)/losses, changes in the percentage ownership of investments				
(Gain)/losses on investments		(10)		(10)
(Income)/loss on the sale of assets and investments		9		(595)
Provision for loss on investments		(315)		435
Provision for loss of other assets		--		(300)
Fixed asset disposals		65,840		65,840
Excess depreciation		--		17,758
Amortization of share premium		--		2,416
Disposals of other assets (BNPU)		5,442		5,442
Other adjustments		(1,146)		(324)
Changes in deferred income		8,165		8,173
Loan operations		(3,854,453)		(3,763,080)
Lease operations		--		7,996
Interbank and interdepartmental accounts		3,051,626		3,041,141
Other receivables		4,191,579		2,270,157
Adjustment to market value – securities and derivatives		150,680		150,680
Net cash used in operating activities		**4,250,349**		**2,589,272**
Cash flows from financing activities				
Deposits		10,193,386		3,190,474
Borrowings and onlendings		(183,910)		(1,028,395)
Deposits received under security repurchase agreements		5,211,767		5,009,759
Derivative financial instruments		(180,288)		(172,176)
Other liabilities		(486,136)		1,688,487
Funds from acceptance and issue of securities		545,153		543,701

	BB - Domestic and Foreign Branches		BB - Consolidated	
	3rd quarter 2004	3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
Net cash provided by (used in) financing activities		**15,099,972**		**9,231,850**
Cash flows from investing activities				
Dividends received from subsidiary and associated companies		--		36,254
Interest on own capital receivable		--		9,420
Remittance of funds to subsidiaries		(102,550)		(102,550)
Purchases of non-operating assets		10,727		11,272
Purchases of leased assets		--		387,093
Investments		102,550		104,550
Adjustment to market value of associated companies		2,625		(15,555)
Disposal of assets not in use		(10,284)		(10,356)
Disposal of fixed assets in use		(160,982)		(161,035)
Disposal of leased assets		--		(408,440)
Disposal of investments		(170)		(13,922)
Expenditures in deferred charges		(45,963)		(45,985)
Short-term interbank deposits		(18,502,911)		(10,908,996)
Marketable securities and derivative financial instruments		(1,242,548)		(1,309,156)
Other assets		5,035		6,469
Cash provided by (used in) investing activities		**(19,944,471)**		**(12,420,937)**
Net increase (decrease) in cash and cash equivalents		**(594,150)**		**(599,815)**
Change in cash and cash equivalents:				
At the beginning of the period		6,646,673		6,682,761
At the end of the period		6,052,523		6,082,946
Net increase (decrease) in cash and cash equivalents		**(594,150)**		**(599,815)**

29 Other Information

The Board of Directors approved in February 16, 2004 a proposal which authorized the Executive Board to make a Public Purchase Offer for the Series “B” and “C” subscription bonuses and the Private Issue of Shares, as already advised by the Significant Events Notice issued on February 17, 2004.

The Public Offer for Purchase of Subscription “B” and “C” Bonuses and Private Stock Subscription transactions completed on August 13, 2004, showed the following results:

a) the applications for the Public Offer for Purchase of Subscription Bonuses entailed the purchase of 197,187,709 "B" series bonuses and 328,957,694 "C" series bonuses by the Bank, with a total disbursement of R$ 1,450,208,125.93. This amount was debited to Revenue Reserve in the Bank’s Stockholders' Equity.

b) the stock subscription totaled 66,913,789 common shares, amounting to R$ 1,489,500,943.14. Also, 428,120 registered common shares were subscribed through the exercise of 410,691 "B" bonuses, representing R$ 8,463,725,30. Both issues added 67,341,909 shares to the Bank’s capital, representing an 8.42% dilution over the previous stock base, net of treasury stock.

c) after the approval by General Meeting of Stockholders and ratification by the Brazilian Central Bank, the Bank’s capital will total R$ 9,864,153,395.17 divided into 810,617,415 common shares, without par value. The table below shows the new composition of BB’s stock base:

	%
National treasury	
Previ	
BNDESpar	
Treasury shares	
Free float	

d) the remaining subscription bonuses total 15,993,142 "B" bonuses and 27,028,746 "C" bonuses, which are entitled to be exercised in the originally established periods – March 31, 2006 to June 30, 2006 and March 31, 2011 to June 30, 2011, respectively.

(A free translation of the original in Portuguese)

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Balance Sheet
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	September 30 (Unaudited) 2004	June 30 2004	
Current assets	122,653,597	116,893,394	Current lia
Available funds	16,668,752	15,840,683	Deposits (
			Demand
Short-term interbank investments (Note 4)	16,865,378	12,526,914	Savings
Open market investments	6,101,412	4,599,273	Interbank
Interbank deposits	10,763,966	7,927,641	Time dep
Marketable securities and			Funds obt
Derivative financial instruments (Note 5)	16,040,814	15,603,323	
Own portfolio	9,706,828	9,536,606	Own port
Subject to repurchase commitments	5,362,084	4,407,757	Third-par
Restricted deposits – Central Bank	540,713	--	
Restricted to guarantees provided	--	--	
Derivative financial instruments	431,189	1,658,960	Notes and
			Foreign
Interbank accounts	21,151,794	20,958,960	Interbank
Payments and receipts pending settlement	2,099,725	2,082,323	Receipts
Restricted deposits			
Central Bank deposits	18,919,331	18,780,512	
National Treasury – rural credit receivable	18,198	11,835	
National Housing Financing System (SFH)	1,814	2,362	Interdepar
Interbank onlendings	5,385	5,363	Third-par
Correspondent banks	107,341	76,565	Internal t
Interdepartmental accounts	108,315	13,300	Borrowing
Internal transfers of funds do	108,315	13,300	Foreign b
Lending operations	35,611,806	36,091,765	Local onle
Lending operations			National

	September 30 (Unaudited) 2004	June 30 2004
Public sector (Note 6b)	712,748	443,047
Private sector (Note 6b)	37,733,853	38,566,527
(Allowance for loan losses) (Notes 6e and 6f)	(2,834,795)	(2,917,809)
Leasing operations	627	(1,582)
Leases and subleases receivable		
Public sector	14,426	7,317
Private sector	210,161	189,175
(Unearned income from leasing operations)	(206,259)	(182,031)
(Allowance for leasing losses) (Note 6e)	(17,701)	(16,043)
Other receivables	15,954,109	15,587,813
Receivables on guarantees honored	41,286	28,690
Foreign exchange portfolio (Note 8a)	11,455,409	11,507,528
Income receivable	307,776	273,576
Negotiation and intermediation of securities	41,211	44,668
Specific credits (Note 8b)	264,955	258,068
Special operations	1,355	1,355
Sundry (Note 8c)	5,460,789	4,947,526
(Allowance for other losses) (Notes 6e and 6f)	(1,618,672)	(1,473,598)
Other assets	252,002	272,218
Shareholdings	4	4
Other assets (Note 9)	391,235	397,591
(Allowance for losses)	(200,906)	(201,164)
Prepaid expenses	61,669	75,787

	September 30 (Unaudited) 2004	June 30 2004
Long-term receivables	108,360,887	105,964,237
Interbank investments (Note 4)	1,693,955	1,947,995
Open market investments	58,186	62,456
Interbank deposits	1,635,769	1,885,539
Marketable securities and Derivative financial instruments (Note 5)	55,079,219	54,251,348
Own portfolio	20,066,119	21,567,608
Subject to repurchase commitments	31,984,050	29,712,294
Restricted deposits - Central Bank	2,510,008	2,391,371
Restricted for guarantees provided	461,940	536,637
Derivative financial instruments	57,102	43,438
Lending operations	34,342,684	33,149,645
Lending operations		
Public sector (Note 6b)	3,839,559	4,203,478
Private sector (Note 6b)	32,786,159	30,905,189
(Allowance for loan losses) (Notes 6e and 6f)	(2,283,034)	(1,959,022)
Leasing operations	5,559	7,388
Leases and subleases receivable		
Public sector	25,647	13,007
Private sector	221,928	201,111
(Unearned income from leasing operations)	(237,241)	(202,706)
(Allowance for leasing losses) (Note 6e)	(4,775)	(4,024)

Long-term

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Interbank
Time dep

Funds obt
Own port

Third-par

Notes and
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Borrowing
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Other ins

Foreign or
Foreign c

	September 30 (Unaudited) 2004	June 30 2004
Other receivables	17,239,470	16,607,861
Receivables on guarantees honored	--	--
Income receivable	46,546	35,402
Specific credits (Note 8b)	264,995	258,069
Sundry (Note 8c)	17,057,865	16,428,028
(Allowance for other losses) (Notes 6e and 6f)	(129,896)	(113,638)
Permanent assets	4,584,811	4,516,809
Investments	842,701	822,565
Investments in subsidiaries and in associate companies (Note 19)		
Domestic	819,416	803,333
Abroad	--	--
Other investments	231,279	234,227
(Allowance for losses)	(207,994)	(214,995)
Property and equipment in use	2,722,926	2,730,093
Land and buildings in use	2,270,368	2,275,115
Other property and equipment in use	3,534,452	3,446,071
(Accumulated depreciation)	(3,081,894)	(2,991,093)
Leased assets	519,113	465,737

	September 30 (Unaudited) 2004	June 30 2004	
Leased assets	636,269	579,240	Revenue r
(Accumulated depreciation)	(117,156)	(113,503)	
			Adjustmen derivatives
Deferred charges	500,071	498,414	
Organization and expansion costs	906,622	882,197	Retained e
(Accumulated amortization)	(406,551)	(383,783)	
			(Treasury
Total	235,599,295	227,374,440	Total

The accompanying notes are an integral part of these financial statements.

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	7.01.2004 to 9.30.2004	7.01.2004 to 9.30.2004	7.01.2003 to 9.30.2003	7.01.2003 to 9.30.2003
Revenue from financial intermediation	7,215,988	7,215,988	10,087,815	10,087,815
Lending operations	4,119,736	4,119,736	4,238,580	4,238,580
Leasing operations	73,779	73,779	75,373	75,373
Marketable securities	2,660,472	2,660,472	4,444,089	4,444,089
Derivative financial instruments	21,572	21,572	(200,999)	(200,999)
Foreign exchange	--	--	1,093,178	1,093,178
Compulsory investments	340,429	340,429	437,594	437,594
Expenses from financial intermediation	(4,882,073)	(4,882,073)	(7,125,574)	(7,125,574)
Deposits and funds obtained in the open market	(3,221,812)	(3,221,812)	(4,597,622)	(4,597,622)
Borrowings and onlendings	(314,670)	(314,670)	(1,695,095)	(1,695,095)
Leasing operations	(50,750)	(50,750)	(55,529)	(55,529)
Net loss on exchange transaction	(224,199)	(224,199)	--	--
Provision for credit losses (Note 6e)	(1,070,642)	(1,070,642)	(777,328)	(777,328)
Gross profit from financial transaction	2,333,915	2,333,915	2,962,241	2,962,241
Other operating income / expenses	(969,401)	(969,401)	(1,748,838)	(1,748,838)
Services rendered (Note 14a)	1,716,648	1,716,648	1,412,355	1,412,355
Personnel expenses (Note 14b)	(1,743,945)	(1,743,945)	(1,681,214)	(1,681,214)
Other administrative expenses (Note 14c)	(1,344,030)	(1,344,030)	(1,220,809)	(1,220,809)
Taxes	(385,106)	(385,106)	(270,978)	(270,978)
Equity in the earnings of associated and subsidiaries (Note 18)	(274,697)	(274,697)	147,305	147,305
Other operating income (Note 14d)	2,637,452	2,637,452	365,944	365,944
Other operating expenses (Note 14e)	(1,575,723)	(1,575,723)	(501,441)	(501,441)
Operating profit	1,364,514	1,364,514	1,213,403	1,213,403
Non-operating income (Note 14f)	80,432	80,432	17,352	17,352
Income	94,878	94,878	49,336	49,336
Expenses	(14,446)	(14,446)	(31,984)	(31,984)
Income before taxes and profit sharing	1,444,946	1,444,946	1,230,755	1,230,755
Income tax and social contribution (Note 16)	(545,378)	(545,378)	(516,098)	(516,098)
Income tax	(399,806)	(399,806)	(375,658)	(375,658)
Social contribution	(146,771)	(146,771)	(139,914)	(139,914)

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Balance Sheet
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	7.01.2004 to 9.30.2004	7.01.2004 to 9.30.2004	7.01.2003 to 9.30.2003	7.01.2003 to 9.30.2003
Deferred tax credits	1,199	1,199	(526)	(526)
Profit sharing (Note 21)	(67,024)	(67,024)	(49,873)	(49,873)
Net income	832,544	832,544	664,784	664,784
Number of shares	743,275,506	743,275,506	743,275,506	743,275,506
Treasury shares	(11,257,678)	(11,257,678)	(11,257,678)	(11,257,678)
Total shares used in the calculation of net income per share	732,017,829	732,017,829	732,017,829	732,017,829
Net income per share	1.14	1.14	0.91	0.91

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

Banco do Brasil S.A.

Financial Statements at
June 30, 2004 and 2003

and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Stockholders
Banco do Brasil S.A.

1 We have audited the financial statements of Banco do Brasil S.A. (the Bank) and Banco do Brasil S.A. and subsidiaries (consolidated) as of June 30, 2004 and 2003 and for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements. The costs of additional post-employment benefits related to the retirement, pension and medical assistance plans were accrued by Banco do Brasil S.A. based on actuarial calculations prepared by independent actuaries and on information regarding the assets held by Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI), which was audited by other independent auditors (Note 25). Our report, insofar as it relates to the adequacy of these employee benefit liabilities and the fair value of the plan assets is based solely on the calculations of these actuaries and on the report of the other independent auditors.

2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank and of its subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and the significant estimates made by the Bank's management, as well as evaluating the overall financial statement presentation.

3 In our opinion, based on our audits and on the actuarial calculations and the reports of the other independent auditors mentioned in the first paragraph, the financial statements audited by us present fairly, in all material respects, the financial position of Banco do Brasil S.A. and of Banco do Brasil S.A. and its subsidiaries at June 30, 2004 and 2003, and the results of operations, the changes in stockholders' equity and the changes in financial position of the Bank, as well as the consolidated results of operations and consolidated changes in financial position for the six-month periods then ended, in conformity with accounting practices adopted in Brazil.

4 Our audits were conducted for the purpose of issuing an opinion on the financial statements referred to in the first paragraph, taken as a whole. The statements of added value and of cash flows, which are presented in Notes 29 and 30 to provide supplementary information on Banco do Brasil S.A. and Banco do Brasil S.A. and its subsidiaries for purposes of additional analysis, are not an integral part of these financial statements. This information has been submitted to the auditing procedures, described in paragraph 2, applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

5 As described in Note 25(f), in order to comply with the requirements of Constitutional Amendment 20/98 which establishes the parity between the sponsors and participants of closed private pension entities, sponsored by public entities, the Bank reduced its contribution to the Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) to an amount equivalent to the contributions made by the participants. Moreover, the Bank is awaiting the outcome of an injunction against the decision of the Fiscal Director appointed by the Secretariat of Complementary Retirement Benefits, which confirmed the parity of contributions and determined the use of part of the surplus of the entity to amortize the pension liability. When this litigation is concluded, a new actuarial calculation will be made to assess the impact on the pension liabilities of Banco do Brasil S.A. in respect of the requirements of the Brazilian Securities Commission (CVM) Deliberation 371. The elimination of the contribution parity or the confirmation of the decision of the Fiscal Director may result in significant impacts to the financial statements of the Bank.

6 As described in Note 18(a), the Bank has recorded deferred income tax and social contribution on net income assets relating to tax losses and temporary differences, as well as social contribution credits available for offset, totaling R$ 8,850 million at June 30, 2004 (June 30, 2003 – R$ 10,290 million). These tax assets may be used to offset future tax liabilities provided sufficient taxable income is earned to assure their realization.

7 As mentioned in Note 17(d), the Bank has filed a claim to allow the full offset of prior year tax losses against taxable income. If the Bank receives an unfavorable decision, the amount of the judicial deposits relating to the taxes offset and recorded as Bank assets, totaling R$ 4,477 million (June 30, 2003 – R$ 3,156 million), net of a provision of R$ 960 million (June 30, 2003 – R$ 545 million), will be expensed. The deferred tax asset to be recorded in the same amount, in the event of such unfavorable decision, will be subject to analysis in respect of its possible future realization.

Brasília, August 9, 2004

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" DF

Paulo Sergio Miron
Contador CRC 1SP173647/O-5 "S" DF

(A free translation of the original in Portuguese)
Banco do Brasil S.A.
Financial statements
(in thousands of reais)

B A L A N C E S H E E T

	BB-Domestic and Foreign Branches		BB-Consolidated	
A S S E T S	**6.30.2004**	**6.30.2003**	**6.30.2004**	**6.30.2003**
CURRENT ASSETS	124,846,047	108,311,442	116,893,394	101,624,567
Cash and cash equivalents	15,813,436	6,646,673	15,840,683	6,682,761
Short-term interbank investments (Note 4)	21,258,135	18,348,197	12,526,914	12,169,277
Money market	4,655,923	872,621	4,599,273	872,335
Interbank deposits	16,602,212	17,475,576	7,927,641	11,296,942
Securities and derivative financial instruments (Note 5)	14,546,256	14,756,368	15,603,323	15,386,755
Own portfolio	8,473,646	2,983,134	9,536,606	3,622,164
Subject to repurchase agreements	4,406,320	10,077,672	4,407,757	10,077,672
Deposits with the Brazilian Central Bank	--	1,186,366	--	1,186,366
Pledged in guarantee	--	13,358	--	16,798
Derivative financial instruments	1,666,290	495,838	1,658,960	483,755
Interbank accounts	20,958,733	21,931,106	20,958,960	22,109,606
Payments and receipts pending settlement	2,082,115	2,946,070	2,082,323	3,124,570
Restricted deposits				
Brazilian Central Bank deposits	18,780,510	18,910,843	18,780,512	18,910,843
National Treasury - rural credits receivable	11,835	32,592	11,835	32,592
National Housing Financing System	2,362	1,427	2,362	1,427
Interbank onlendings	5,363	5,643	5,363	5,643
Correspondent banks	76,548	34,531	76,565	34,531
Interdepartmental accounts	13,300	307,621	13,300	307,620
Internal transfers of funds	13,300	307,621	13,300	307,620
Loan operations	36,387,882	28,651,989	36,091,765	29,285,732
Loan operations				
Public sector (Note 6b)	434,294	188,730	443,047	381,010
Private sector (Note 6b)	38,622,888	30,265,170	38,566,527	30,734,260
Allowance for loan losses (Note 6e and 6f)	(2,669,300)	(1,801,911)	(2,917,809)	(1,829,538)
Lease operations	2,110	--	(1,582)	22,134
Lease and sublease receivables				
Public sector	7,317	--	7,317	10,694
Private sector	2,434	--	189,175	177,118
Unearned income from lease operations	(7,511)	--	(182,031)	(155,465)
Allowance for lease losses (Note 6e)	(130)	--	(16,043)	(10,213)
Other receivables	15,597,609	17,439,742	15,587,813	15,426,533
Receivables from honored guarantees	28,690	30,217	28,690	30,217
Foreign exchange portfolio (Note 8a)	11,507,528	14,072,527	11,507,528	12,074,747
Income receivable	367,062	292,399	273,576	235,200
Negotiation and intermediation of securities	9,296	14,738	44,668	26,830
Specific credits (Note 8b)	258,068	231,982	258,068	231,982
Special operations	1,355	1,356	1,355	1,356
Sundry (Note 8c)	4,895,130	3,955,903	4,947,526	3,990,465
Provision for other losses (Note 6e and 6f)	(1,469,520)	(1,159,380)	(1,473,598)	(1,164,264)
Other assets	268,586	229,746	272,218	234,149
Investments	4	3	4	3
Other assets (Note 9)	389,446	400,483	397,591	402,286
Provision for loss	(193,408)	(196,577)	(201,164)	(197,910)
Prepaid expenses	72,544	25,837	75,787	29,770

Banco do Brasil S.A.
Financial statements
(in thousands of reais)

B A L A N C E S H E E T

(continued)

A S S E T S	BB-Domestic and Foreign Branches		BB-Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
LONG-TERM RECEIVABLES	103,515,496	99,521,337	105,964,237	100,089,667
Interbank investments (Note 4)	1,635,063	611,963	1,947,995	178,678
Money market	62,456	239,657	62,456	178,592
Interbank deposits	1,572,607	372,306	1,885,539	86
Securities and derivative financial instruments (Note 5)	53,642,114	56,694,883	54,251,348	57,359,151
Own portfolio	21,072,933	13,515,372	21,567,608	14,081,525
Subject to repurchase agreements	29,597,735	31,919,285	29,712,294	32,017,401
Restricted deposits with the Brazilian Central Bank	2,391,371	10,826,083	2,391,371	10,826,082
Pledged in guarantee	536,637	431,266	536,637	431,266
Derivative financial instruments	43,438	2,877	43,438	2,877
Loan operations	31,723,004	27,177,502	33,149,645	27,368,376
Loan operations				
Public sector (Note 6b)	4,199,120	4,044,286	4,203,478	4,056,370
Private sector (Note 6b)	29,482,906	24,498,092	30,905,189	24,980,295
Allowance for loan losses (Notes 6e and 6f)	(1,959,022)	(1,364,876)	(1,959,022)	(1,668,289)
Lease operations	3,984	--	7,388	9,970
Lease and sublease receivables				
Public sector	13,007	--	13,007	--
Private sector	1,176	--	201,111	161,068
Unearned income from lease operations	(10,199)	--	(202,706)	(147,671)
Allowance for lease losses (Note 6e)	--	--	(4,024)	(3,427)
Other receivables	16,511,331	15,036,989	16,607,861	15,173,492
Receivables from honored guarantees	--	18,418	--	18,418
Income receivable	35,293	44,490	35,402	44,599
Specific credits (Note 8b)	258,069	231,982	258,069	231,982
Sundry (Note 8c)	16,323,021	14,890,304	16,428,028	15,037,319
Provision for other losses (Note 6e and 6f)	(105,052)	(148,205)	(113,638)	(158,826)
PERMANENT ASSETS	7,350,992	6,463,859	4,516,809	4,047,899
Investments	4,144,884	3,765,121	822,565	903,381
Investments in subsidiary and associated companies (Note 19):				
Domestic	2,413,649	2,066,347	803,333	802,599
Foreign	1,690,564	1,658,797	--	219,627
Other investments	195,401	194,609	234,227	231,031
Provision for loss	(154,730)	(154,632)	(214,995)	(349,876)
Property and equipment	2,724,025	2,402,246	2,730,093	2,403,952
Land and buildings in use	2,275,115	2,220,225	2,275,115	2,221,709
Other property and equipment in use	3,429,645	3,061,740	3,446,071	3,069,743
Accumulated depreciation	(2,980,735)	(2,879,719)	(2,991,093)	(2,887,500)
Leased assets	18,367	--	465,737	442,853
Leased assets	18,209	--	579,240	567,586
Accumulated depreciation	158	--	(113,503)	(124,733)
Deferred charges	463,716	296,492	498,414	297,713
Organization and expansion costs	822,141	584,351	882,197	594,175
Accumulated amortization	(358,425)	(287,859)	(383,783)	(296,462)
TOTAL	235,712,535	214,296,638	227,374,440	205,762,133

B A L A N C E S H E E T

	BB-Domestic and Foreign Branches		BB-Consolidated	
LIABILITIES AND STOCKHOLDERS' EQUITY	**6.30.2004**	**6.30.2003**	**6.30.2004**	**6.30.2003**
CURRENT LIABILITIES	**184,977,226**	**164,566,527**	**175,121,610**	**156,204,378**
Deposits (Note 10)	114,785,414	92,198,709	108,250,094	89,331,671
Demand deposits	29,383,631	21,004,640	29,425,435	21,169,821
Savings deposits	28,938,999	26,426,968	28,938,999	26,426,968
Interbank deposits	11,687,227	8,058,659	4,944,916	4,915,389
Time deposits	44,775,557	36,708,442	44,940,744	36,819,493
Deposits received under security repurchase agreements	33,641,405	37,409,055	33,035,075	37,271,773
Own portfolio	29,373,607	36,290,811	28,767,277	36,153,529
Third party portfolio	4,267,798	1,118,244	4,267,798	1,118,244
Funds from acceptance and issue of securities	819,485	300,043	775,369	300,016
Foreign securities	819,485	300,043	775,369	300,016
Interbank accounts	1,945,120	2,480,483	1,945,158	2,675,768
Receipts and payments pending settlement	1,945,120	2,480,220	1,945,158	2,675,505
Correspondent banks	--	263	--	263
Interdepartmental accounts	1,188,613	812,526	1,188,613	812,526
Third party funds in transit	1,062,616	797,160	1,062,616	797,160
Internal transfers of funds	125,997	15,366	125,997	15,366
Borrowings (Note 11)	12,658,288	7,804,172	9,927,584	5,070,191
Foreign borrowings	12,658,288	7,804,172	9,927,584	5,070,191
Local onlendings - official institutions (Note 12)	1,621,404	810,638	1,625,038	813,787
National Treasury	1,620,252	788,720	1,620,252	788,720
National Economic Development Bank (BNDES)	--	1,105	--	1,105
National Industrial Financing Authority (FINAME)	--	19,684	3,523	22,041
Other institutions	1,152	1,129	1,263	1,921
Foreign onlendings	720,798	527,827	281	--
Derivative financial instruments (Note 5b)	1,997,368	697,349	1,986,470	691,635
Other liabilities	15,599,331	21,525,725	16,387,928	19,237,011
Collection and payment of taxes and social contributions	2,167,943	1,612,481	2,168,059	1,612,843
Foreign exchange portfolio (Note 14a)	5,480,406	11,769,101	5,480,406	9,771,321
Social and statutory	643,185	396,849	643,886	396,898
Taxes and social security contributions	655,616	499,512	955,694	758,992
Negotiation and intermediation of securities	499,519	255,586	570,642	281,492
Financial and development funds (Note 14b)	35,036	23,887	35,036	23,887
Special operations	2,397	2,388	2,397	2,388
Subordinated debt (Note 14e)	--	4	--	4
Sundry (Note 14d)	6,115,229	6,965,917	6,531,808	6,389,186

B A L A N C E S H E E T

LIABILITIES AND STOCKHOLDERS' EQUITY	BB-Domestic and Foreign Branches		BB-Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
LONG-TERM LIABILITIES	37,734,389	38,761,395	39,251,739	38,588,565
Deposits (Note 10)	5,955,681	10,739,995	7,545,249	10,549,035
Interbank deposits	1,149,577	712,226	2,739,145	521,266
Time deposits	4,806,104	10,027,769	4,806,104	10,027,769
Deposits received under security repurchase agreements	4,034,179	4,195,969	4,096,636	4,195,969
Own portfolio	3,541,385	3,887,480	3,603,842	3,887,480
Third party portfolio	492,794	308,489	492,794	308,489
Funds from acceptance and issue of securities	621,340	789,580	621,340	771,373
Foreign securities	621,340	789,580	621,340	771,373
Borrowings (Note 11)	3,927,669	3,769,626	3,944,012	3,643,936
Foreign borrowings	3,927,669	3,769,626	3,944,012	3,643,936
Local onlendings - official institutions (Note 12)	6,818,628	5,314,322	6,823,010	5,320,328
National Treasury	319,556	394,894	319,556	394,894
National Economic Development Bank (BNDES)	3,321,797	2,735,521	3,321,797	2,735,521
National Industrial Financing Authority (FINAME)	2,712,142	1,670,714	2,716,524	1,676,720
Other institutions	465,133	513,193	465,133	513,193
Foreign onlendings	499,761	107,208	1,125	1,793
Derivative financial instruments (Note 5b)	1,226	2,571	9,063	10,267
Other liabilities	15,875,905	13,842,124	16,211,304	14,095,864
Taxes and social security contributions	--	35	27,815	32,533
Negotiation and intermediation of securities	3,644,044	3,087,398	3,646,786	3,087,398
Financial and development funds	1,789,990	1,753,056	1,789,990	1,753,056
Subordinated debt (Note 14e)	5,572,615	4,606,793	5,572,615	4,606,793
Sundry (Note 14d)	4,869,256	4,394,842	5,174,098	4,616,084
DEFERRED INCOME	137,374	96,831	137,545	97,305
STOCKHOLDERS' EQUITY (Note 16)	12,863,546	10,871,885	12,863,546	10,871,885
Capital	8,366,189	8,366,189	8,366,189	8,366,189
Local	8,343,671	8,363,797	8,343,671	8,363,797
Foreign	22,518	2,392	22,518	2,392
Capital reserves	4,769	4,754	4,769	4,754
Revaluation reserves	24,325	24,733	24,325	24,733
Revenue reserves	4,645,279	2,796,091	4,645,279	2,796,091
Adjustment to market value - securities and derivative financial instruments (Note 16h)	(51,237)	(194,103)	(51,237)	(194,103)
Treasury stock	(125,779)	(125,779)	(125,779)	(125,779)
TOTAL	235,712,535	214,296,638	227,374,440	205,762,133

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)
Banco do Brasil S.A.
Financial Statements
(in thousands of reais)

STATEMENT OF INCOME

	BB-Domestic and Foreign Branches		BB-Consolidated	
	1st six months 2004	**1st six months 2003**	**1st six months 2004**	**1st six months 2003**
INCOME FROM FINANCIAL INTERMEDIATION	15,659,406	16,333,505	15,724,859	16,475,978
Loans	8,519,623	7,554,349	8,559,674	7,653,938
Leases	1,104	--	40,521	44,437
Securities	5,771,947	8,100,624	5,755,429	8,098,488
Derivative financial instruments	(234,962)	(216,374)	(231,099)	(215,791)
Foreign exchange, net	982,039	--	980,679	--
Compulsory deposits	619,655	894,906	619,655	894,906
EXPENSES FROM FINANCIAL INTERMEDIATION	(11,037,276)	(12,457,920)	(10,890,411)	(12,501,697)
Deposits and funds obtained in the open market	(6,228,153)	(9,122,108)	(6,117,605)	(9,093,281)
Borrowings and onlendings	(2,228,770)	(652,574)	(2,212,408)	(651,903)
Foreign exchange, net	--	(1,092,304)	--	(1,102,538)
Allowance for loan losses (Note 6e)	(2,580,353)	(1,590,934)	(2,560,398)	(1,653,975)
NWT FINANCIAL INTERMEDIATION INCOME	4,622,130	3,875,585	4,834,448	3,974,281
OTHER OPERATING INCOME (EXPENSES)	(2,553,853)	(1,791,613)	(2,678,387)	(1,823,338)
Banking service fees (Note 15a)	2,964,222	2,400,458	3,195,307	2,561,107
Personnel expenses (Note 15b)	(3,491,272)	(2,965,302)	(3,526,715)	(2,989,956)
Other administrative expenses (Note 15c)	(2,479,035)	(2,105,579)	(2,506,892)	(2,124,601)
Taxes.	(635,818)	(510,434)	(678,870)	(533,740)
Equity in the earnings (loss) of subsidiary and associated companies (Note 19)	630,965	(873,227)	463,300	(1,036,198)
Other operating income (Note 15d)	1,498,165	4,850,474	1,500,302	4,907,814
Other operating expenses (Note 15e)	(1,041,080)	(2,588,003)	(1,124,819)	(2,607,764)
NET OPERATING INCOME	2,068,277	2,083,972	2,156,061	2,150,943
NON-OPERATING INCOME (Note 15f)	54,319	76,645	54,803	92,092
Income	86,004	110,275	89,788	126,597
Expenses	(31,685)	(33,630)	(34,985)	(34,505)
INCOME BEFORE TAXATION AND PROFIT SHARING	2,122,596	2,160,617	2,210,864	2,243,035
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME (Note 17)	(521,743)	(1,013,315)	(609,199)	(1,095,684)
Income tax	(383,481)	(681,773)	(441,988)	(738,731)
Social contribution on net income	(136,967)	(333,660)	(158,030)	(352,794)
Deferred tax credits	(1,295)	2,118	(9,181)	(4,159)
PROFIT SHARING (Note 22)	(180,101)	(68,407)	(180,913)	(68,456)
NET INCOME	1,420,752	1,078,895	1,420,752	1,078,895
Number of shares	743,275,506	743,275,506	743,275,506	743,275,506
Treasury stock	(11,257,677)	(11,257,677)	(11,257,677)	(11,257,677)
Total shares used in the calculation of net income per share	732,017,829	732,017,829	732,017,829	732,017,829
Net income per share	1.94	1.47	1.94	1.47

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)
Banco do Brasil S.A.
Financial Statements.
(in thousands of reais)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

		Capital reserves				Revenue reserves			Adjustment to mar value - Securities a derivative financ instruments	
	Capital	Donations and fiscal incentives	Profits from the sale of treasury stock	Share premium account	Revaluation reserves on subsidiary and associated companies	Legal	Statutory	Expansion reserves	Bank	Subsi ar assoc comp
Balances at 12.31.2002	7,435,544	20	140	4,594	24,762	315,748	185,141	2,467,710	(905,986)	(20
Capital increase with reserves	930,645	—	—	—	—	—	—	—	—	
Prescribed dividends	—	—	—	—	—	—	—	—	—	
Adjustment to market value - securities and derivative financial instruments	—	—	—	—	—	—	—	—	1,187,828	1
Tax effect on adjustments – Securities and derivative financial instruments	—	—	—	—	—	—	—	—	(418,460)	
Realization of revaluation reserve	—	—	—	—	(29)	—	—	—	—	
Net income for the six-month period	—	—	—	—	—	—	—	—	—	
Appropriations:										
Reserves	—	—	—	—	—	53,945	32,367	671,825	—	
Interest on own capital	—	—	—	—	—	—	—	—	—	
Balances at 6.30.2003	8,366,189	20	140	4,594	24,733	369,693	217,508	2,208,890	(136,618)	(5
	930,645	—	—	—	(29)	53,945	32,367	(258,820)	769,368	1
Balances of 12.31.2003	8,366,189	20	140	4,594	24,367	434,797	256,571	2,983,075	225,287	
Adjustment to market value - securities and derivative financial instruments	—	—	—	—	—	—	—	—	(107,369)	(22
Tax effect on adjustments – Securities and derivative financial instruments	—	—	—	—	—	—	—	—	39,866	
Realization of revaluation reserve	—	—	—	—	(42)	—	—	—	—	
Donations	—	15	—	—	—	—	—	—	—	
Net income for the six-month period	—	—	—	—	—	—	—	—	—	
Appropriations:										
Reserves	—	—	—	—	—	71,037	42,622	857,177	—	
Interest on own capital	—	—	—	—	—	—	—	—	—	
Balances at 6.30.2004	8,366,189	35	140	4,594	24,325	505,834	299,193	3,840,252	157,784	(20
NET CHANGES IN THE SIX-MONTH PERIOD	—	15	—	—	(42)	71,037	42,622	857,177	(67,503)	(21

The accompanying notes are an integral part of these statements.

(A free translation of the original in Portuguese)

Banco do Brasil S.A.
Financial Statements
(in thousands of reais)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	BB-Domestic and Foreign Branches		BB-Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
FINANCIAL RESOURCES WERE PROVIDED BY:	**42,423,807**	**20,472,068**	**34,305,380**	**18,920,217**
Net income	**1,420,752**	**1,078,895**	**1,420,752**	**1,078,895**
Adjustments to net income	**(102,373)**	**478,393**	**253,410**	**364,629**
Depreciation and amortization	248,721	236,543	252,709	238,136
Depreciation of leased assets	(169)	-	65,709	83,449
Amortization of losses	-	-	2,190	1,111
Equity in the earnings (loss) of subsidiary and associated companies	(630,965)	873,227	(463,300)	1,036,198
(Profit)/loss on the sale of investments	17	19	(772)	(7,821)
Excess depreciation	-	-	23,890	23,782
Changes in the currency exchange rate	187,367	(650,766)	300,047	(1,028,067)
(Gains)/losses from changes in the percentage ownership of investments	-	-	-	69
(Gain)/losses on investments	(41)	125	(41)	125
Amortization of goodwill	-	-	4,832	4,832
Provision for devaluation of other assets	-	-	(66)	(252)
Provision for loss of tax incentive investments	-	-	(34)	(70)
Provision for loss of investments	(227)	3,247	(20,229)	(3,859)
Disposals of fixed assets	90,776	15,511	90,776	15,511
Disposals of investment	-	6	-	6
Disposals of other assets	293	2,203	293	2,203
Other adjustments	1,855	(1,722)	(2,594)	(724)
Changes in deferred income	**11,409**	**-**	**11,262**	**-**
Adjustment to market value - Securities and derivative financial instruments	**(279,061)**	**916,712**	**(279,061)**	**916,712**
Third party funds:				
Increase in liabilities	**7,322,523**	**14,327,816**	**13,405,548**	**10,903,552**
Deposits	-	4,351,295	5,781,672	2,627,388

(A free translation of the original in Portuguese)

Banco do Brasil S.A.
Financial Statements
(in thousands of reais)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	BB-Domestic and Foreign Branches		BB-Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
FINANCIAL RESOURCES WERE USED FOR:	**37,352,038**	**25,395,215**	**29,253,939**	**23,819,517**
Proposed interest on own capital	**449,958**	**321,916**	**449,958**	**321,916**
Increase in capital of subsidiaries	**92,050**	**4,772**	**92,050**	**5,076**
Investments	**529,974**	**195,059**	**585,261**	**193,239**
Non-operating assets	23,016	22,629	23,445	23,189
Property and equipment in use	235,592	95,053	236,087	95,053
Leased assets	16,905	-	188,317	40,735
Adjustment to market value of associated companies	(93,979)	68,515	(211,557)	19,961
Investments	348,440	8,862	348,969	14,301
Deferred charges	**109,389**	**58,501**	**142,584**	**57,999**
Increase in current aassets and long-term receivables	**10,852,718**	**14,137,301**	**11,105,521**	**11,835,515**
Securities and derivative financial instruments	66,361	1,794,968	264,531	1,803,151
Interbank and interdepartmental accounts	2,277,572	3,812,618	2,272,634	3,969,520
Lease operations	4,261	-	-	-
Loan operations	3,580,798	5,705,646	3,649,957	5,246,791
Other assets	47,768	-	31,448	-
Other receivables	4,875,958	2,824,069	4,886,951	816,053
Decrease in liabilities	**25,317,949**	**10,677,666**	**16,878,565**	**11,405,772**
Deposits	8,051,791	-	-	-
Deposits received under security repurchase agreements	2,777,062	6,993,639	2,931,534	6,859,511
Funds from acceptance and issue of securities	211,428	-	240,011	-
Borrowings and onlendings	-	3,657,530	-	4,505,318
Derivative financial instruments	-	26,497	-	40,943
Other liabilities	14,277,668	-	13,707,020	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,071,769**	**(4,923,147)**	**5,051,441**	**(4,899,300)**

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Banco do Brasil S.A.

Notes to the Financial Statements
at June 30, 2004 and 2003
All amounts in thousands of reais unless otherwise indicated

1 The Bank and its Operations

Banco do Brasil S.A. is a publicly listed company established under private law and subject to the requirements of Brazilian corporate legislation. Its corporate purpose is to carry out all the asset, liability and accessory banking operations, to provide bank services, intermediate and originate financial transactions in various forms and exercise any activity permitted to the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of art. 19 of Law 4595/1964.

2 Presentation of the Financial Statements

2.a) The financial statements of Banco do Brasil S.A. have been prepared in accordance with the requirements of Law 6404/1976 and the rules and instructions issued by the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM).

The financial statements labeled “BB - Domestic and Overseas branches” include the Bank’s operations in Brazil and its branches abroad. The consolidated amounts (“BB – Consolidated”) also include the financial subsidiaries. The balances of foreign branches and subsidiaries included in the financial statements of “BB - Domestic and Overseas branches” and “BB – Consolidated”, respectively, are as follows:

	Foreign branches		Foreign branches and subsidiaries	
	6.30.2004	**6.30.2003**	**6.30.2004**	**6.30.2003**
Current assets	35,768,857	30,538,328	34,318,852	31,923,224
Long-term receivables	10,233,611	6,422,014	10,747,055	6,624,290
Permanent assets	209,820	191,892	236,090	199,032
Total assets	46,212,288	37,152,234	45,301,997	38,746,546
Current liabilities	31,949,539	24,986,826	29,434,458	25,053,955
Long-term liabilities	11,268,251	8,985,909	11,182,306	8,853,821
Deferred income	4,561	4,131	4,732	4,604
Stockholders' equity	2,989,937	3,175,368	4,680,501	4,834,166
Total liabilities and stockholders' equity	46,212,288	37,152,234	45,301,997	38,746,546
Net income (loss) for the six-month period	36,500	(45,676)	99,478	(15,853)

2.b) The consolidated financial statements (BB - Consolidated) comprise the domestic and foreign branches and the foreign subsidiaries: Banco do Brasil - A.G. Vienna - Austria, BB - Leasing Company Ltd., Brazilian American Merchant Bank – BAMB and the domestic subsidiaries: BB - Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A., BB - Banco de Investimento S.A. and BB - Leasing S.A. - Arrendamento Mercantil, Brasil Aconselhamento Financeiro e DTVM S.A. and BB - Banco Popular do Brasil S.A.

The asset and liability and the income and expense accounts recording transactions between the foreign branches and subsidiaries and Banco do Brasil S.A. were eliminated on consolidation. The translation into Brazilian reais of the financial statements prepared in a foreign currency is carried out using current exchange rates, in conformity with CVM Decision 28/1986.

BB - Corretora de Seguros e Administradora de Bens S.A., BB - Administradora de Cartões de Crédito S.A., BBTUR Viagens e Turismo Ltda., COBRA Tecnologia S.A., Ativos S.A. and BB - Administradora de Consórcios S.A. were not included in the consolidation, in accordance with CVM Instruction 247/1996, as they do not materially affect the consolidated financial statements. The investments in these companies were recorded on the equity method of accounting and the information required by article 20 of CVM Instruction 247/1996 and CVM Deliberation 26/1986 is presented in Notes 19 and 20, respectively.

3 Significant Accounting Practices

3.a) Net income is determined on the accrual basis of accounting.

3.b) The assets and liabilities in foreign currencies and those subject to indexation are adjusted in accordance with the exchange rates or official indices as of the balance sheet date and are presented at realizable values. The assets and liabilities with floating financial charges are recorded at present value, calculated pro rata based on the variations in the contractual indices. Those with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses.

3.c) The allowance for loan losses is recorded based on the parameters of CMN Resolution 2682/1999, for domestic branches and subsidiaries, as well as those abroad, taking into consideration the risks of the transactions based on consistent and verifiable criteria, supported by internal and external information, and covering all aspects established in the resolution.

3.d) Securities:

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on the intention of management, in three different categories:

3.d.1) Trading securities: these are securities purchased to be actively and frequently traded. They are adjusted to market value on a monthly basis and increases and decreases in value are recorded in income and expense accounts for the period;

3.d.2) Securities available for sale: these are securities which, although not actively and frequently traded, can be traded at any time. They are adjusted to market value on a monthly basis and increases and decreases in value are recorded, net of tax effects, in a separate stockholders' equity account;

3.d.3) Securities held to maturity: these are securities that the Bank intends and has the financial capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. They are not adjusted to market value.

The mark-to-market methodology used for securities was established following consistent and verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, pricing models that estimate the probable net realizable value.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata basis on the accrual basis of accounting up to the date of maturity or of final sale, on an exponential or linear method, based on the contractual remuneration and purchase price, and recorded directly in income for the period.

Losses with securities classified as available for sale and held to maturity, if judged not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

3.e) Derivative Financial Instruments:

Derivative financial instruments are recorded at market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

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:

3.e.1) Market Risk Hedge – increases or decreases in value of the financial instruments classified in this category, as well as of the item hedged, are recorded in income and expense accounts for the period;

3.e.2) Cash Flow Hedge – the effective amount of the increases or decreases in value of the financial instruments classified in this category is recorded, net of tax effects, in a separate stockholders' equity account. The effective amount is that in which the variation of the item hedged, directly related to the corresponding risk, is offset by the variation in the financial instrument used for hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income or expense accounts for the period.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the probable net realizable value, according to the characteristics of the derivative.

3.f) Permanent assets

Investments are stated at cost and, when material, are recorded on the equity method of accounting. Property and equipment is stated at cost less depreciation calculated on the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles, installations and equipment - 20%; others - 10%;

Organization and expansion expenses recorded in deferred charges relate to:

3.f.1) Leasehold improvements in properties owned by third parties for the installation of facilities, amortized at rates based on the rental terms;

3.f.2) Cost of purchase and development of systems, amortized at the annual rate of 20%;

3.g) Vacations, paid leave and thirteenth month salaries are accrued monthly, in accordance with the period of acquisition of the right;

3.h) Current benefits for existing employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2003 in accordance with criteria established by CVM Deliberation 371/2000, considering a 6.9% annual interest rate, and are being allocated monthly in accordance with this calculation, as shown in Note 25. The retirement benefit liability relating to the assumption of the obligation to employees admitted before April 14, 1967 was provided on the basis of an actuarial calculation considering the 6% annual interest rate established in the contract between PREVI – Caixa de Previdência dos Funcionários do Banco do Brasil and the Bank.

3.i) Corporate income tax is calculated at the basic rate of 15% plus a surcharge of 10% on taxable income above a specific limit, and the social contribution on net income is calculated at the basic rate of 9% on taxable income (Note 17.a). Income tax and social contribution on net income tax credits are recorded in accordance with the criteria mentioned in Note 18 and are supported by a study of future realization prepared by management.

4 Short-term Interbank Deposits

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	**6.30.2003**	**6.30.2004**	**6.30.2003**
Repurchase agreements	4,718,379	1,112,278	4,661,729	1,050,926
Sales pending settlement – own operations	648,810	90,022	654,890	90,022
Sales pending settlement – financed operations	4,069,569	1,022,256	4,006,839	960,904
Interbank deposits	16,974,316	17,847,876	9,675,508	11,297,023
Foreign currency deposits	1,200,503	6	137,672	6
Total	22,893,198	18,960,160	14,474,909	12,347,955

5 Securities and Derivative Financial Instruments

Securities are classified in three categories: trading securities, securities available for sale and securities held to maturity, and derivative financial instruments in derivates for trading and derivatives for hedging purposes. Trading securities are adjusted to market value and the adjustments recorded as income or expense for the period while similar adjustments for securities available for sale are recorded in a separate stockholders' equity account. Securities held to maturity are stated at cost plus income accrued in the period.

The derivative financial instruments for trading, used at the request of clients or for own account, do not comply with the hedging criteria and are recorded at market value and the adjustments recorded as income or expense. Derivatives for hedging purposes are used to protect exposures to risk or to modify the characteristics of financial assets and liabilities. They are directly related to a specific transaction and are also adjusted to market value with contra-entry to income or expense when a market risk hedge and to a separate stockholders' equity account when a cash flow hedge.

The parameters for the calculation of market values of marketable securities and derivative financial instruments are:

5.1) the average of the representative trading price on the day of the calculation and the daily adjustment of future market transactions reported by ANDIMA, BM&F, BOVESPA and the Brazilian Central Bank; or

5.2) the net probable realizable value obtained through the use of curves of future interest rates, foreign exchange rates, price and currency indices, all consistent with prices in effect during the six-month period.

5.a) Securities

The cost plus accrued income and the market value of securities at June 30, 2004 are as follows:

	BB - Domestic and Foreign Branches 6.30.2004					
	Market Value					
Maturity in days	With no maturity	0-30	31-180	181-360	Over 360	Cost
I – Trading securities	1,362	31,622	220,788	6,993,549	4,665,731	11,947,6
Domestic	1,362	31,622	220,788	6,993,549	4,665,731	11,947,6
Financial Treasury Bills	--	29,197	211,172	5,377,983	3,036,580	8,653,6
Federal Treasury Bills	--	2,425	9,616	1,615,566	1,339,430	3,001,6
Federal Treasury Notes	--	--	--	--	289,721	290,9
Shares in listed companies	1,362	--	--	--	--	1,3
II – Securities available for sale	27,089	1,277,917	1,368,692	599,700	26,148,672	29,294,4
Domestic	16,818	1,089,728	784,018	583,690	24,913,627	27,131,2
Financial Treasury Bills	--	--	--	--	15,895,879	15,948,9
Brazilian Central Bank Notes	--	--	297,830	--	205,425	491,2
Federal Treasury Notes	--	1,087,667	479,648	582,647	4,174,968	6,092,7
Federal Government Securities –Other	--	--	--	--	4,597,919	4,532,1
Debentures	--	--	--	--	24,262	23,8
Agricultural Debt Securities	--	2,061	6,540	1,043	15,174	27,5
Shares in Investment Funds	5,834	--	--	--	--	5,8

Maturity in days	6.30.2004					
	Market Value					
	With no maturity	0-30	31-180	181-360	Over 360	Cost
Shares in Social Development Funds	1,652	--	--	--	--	1,5
Shares in listed companies	9,332	--	--	--	--	7,3
Shares in Equity Funds	--	--	--	--	--	
Foreign	10,271	188,189	584,674	16,010	1,235,045	2,163,2
EUROBONDS	--	4,498	40,766	15,937	57,532	119,7
Brazilian Foreign Debt Securities	--	74	15,650	73	1,018,096	1,167,1
Foreign Debt Securities – Other Countries	--	304	22	--	159,417	161,6
Shares in Equity Funds	10,269	--	--	--	--	9,4
Shares in listed companies	2	--	--	--	--	
Other	--	183,313	528,236	--	--	705,2
III – Securities held to maturity	--	40,476	1,336,368	1,063,987	21,903,722	25,143,5
Domestic	--	--	1,312,719	1,045,052	20,538,429	23,819,6
Debentures	--	--	--	--	42,582	46,2
Financial Treasury Bills	--	--	1,044,808	1,044,473	16,762,521	19,235,8
Federal Treasury Notes	--	--	--	--	1,638,729	2,140,6
Federal Government Securities – Other	--	--	267,732	--	2,094,597	2,396,1
Commodities	--	--	179	579	--	7
Foreign	--	40,476	23,649	18,935	1,365,293	1,323,8
EUROBONDS	--	--	--	--	--	
Brazilian Foreign Debt Securities	--	--	--	--	1,361,999	1,237,5

Maturity in days	6.30.2004					
	Market Value					
	With no maturity	0-30	31-180	181-360	Over 360	Cost
Certificates of Deposit	--	40,476	22,967	18,935	--	82,3
Foreign Debt Securities – Other Countries	--	--	--	--	1,316	1,3
Other	--	--	682	--	1,978	2,6
Total	28,451	1,350,015	2,925,848	8,657,236	52,718,125	66,385,6

BB - Domestic and Foreign Branches
6.30.2004

Maturity in days	Market Value					Cost
	With no maturity	0-30	31-180	181-360	Over 360	
Total by Portfolio	28,451	1,350,015	2,925,848	8,657,236	52,718,125	66,385,6
a) Own Portfolio	28,451	1,350,015	1,993,732	5,035,604	20,693,233	29,539,0
b) Subject to Repurchase Agreements	--	--	932,116	3,621,632	29,122,050	33,918,5
c) Deposits with the Brazilian Central Bank	--	--	--	--	2,372,228	2,391,3
d) Pledged in Guarantee	--	--	--	--	530,614	536,6

BB - Domestic and Foreign Branches
6.30.2004

Maturity in years	Market Value				
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due y
Total by category	28,451	12,933,099	45,219,159	7,179,050	
I - Trading securities	1,362	7,245,959	4,665,731	--	
II - Securities available for sale	27,089	3,246,309	25,723,618	105,138	
III – Securities held to maturity	--	2,440,831	14,829,810	7,073,912	

The portfolio after marking-to-market is as follows:

	6.30.2004		6.30.2003	
		% of the total portfolio		% of the total portfolio
Total by category	66,478,643	100%	70,952,536	100%
I - Trading securities	11,913,052	18%	2,044,630	3%
II - Securities available for sale	29,422,070	44%	41,270,770	58%
III – Securities held to maturity	25,143,521	38%	27,637,136	39%

BB - Consolidated
6.30.2004

Maturity in days	Market value					
	With no maturity	0-30	31-180	181-360	over 360	Cost
I – Trading securities	1,362	33,513	224,049	7,073,166	4,665,731	12,033,258
Domestic	1,362	31,622	220,788	6,993,549	4,665,731	11,947,627
Financial Treasury Bills	--	29,197	211,172	5,377,983	3,036,580	8,653,689
Federal Treasury Bills	--	2,425	9,616	1,615,566	1,339,430	3,001,692
Federal Treasury Notes	--	--	--	--	289,721	290,928
Shares in listed companies	1,362	--	--	--	--	1,318
Foreign	--	1,891	3,261	79,617	--	85,631
EUROBONDS	--	1,066	162	55,708	--	57,529
Brazilian Foreign Debt Securities	--	733	--	19,775	--	20,437
Foreign Debt Securities – Other Countries	--	48	3,099	2,149	--	5,458
Other	--	44	--	1,985	--	2,207
II – Securities available for sale	642,177	1,369,309	1,865,952	765,902	26,364,822	30,920,446
Domestic	591,654	1,181,120	1,163,740	742,980	25,026,383	28,466,001
Financial Treasury Bills	--	--	21,716	48,046	15,895,879	16,018,695
Brazilian Central Bank Notes	--	--	297,830	--	205,425	491,221
Federal Treasury Notes	--	1,087,667	479,648	582,647	4,174,968	6,092,703
Federal Government Securities	--	--	--	--	--	--
Federal Government Securities –Other	--	16,544	--	--	4,597,919	4,548,961
Debentures	--	--	--	--	136,149	135,713
Promissory Notes	--	--	--	--	--	--
Agricultural Debt Securities	--	2,061	6,540	1,043	15,174	27,582
Shares in fixed Income Mutual Funds	1,045	--	--	--	--	1,045

Maturity in days	6.30.2004					
	Market value					
	With no maturity	0-30	31-180	181-360	over 360	Cost
Shares in investment Funds – Other	5,834	--	--	--	--	5,834
Shares in Social Development Funds	1,652	--	--	--	--	10,321
Shares in listed companies	424,692	--	--	--	--	403,724
Shares in Equity Funds	158,431	--	--	--	--	189,099
Commodities – Agricultural Products Certificates	--	74,848	358,006	111,244	869	540,295
Securities in Special Status Company	--	--	--	--	--	808
Foreign	50,523	188,189	702,212	22,922	1,338,439	2,454,445
EUROBONDS	--	4,498	40,766	15,937	57,532	119,782
Brazilian Foreign Debt Securities	--	74	17,087	73	1,114,577	1,272,376
Foreign Debt Securities – Other Countries	--	304	22	--	159,417	161,604
Shares in Equity Funds	49,161	--	--	--	--	46,157
Shares in listed companies	1,362	--	--	--	--	1,397
Other	--	183,313	644,337	6,912	6,913	853,129
III – Securities held to maturity	--	40,485	1,336,368	1,063,987	21,906,492	25,146,290
Domestic	--	--	1,312,719	1,045,052	20,538,429	23,819,654
Debentures	--	--	--	--	42,582	46,281
Financial Treasury Bills	--	--	1,044,808	1,044,473	16,762,521	19,235,844
Federal Treasury Notes	--	--	--	--	1,638,729	2,140,654
Federal Government Securities - Other	--	--	267,732	--	2,094,597	2,396,145
Commodities	--	--	179	579	--	730
Foreign	--	40,485	23,649	18,935	1,368,063	1,326,636
EUROBONDS	--	--	--	--	--	--
Brazilian Foreign Debt Securities	--	--	--	--	1,364,552	1,240,065

Maturity in days	6.30.2004					
	Market value					
	With no maturity	0-30	31-180	181-360	over 360	Cost
Certificates of Deposit	--	40,476	22,967	18,935	--	82,380
Foreign Debt Securities – Other Countries	--	4	--	--	1,389	1,388
Other	--	5	682	--	2,122	2,803
Total	643,539	1,443,307	3,426,369	8,903,055	52,937,045	68,099,994

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Maturity in days	Market Value					Cost
	With no maturity	0-30	31-180	181-360	over 360	
Total by Portfolio	643,539	1,443,307	3,426,369	8,903,055	52,937,045	68,099,9
a) Own Portfolio	643,539	1,443,307	2,492,816	5,281,423	20,797,595	31,129,9
b) Subject to Repurchase Agreements	--	--	933,553	3,621,632	29,236,608	34,042,0
c) Deposits with the Brazilian Central Bank	--	--	--	--	2,372,228	2,391,3
d) Pledged in Guarantee	--	--	--	--	530,614	536,6

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Maturity in years	Market Value				
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due y
Total by category	643,539	13,772,731	45,341,484	7,179,163	
I - Trading securities	1,362	7,330,728	4,665,731	--	
II - Securities available for sale	642,177	4,001,163	25,843,286	105,138	
III – Securities held to maturity	--	2,440,840	14,832,467	7,074,025	

The portfolio after marking-to-market is as follows:

	6.30.2004		6.30.2003	
		% of total portfolio		% of total portfolio
Total by Portfolio	68,152,273	100%	72,259,274	100%
I - Trading securities	11,997,821	18%	2,104,368	3%
II - Securities available for sale	31,008,162	45%	42,515,238	59%
III – Securities held to maturity	25,146,290	37%	27,639,668	38%

5.a.1) During the first six-month of 2004, no reclassifications were made of securities between the above categories.

5.b) Derivative Financial Instruments

The Bank uses Derivative Financial Instruments to manage, in a consolidated manner, its positions and to meet clients' needs, classifying own positions into Hedging (market risk) and Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated within the Bank.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a previous risk analysis.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by management.

Risk analysis of the subsidiaries is individual and its control consolidated.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using models of values at risk sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments resulting from the Bank's and its subsidiaries' business are credit, market and operating risks, all similar to those related to other types of financial instruments.

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. Swap contracts registered at CETIP and at BM&F are subject to credit risk if the counterparty is unable or unwilling to comply with his contractual liabilities. Total credit exposure in swaps at June 30, 2004 is R$ 758,450 (R$ 841,118 at June 30,2003). The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotations of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

The tables below show the notional amounts restated to market value and the respective net exposures in the balance sheet at June 30, 2004 for the derivative financial instruments classified in conformity with their classification as Trading or Hedge instruments.

5.b.1) Trading Derivatives

By Index	Counterparty (*)	BB - Domestic and Foreign Branches					
		6.30.2004			6.30.2003		
		Notional Amount	Cost	Market value	Notional Amount	Cost	Market value
Exchange Trading							
Futures contracts							
Purchase commitments		**1,162,509**	**(17,160)**	**(17,160)**	**870,473**	**10,167**	**10,167**
DI	E	-	3,040	3,040	401,977	(1,460)	(1,460)
U.S. dollar	E	-	(23,621)	(23,621)	14,360	(10,138)	(10,138)
Index	E	-	(2,464)	(2,464)	--	513	513
Foreign exchange coupon	E	1,162,256	5,858	5,858	454,136	21,252	21,252
Commodities	E	253	27	27	--	--	--
Sales commitments		**6,506,512**	**28,942**	**28,942**	**763,618**	**(42,524)**	**(42,524)**
DI	E	5,277,326	3,499	3,499	379,178	(2,878)	(2,878)
U.S. dollar	E	58,700	9,777	9,777	142,007	(851)	(851)
Index	E	-	1,215	1,215	--	(1,794)	(1,794)
Foreign exchange coupon	E	473,916	11,525	11,525	242,433	(37,001)	(37,001)
Commodities	E	-	32	32	--	--	--
SCC	E	696,570	2,894	2,894	--	--	--
Fixed term options							
Purchase options	E	**674,294**	**674,294**	**674,294**	--	--	--
Sales options	E	**849,795**	**849,795**	**849,795**	--	--	--
Fixed term currency options							
Asset position	E	**184,020**	**3,984**	**1,360**	--	--	--
Liability position	E	**219,974**	**(13,994)**	**(7,286)**	--	--	--
Options market							
Purchase options		**5,000**	**27**	**47**	**22,990**	**1,396**	**1,524**
Shares	E	5,000	27	47	22,990	1,396	1,524
Sales options		**(25,000)**	**(95)**	**(157)**	**36,218**	**(1,983)**	**(1,039)**
Shares	E	(25,000)	(95)	(157)	36,218	(1,983)	(1,039)
Over-the-counter trading							
Swap contracts							
Asset position		**6,525,742**	**122,455**	**146,258**	**5,546,335**	**367,192**	**397,141**
DI	C	2,151,418	68,548	89,921	1,831,994	228,397	244,963
	FI	373,719	15,959	17,046	268,273	19,228	20,543
Foreign currency	C	44,861	642	1,104	9,402	--	286
	FI	2,299,856	35,406	35,105	1,776,701	111,054	112,964
Prefixed	C	695,827	405	1,475	775,222	5,686	14,709
Referential Rate (TR)	C	37,721	125	237	60,635	699	1,548
Other	--	922,340	1,370	1,370	824,108	2,128	2,128

		BB – Domestic and Foreign Branches					
		6.30.2004			6.30.2003		
		Notional Amount	Cost	Market value	Notional amount	Cost	Market Value
Liability position		**12,844,552**	**(451,630)**	**(452,993)**	**13,381,609**	**(693,777)**	**(685,228)**
DI	C	7,449,803	(315,061)	(316,689)	2,876,411	(168,100)	(168,085)
	FI	520,091	(27,051)	(23,512)	1,083,849	(136,880)	(129,630)
Foreign currency	C	675,236	(12,834)	(16,045)	24,113	(374)	(1,423)
	FI	2,632,714	(32,228)	(31,914)	4,061,297	(114,112)	(113,653)
Prefixed	C	38,138	(107)	(334)	5,321	--	(2)
SELIC rate	C	481,301	(34,282)	(34,282)	3,981,476	(228,596)	(228,596)
Referential Rate (TR)	C	737,003	(29,846)	(29,996)	904,638	(32,032)	(32,881)
General Price Index – Market (IGP-M)	FI	--	--	--	75,000	(11,818)	(9,093)
Other	--	310,266	(221)	(221)	369,504	(1,865)	(1,865)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

	BB – Domestic and Foreign Branches					
	6.30.2004			6.30.2003		
By Maturity	Notional Amount	Cost	Market value	Notional amount	Cost	Market Value
Futures contracts						
Purchase commitments	**1,162,509**	**--**	**--**	**870,473**	**--**	**--**
Up to 30 days	--	--	--	304,032	--	--
31 to 60 days	--	--	--	223,140	--	--
61 to 90 days	253	--	--	--	--	--
91 to 180 days	424,088	--	--	28,153	--	--
181 to 360 days	235,089	--	--	--	--	--
1 to 5 years	503,079	--	--	315,148	--	--
Sales commitments						
	6,506,512	**--**	**--**	**763,618**	**--**	**--**
Up to 30 days	2,634,832	--	--	--	--	--
31 to 60 days	492,858	--	--	142,007	--	--
61 to 90 days	293,186	--	--	235,507	--	--
91 to 180 days	759,846	--	--	33,039	--	--
181 to 360 days	1,524,356	--	--	245,544	--	--
1 to 5 years	801,434	--	--	107,521	--	--

	BB – Domestic and Foreign Branches					
	6.30.2004			6.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market value**	**Notional amount**	**Cost**	**Market Value**
Fixed term options						
Purchase options	**674,294**	**674,294**	**674,294**	**--**	**--**	**--**
Up to 30 days	674,294	674,294	674,294	--	--	--
Sales options	**849,795**	**849,795**	**849,795**	**--**	**--**	**--**
Up to 30 days	849,795	849,795	849,795	--	--	--
Fixed term currency options						
Asset position	**184,020**	**3,984**	**1,360**	**--**	**--**	**--**
91 to 180 days	157,816	2,588	973	--	--	--
181 to 360 days	23,706	1,040	239	--	--	--
1 to 5 years	2,498	356	148	--	--	--
Liability position	**219,974**	**(13,994)**	**(7,286)**	**--**	**--**	**--**
91 to 180 days	58,530	(1,797)	(1,306)	--	--	--
181 to 360 days	161,144	(12,155)	(5,969)	--	--	--
1 to 5 years	300	(42)	(11)	--	--	--
Options market						
Purchase options						
Shares	**5,000**	**27**	**47**	**22,990**	**1,396**	**1,524**
Up to 30 days	--	--	--	5,990	83	57
31 to 60 days	--	--	--	11,000	848	557
91 to 180 days	5,000	27	47	6,000	465	910
Sales options						
Shares	**(25,000)**	**(95)**	**(157)**	**36,218**	**(1,983)**	**(1,039)**
Up to 30 days	--	--	--	19,218	(711)	(459)
31 to 60 days	--	--	--	11,000	(892)	(465)
91 to 180 days	(25,000)	(95)	(157)	6,000	(380)	(115)
Swap contracts						
Asset	**6,525,742**	**122,455**	**146,258**	**5,546,335**	**367,192**	**397,141**
Up to 30 days	2,109,675	39,387	42,621	999,054	83,902	87,253
31 to 60 days	469,116	20,881	21,135	192,733	17,248	21,004
61 to 90 days	229,412	5,975	6,096	435,722	16,544	14,475
91 to 180 days	869,266	17,959	20,477	1,072,954	72,783	75,727
181 to 360 days	1,831,921	31,308	44,544	1,787,068	132,771	164,293
1 to 5 years	1,016,352	6,945	11,385	1,058,718	43,930	34,347
5 to 10 years	--	--	--	86	14	42
Liability	**12,844,552**	**(451,630)**	**(452,993)**	**13,381,609**	**(693,777)**	**(685,228)**

	BB – Domestic and Foreign Branches					
	6.30.2004			6.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market value**	**Notional amount**	**Cost**	**Market Value**
Up to 30 days	1,788,372	(31,959)	(33,792)	3,922,525	(149,559)	(153,883)
31 to 60 days	3,682,310	(214,994)	(214,091)	853,100	(66,474)	(66,351)
61 to 90 days	581,097	(9,443)	(9,533)	986,930	(79,105)	(75,129)
91 to 180 days	996,379	(44,038)	(40,902)	2,489,992	(159,599)	(157,469)
181 to 360 days	2,737,375	(96,453)	(105,099)	2,996,029	(155,644)	(147,573)
1 to 5 years	3,059,019	(54,743)	(49,576)	2,133,033	(83,396)	(84,823)

By Index	Counterparty (*)	BB - Consolidated 6.30.2004 Notional Amount	6.30.2004 Cost	6.30.2004 Market value	6.30.2003 Notional Amount	6.30.2003 Cost	6.30.2003 Market value
Exchange Trading							
Futures contracts							
Purchase commitments		**1,162,509**	**(17,160)**	**(17,160)**	**870,473**	**10,167**	**10,167**
DI	E	-	3,040	3,040	401,977	(1,460)	(1,460)
U.S. dollar	E	-	(23,621)	(23,621)	14,360	(10,138)	(10,138)
Index	E	-	(2,464)	(2,464)	--	513	513
Foreign exchange coupon	E	1,162,256	5,858	5,858	454,136	21,252	21,252
Commodities		253	27	27	--	--	--
Sales commitments		**6,506,512**	**28,942**	**28,942**	**763,618**	**(42,524)**	**(42,524)**
DI	E	5,277,326	3,499	3,499	379,178	(2,878)	(2,878)
U.S. dollar	E	58,700	9,777	9,777	142,007	(851)	(851)
Index	E	-	1,215	1,215	--	(1,794)	(1,794)
Foreign exchange coupon	E	473,916	11,525	11,525	242,433	(37,001)	(37,001)
Commodities	E	-	32	32	--	--	--
SCC	E	696,570	2,894	2,894	--	--	--
Fixed term options							
Purchase options		**674,294**	**674,294**	**674,294**	**--**	**--**	**--**
Sales options		**849,795**	**849,795**	**849,795**	**--**	**--**	**--**
Fixed term currency options							
Asset position		**184,020**	**3,984**	**1,360**	**--**	**--**	**--**
Liability position		**219,974**	**(13,994)**	**(7,286)**	**--**	**--**	**--**
Options market							
Purchase options		**28,499**	**1,575**	**1,724**	**40,663**	**1,857**	**1,786**
Shares	E	5,000	27	47	22,990	1,396	1,524
Financial assets and goods	C	23,499	1,548	1,677	17,673	461	262
Sales options		**(44,701)**	**(1,643)**	**(1,834)**	**53,891**	**(2,444)**	**(1,301)**
Shares	E	(25,000)	(95)	(157)	36,218	(1,983)	(1,039)
Financial assets and goods	FI	(19,701)	(1,548)	(1,677)	17,673	(461)	(262)
Over-the-counter trading							
Swap contracts							
Asset position		**6,172,806**	**116,253**	**137,250**	**5,314,630**	**365,134**	**384,796**
DI	C	2,151,418	68,548	89,921	1,831,994	228,397	244,963
	FI	354,129	9,944	9,210	248,683	15,573	12,847
Foreign currency	C	44,861	642	1,104	--	--	--
	FI	2,299,048	35,379	35,066	1,717,918	113,147	114,390
Prefixed	C	363,289	245	342	631,292	5,190	8,920
Referential Rate (TR)	C	37,721	125	237	60,635	699	1,548
Other		922,340	1,370	1,370	824,108	2,128	2,128

By Index	Counterparty (*)	BB - Consolidated 6.30.2004 Notional Amount	Cost	Market value	6.30.2003 Notional amount	Cost	Market value
Liability position		**12,449,054**	**(446,655)**	**(448,254)**	**13,329,029**	**(695,512)**	**(686,948)**
DI	C	7,211,447	(314,993)	(315,905)	2,876,411	(168,100)	(168,085)
	FI	520,091	(27,051)	(23,512)	1,083,849	(136,880)	(129,630)
Foreign currency	C	675,236	(12,834)	(16,045)	24,113	(374)	(1,423)
	FI	2,475,572	(27,321)	(28,052)	4,006,492	(115,847)	(115,371)
Prefixed	C	38,138	(107)	(241)	7,546	--	(4)
SELIC rate	C	481,301	(34,282)	(34,282)	3,981,476	(228,596)	(228,596)
Referential rate (TR)	C	737,003	(29,846)	(29,996)	904,638	(32,032)	(32,881)
IGP-M	FI	--	--	--	75,000	(11,818)	(9,093)
Other		310,266	(221)	(221)	369,504	(1,865)	(1,865)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

By Maturity	BB – Consolidated 6.30.2004 Notional Amount	Cost	Market value	6.30.2003 Notional amount	Cost	Market value
Futures contracts						
Purchase commitments	**1,162,509**	**--**	**--**	**870,473**	**--**	**--**
Up to 30 days	--	--	--	304,032	--	--
31 to 60 days	--	--	--	223,140	--	--
61 to 90 days	253	--	--	--	--	--
91 to 180 days	424,088	--	--	28,153	--	--
181 to 360 days	235,089	--	--	--	--	--
1 to 5 years	503,079	--	--	315,148	--	--
Sales commitments	**6,506,512**	**--**	**--**	**763,618**	**--**	**--**
Up to 30 days	2,634,832	--	--	--	--	--
31 to 60 days	492,858	--	--	142,007	--	--
61 to 90 days	293,186	--	--	235,507	--	--
91 to 180 days	759,846	--	--	33,039	--	--
181 to 360 days	1,524,356	--	--	245,544	--	--
1 to 5 years	801,434	--	--	107,521	--	--

	BB – Consolidated					
	6.30.2004			6.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market Value**	**Notional amount**	**Cost**	**Market value**
Fixed term options						
Purchase options	**674,294**	**674,294**	**674,294**	**--**	**--**	**--**
Up to 30 days	674,294	674,294	674,294	--	--	--
Sales options	**849,795**	**849,795**	**849,795**	**--**	**--**	**--**
Up to 30 days	849,795	849,795	849,795	--	--	--
Fixed term currency options						
Asset position	**184,020**	**3,984**	**1,360**	**--**	**--**	**--**
91 to 180 days	157,816	2,588	973	--	--	--
181 to 360 days	23,706	1,040	239	--	--	--
1 to 5 years	2,498	356	148	--	--	--
Liability position	**219,974**	**(13,994)**	**(7,286)**	**--**	**--**	**--**
91 to 180 days	58,530	(1,797)	(1,306)	--	--	--
181 to 360 days	161,144	(12,155)	(5,969)	--	--	--
1 to 5 years	300	(42)	(11)	--	--	--
Options market						
Purchase options						
Shares	**28,499**	**1,575**	**1,724**	**40,663**	**1,857**	**1,786**
Up to 30 days	360	19	11	6,078	86	59
31 to 60 days	670	43	39	12,028	872	563
61 to 90 days	--	--	--	152	10	2
91 to 180 days	27,469	1,513	1,674	14,856	710	1,095
181 to 360 days	--	--	--	7,549	179	67
Sales options						
Shares	**(44,701)**	**(1,643)**	**(1,834)**	**53,891**	**(2,444)**	**(1,301)**
Up to 30 days	360	(19)	(11)	19,306	(714)	(461)
31 to 60 days	670	(43)	(39)	12,028	(916)	(471)
61 to 90 days	--	--	--	152	(10)	(2)
91 to 180 days	(45,731)	(1,581)	(1,784)	14,856	(625)	(300)
181 to 360 days	--	--	--	7,549	(179)	(67)

	BB – Consolidated					
	6.30.2004			6.30.2003		
By Maturity	**Notional Amount**	**Cost**	**Market Value**	**Notional amount**	**Cost**	**Market value**
Swap contracts						
Asset	**6,172,806**	**116,253**	**137,250**	**5,314,630**	**365,134**	**384,796**
Up to 30 days	1,934,638	39,370	42,599	999,054	88,085	91,437
31 to 60 days	457,277	20,874	21,123	192,733	17,248	21,004
61 to 90 days	217,231	5,965	6,062	435,698	16,544	14,475
91 to 180 days	827,723	17,927	20,364	1,063,440	72,781	75,439
181 to 360 days	1,739,175	31,188	43553	1,584,787	130,181	155,749
1 to 5 years	996,762	929	3,549	1,038,832	40,281	26,650
5 to 10 years	--	--	--	86	14	42
Liability	**12,449,054**	**(446,655)**	**(448,254)**	**13,329,029**	**(695,512)**	**(686,948)**
Up to 30 days	1,788,346	(31,956)	(33,790)	3,922,477	(152,974)	(157,296)
31 to 60 days	3,655,205	(214,989)	(214,080)	852,903	(66,467)	(66,347)
61 to 90 days	581,047	(9,442)	(9,533)	986,878	(79,104)	(75,128)
91 to 180 days	704,691	(39,085)	(36,776)	2,449,463	(158,876)	(157,034)
181 to 360 days	2,660,841	(96,442)	(104,592)	2,990,106	(155,175)	(146,984)
1 to 5 years	3,058,924	(54,741)	(49,483)	2,127,202	(82,916)	(84,159)

5.b.2) Hedge Derivatives

By Index	Counterparty (*)	BB - Domestic and Foreign Branches					
		6.30.2004			6.30.2003		
		Notional Amount	Cost	Market value	Notional amount	Cost	Market Value
Exchange Trading							
Futures contracts							
Purchase commitments		--	--	--	697,387	57,580	57,580
Foreign exchange coupon	E	--	--	--	697,387	57,580	57,580
Sales commitments		--	--	--	69,331	(12,763)	(12,763)
Foreign exchange coupon	E	--	--	--	69,331	(12,763)	(12,763)
Over-the-counter trading							
Swap contracts							
Asset position		655,547	33,630	37,974	1,011,173	97,599	100,050
DI	C	127,187	12,170	12,875	223,021	27,277	26,480
	FI	523,647	21,422	25,008	760,535	67,675	70,591
Prefixed	C	4,713	38	91	27,617	2,647	2,979
Liability position		111,928	(13,778)	(13,642)	96,436	(19,208)	(13,262)
Foreign currency	C	111,928	(13,778)	(13,642)	60,000	(12,341)	(7,474)
DI	FI	--	--	--	36,436	(6,867)	(5,788)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

By Maturity	BB - Domestic and Foreign Branches					
	6.30.2004			6.30.2003		
	Notional Amount	Cost	Market value	Notional amount	Cost	Market value
Futures contracts						
Purchase commitments	**--**	**--**	**--**	**697,387**	--	--
Up to 30 days	--	--	--	40,043	--	--
1 to 5 years	--	--	--	657,344	--	--
Sales commitments	**--**	**--**	**--**	**69,331**	**--**	**--**
181 to 360 days	--	--	--	69,331	--	--
Swap contracts						
Asset	**655,547**	**33,630**	**37,974**	**1,011,173**	**97,599**	**100,050**
Up to 30 days	544,418	32,696	36,521	623,658	56,792	65,430
31 to 60 days	11,830	763	817	830	232	238
61 to 90 days	7,408	66	141	14,019	1,511	1,575
91 to 180 days	12,137	56	91	36,885	4,398	4,257
181 to 360 days	20,951	119	254	110,725	12,333	12,221
1 to 5 years	58,803	(70)	150	225,056	22,333	16,329
Liability	**111,928**	**(13,778)**	**(13,642)**	**96,436**	**(19,208)**	**(13,262)**
Up to 30 days	4,439	(123)	(91)	--	--	--
91 to 180 days	65,884	(12,108)	(12,307)	--	--	--
181 to 360 days	41,605	(1,547)	(1,244)	36,436	(6,867)	(5,788)
1 to 5 years	--	--	--	60,000	(12,341)	(7,474)

By Index	Counterparty (*)	BB – Consolidated 6.30.2004 Notional Amount	Cost	Market value	6.30.2003 Notional Amount	Cost	Market value
Exchange Trading							
Futures contracts							
Purchase commitments		**--**	**--**	**--**	**697,387**	**57,580**	**57,580**
Foreign exchange coupon	E	--	--	--	697,387	57,580	57,580
Sales commitments		**--**	**--**	**--**	**69,331**	**(12,763)**	**(12,763)**
Foreign exchange coupon	E	--	--	--	69,331	(12,763)	(12,763)
Over-the-counter trading							
Swap contracts							
Asset position		**655,547**	**33,630**	**37,974**	**1,011,173**	**97,599**	**100,050**
DI	C	127,187	12,170	12,875	223,021	27,277	26,480
	FI	523,647	21,422	25,008	760,535	67,675	70,591
Prefixed	C	4,713	38	91	27,617	2,647	2,979
Liability position		**111,928**	**(13,778)**	**(13,642)**	**96,436**	**(19,208)**	**(13,262)**
Foreign currency	C	111,928	(13,778)	(13,642)	60,000	(12,341)	(7,474)
DI	FI	--	--	--	36,436	(6,867)	(5,788)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Customer.

By Maturity	BB - Consolidated					
	6.30.2004			6.30.2003		
	Notional amount	Cost	Market value	Notional amount	Cost	Market value
Futures contracts						
Purchase commitments	**--**	**--**	**--**	**697,387**	**--**	**--**
Up to 30 days	--	--	--	40,043	--	--
1 to 5 years	--	--	--	657,344	--	--
Sales commitments	**--**	**--**	**--**	**69,331**	**--**	**--**
181 to 360 days	--	--	--	69,331	--	--
Swap contracts						
Asset	**655,547**	**33,630**	**37,974**	**1,011,173**	**97,599**	**100,050**
Up to 30 days	544,418	32,696	36,521	623,658	56,792	65,430
31 to 60 days	11,830	763	817	830	232	238
61 to 90 days	7,408	66	141	14,019	1,511	1,575
91 to 180 days	12,137	56	91	36,885	4,398	4,257
181 to 360 days	20,951	119	254	110,725	12,333	12,221
1 to 5 years	58,803	(70)	150	225,056	22,333	16,329
Liability	**111,928**	**(13,778)**	**(13,642)**	**96,436**	**(19,208)**	**(13,262)**
Up to 30 days	4,439	(123)	(91)	--	--	--
181 to 360 days	65,884	(12,108)	(12,307)	36,436	(6,867)	(5,788)
1 to 5 years	41,605	(1,547)	(1,244)	60,000	(12,341)	(7,474)

The margin given as guarantee for transactions with derivative financial instruments is comprised of Financial Treasury Bills (LFT) amounting to R$ 536,637 (R$ 429,443 at June 30, 2003).

Banco do Brasil uses derivative financial instruments to minimize the risks arising from commercial and financial operations, as well as providing for the need of its customers.

The Commodities and Assets Exchange (BMA) started operations on May 14, 2004 and Banco do Brasil was significantly present in the volume negotiated on that day.

The portfolio of derivative financial instruments for hedging market risks and the items hedged are as follows:

I – Hedged item:

	Market value	
	6.30.2004	**6.30.2003**
Asset		
Foreign exchange securities	780,085	1,849,978
Federal Treasury Notes– D	646,743	1,577,413
Brazilian Central Bank Notes – E	133,342	272,565

II – Derivatives for Market Risk Hedge:

	Reference Value	
	6.30.2004	**6.30.2003**
Liability		
Derivative financial instruments	937,581	1,891,361
DI Contracts	-	628,056
Swap contracts	937,581	1,263,305

The effectiveness calculated for the hedge portfolio at June 30, 2004 was 113.17% (119.23% at June 30, 2003). This percentage complies with that established by BACEN Circular Letter 3082/02, which determines that hedge effectiveness should range from 80% to 125%.

5.c) Adjustment to market value – securities and derivatives:

The mark-to-market accounting requirement established by Circulars Letters 3068 and 3082 and later regulations resulted in the following income and expense being recognized in the six-month period:

	BB – Consolidated	
	1st six months 2004	1st six months 2003
Securities	(92,661)	265,735
Derivatives	40,446	(48,639)
Total	(52,215)	217,096

The changes of the specific account in stockholder's equity is shown in Note 16h.

6 Loan Operations

6.a) Details of the loan portfolio and loan operations classified as Other receivables:

	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Loan operations	68,110,886	55,829,491	69,241,410	56,654,108
Loans and bills discounted	33,478,503	27,513,274	33,971,524	28,588,397
Financing	13,419,898	9,457,978	14,313,427	9,545,986
Rural and Agribusiness financing	25,833,290	22,017,552	25,833,290	22,017,552
Financing of securities	7,517	7,474	--	--
Allowance for loan losses	(4,628,322)	(3,166,787)	(4,876,831)	(3,497,827)
Other receivables with loan characteristics	8,420,460	7,869,817	8,769,297	8,153,059
Receivables from guarantees honored	28,690	48,635	28,690	48,635
Advances on foreign exchange contracts	7,071,688	6,568,785	7,071,688	6,568,785
Sundry	1,523,174	1,561,647	1,873,528	1,847,067
Provision for other losses	(203,092)	(309,250)	(204,609)	(311,428)
Lease operations	6,094	--	5,805	32,104
Lease operations	6,224	--	25,872	45,744
Allowance for lease losses	(130)	--	(20,067)	(13,640)
Total	76,537,440	63,699,308	78,016,512	64,839,271

6.b) Details of the loan portfolio by sector, including operations with loan characteristics classified as Other receivables:

	BB - Domestic and Foreign Branches				BB – Consolidated			
	6.30.2004	%	6.30.2003	%	6.30.2004	%	6.30.2003	%
PUBLIC SECTOR	4,634,754	5.8	4,234,403	6.4	4,647,866	5.8	4,449,461	6.5
Domestic	270,811	0.4	297,727	0.5	270,811	0.4	297,727	0.5
Government	158,129	0.2	191,296	0.3	158,129	0.2	191,296	0.3
Direct Administration	156,236	0.2	168,640	0.3	156,236	0.2	168,640	0.3
Indirect Administration	1,893	--	22,656	--	1,893	--	22,656	--
Business entities	112,682	0.2	106,431	0.2	112,682	0.2	106,431	0.2
Industry	190	--	99	--	190	--	99	--
Commerce	--	--	16	--	--	--	16	--
Financial services	67,764	0.1	66,158	0.1	67,764	0.1	66,158	0.1
Other services	44,728	0.1	40,158	0.1	44,728	0.1	40,158	0.1
Foreign	4,363,943	5.4	3,936,676	5.9	4,377,055	5.4	4,151,734	6.0
Business entities	4,363,943	5.4	3,936,676	5.9	4,377,055	5.4	4,151,734	6.0
Other companies	--	--	120,691	0.2	--	--	213,628	0.3
Other banks	152,276	--	18,637	--	152,276	--	18,637	--
Public services	4,211,667	5.4	3,797,348	5.7	4,224,779	5.4	3,919,469	5.7
PRIVATE SECTOR	76,747,536	94.2	62,940,942	93.7	78,483,459	94.2	64,212,705	93.5
Domestic	71,494,033	87.8	59,718,800	89.0	71,772,390	86.4	59,932,794	87.3
Rural	24,658,061	30.3	19,609,827	29.2	24,658,061	29.6	19,609,827	28.6
Industry	16,234,835	20.0	15,625,720	23.3	16,334,643	19.7	15,715,657	22.9
Commerce	8,281,537	10.2	6,123,234	9.1	8,365,850	10.1	6,170,073	9.0
Financial services	811	--	143	--	811	--	143	--
Other services	8,396,144	10.2	7,227,626	10.8	8,455,501	10.2	7,241,222	10.6
Individuals	13,922,645	17.1	11,132,250	16.6	13,957,524	16.8	11,195,872	16.2
Foreign	5,253,503	6.4	3,222,142	4.8	6,711,069	7.8	4,279,911	6.2
BB Group	62,643	--	59,478	0.1	24,136	--	105,441	0.2
Commerce	171,393	0.2	46,333	0.1	350,863	0.4	46,506	0.1
Industry	4,123,851	5.1	412,003	0.6	5,134,202	6.0	531,948	0.8
Other companies	1	--	894,178	1.3	28,289	--	1,506,114	2.2
Other banks	797,829	1.0	1,256,461	1.9	872,090	1.1	1,278,953	1.8
Individuals	22,388	--	22,152	--	22,550	--	22,196	--
Other services	75,398	0.1	531,537	0.8	278,939	0.3	788,753	1.1
Total	81,382,290	100.0	67,175,345	100.0	83,131,325	100.0	68,662,166	100.0

6.c) Details of the loan portfolio by risk level and maturity, including operations with loan characteristics classified as Other receivables:

BB - Domestic and Foreign Branches

Loans falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 6.30.2004	Share %	Total Portfolio 6.30.2003	Share %
AA	1,376,089	710,887	1,198,523	1,028,952	2,945,403	736,227	9,423,643	17,419,724	23%	14,455,586	23%
A	766,847	862,398	1,243,207	1,376,774	6,001,275	4,477,845	7,489,711	22,218,057	30%	29,401,953	46%
B	869,792	650,809	955,674	990,349	4,740,949	6,809,671	9,354,513	24,371,757	31%	13,272,485	21%
C	459,024	199,102	401,065	518,388	2,206,640	1,896,541	4,472,234	10,152,994	13%	3,973,215	6%
D	63,777	27,369	67,950	54,563	366,012	209,084	1,085,649	1,874,404	2%	1,584,721	2%
E	9,251	31,464	6,028	5,736	20,364	62,516	141,926	277,285	--	283,529	1%
F	3,784	1,151	1,626	2,197	12,927	12,515	55,917	90,117	--	87,347	--
G	3,197	988	1,549	1,497	8,747	7,263	67,835	91,076	--	74,126	--
H	16,839	7,754	9,470	22,751	35,637	54,283	511,869	658,603	1%	451,456	1%
Total	3,568,600	2,491,922	3,885,092	4,001,207	16,337,954	14,265,945	32,603,297	77,154,017	100%	63,584,418	100%

BB - Domestic and Foreign Branches

Loans overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 6.30.2004	Share %	Total Portfolio 6.30.2003	Share %
B	61,213	393,897	18,067	210	108	806	274	474,575	11%	472,252	13%
C	44,166	296,558	354,867	13,502	5,618	156	93	714,960	17%	490,559	14%
D	5,088	74,100	93,634	236,618	21,489	621	181	431,731	10%	403,925	11%
E	4,050	21,468	34,558	62,258	200,191	28,292	--	350,817	8%	301,513	8%
F	1,397	28,473	16,108	44,606	230,839	20,215	--	341,638	8%	294,134	8%
G	1,185	9,399	8,673	12,068	242,681	1,513	--	275,519	7%	204,025	6%
H	4,243	66,089	67,149	50,819	289,092	1,030,940	130,701	1,639,033	39%	1,424,519	40%
Total	121,342	889,984	593,056	420,081	990,018	1,082,543	131,249	4,228,273	100%	3,590,927	100%

BB – Consolidated
Loans falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 6.30.2004	Share %	Total Portfolio 6.30.2003	Share %
AA	1,394,073	764,895	1,214,225	1,041,344	2,948,989	751,997	9,412,216	17,527,739	22%	14,847,697	23%
A	779,442	900,914	1,243,402	1,383,531	6,011,163	4,512,703	7,879,094	22,710,249	29%	29,578,305	45%
B	882,350	661,874	967,983	1,006,694	4,766,139	6,877,687	9,868,150	25,030,877	32%	13,682,272	21%
C	459,401	199,113	401,104	518,482	2,218,017	1,915,552	4,519,207	10,230,876	13%	4,098,338	6%
D	172,171	27,381	67,952	54,609	366,372	227,038	1,124,857	2,040,380	3%	1,643,957	3%
E	9,235	31,482	6,035	5,740	20,587	62,568	143,016	278,663	--	285,148	1%
F	3,784	1,152	1,626	2,197	12,927	12,525	56,075	90,286	--	87,653	--
G	3,301	988	1,554	1,497	8,755	7,263	86,198	109,556	--	100,366	--
H	19,036	7,754	9,478	22,800	35,711	54,422	707,996	857,197	1%	728,649	1%
Total	3,722,793	2,595,553	3,913,359	4,036,894	16,388,660	14,421,755	33,796,809	78,875,823	100%	65,052,385	100%

BB - Consolidated
Loans overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 6.30.2004	Share %	Total Portfolio 6.30.2003	Share %
B	65,702	395,745	18,227	221	108	806	273	481,082	11%	475,495	13%
C	45,003	297,093	356,719	13,540	5,653	156	92	718,256	17%	493,647	14%
D	5,442	74,542	94,162	237,623	21,667	621	180	434,237	10%	406,349	11%
E	4,391	21,481	34,742	62,498	200,793	28,292	6	352,203	8%	303,030	8%
F	1,486	28,504	16,181	44,682	231,555	20,218	10	342,636	8%	295,200	8%
G	1,325	9,401	8,743	12,359	243,356	1,527	--	276,711	7%	205,156	6%
H	4,304	66,300	67,360	49,731	290,295	1,036,290	136,097	1,650,377	39%	1,430,904	40%
Total	127,653	893,066	596,134	420,654	993,427	1,087,910	136,658	4,255,502	100%	3,609,781	100%

6.d) Details of the allowance for loan losses by risk level, including operations with loan characteristics classified as Other receivables:

BB – Domestic and Foreign Branches

Risk level	%	Balance 6.30.2004	Allowance 6.30.2004	Balance 6.30.2003	Allowance 6.30.2003
AA	0	17,419,724	--	14,455,586	--
A	0.5	22,218,057	111,090	29,401,953	147,011
B	1	24,846,332	248,463	13,744,737	137,447
C	3	10,867,954	326,039	4,463,774	133,913
D	10	2,306,135	230,614	1,988,646	198,865
E	30	628,102	188,431	585,042	175,512
F	50	431,755	215,877	381,481	190,741
G	70	366,595	256,617	278,151	194,706
H	100	2,297,636	2,297,636	1,875,975	1,875,975
Subtotal		81,382,290	3,874,767	67,175,345	3,054,170
Additional Allowance Foreign *		--	48,465	--	58,131
Additional Allowance Domestic **		--	908,312	--	363,736
Total		81,382,290	4,831,544	67,175,345	3,476,037

BB – Consolidated

Risk level	%	Balance 6.30.2004	Allowance 6.30.2004	Balance 6.30.2003	Allowance 6.30.2003
AA	0	17,527,739	--	14,847,697	--
A	0.5	22,710,249	113,551	29,578,305	147,893
B	1	25,511,959	255,120	14,157,767	141,578
C	3	10,949,132	328,474	4,591,985	137,759
D	10	2,474,617	247,462	2,050,306	205,031
E	30	630,866	189,260	588,178	176,453
F	50	432,922	216,461	382,853	191,427
G	70	386,267	270,387	305,522	213,865
H	100	2,507,574	2,507,574	2,159,553	2,159,553
Subtotal		83,131,325	4,128,289	68,662,166	3,373,559
Additional Allowance Foreign*		--	64,840	--	85,600
Additional Allowance Domestic **		--	908,379	--	363,736
Total		83,131,325	5,101,508	68,662,166	3,822,895

* Additional allowance required by local legislation.
** Includes R$ 473,163 at June 30, 2004 (R$ 285,593 at June 30, 2003) of adjustment to present value of the Bank's PESA risk operations, in compliance with the recommendation of the Brazilian Central Bank; R$ 135,977 thousand relating to interest on PROAGRO operations pending reimbursement by the Brazilian Central Bank; R$ 153,439 thousand relating to the reclassification of risk levels of renegotiated operations; and R$ 101,000 thousand relating to the estimated loss of the small business segment, due to the adoption of the new model of risk analysis to conform with the new Basel Agreement.

6.e) Changes in the allowance for loan and lease losses and for operations with loan characteristics classified as Other receivables:

	BB – Domestic and Foreign Branches		BB – Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Opening balance	3,834,971	3,135,240	4,195,447	3,505,581
Additional allowances	2,232,681	1,433,627	2,212,724	1,493,639
Exchange variation on allowances – foreign	4,685	(24,607)	20,858	(89,676)
Loans written off	(1,240,793)	(1,068,223)	(1,327,521)	(1,086,649)
Closing balance	4,831,544	3,476,037	5,101,508	3,822,895

6.f) Changes in the provision for loss on Other receivables without loan characteristics:

	BB – Consolidated	
	1st six months 2004	1st six months 2003
Opening balance	1,046,961	220,220
Additional provisions	347,674	160,336
Exchange variation on allowances – foreign	181	1,400
Loans written off	(12,189)	--
Reclassification *	--	444,285
Reclassification **	--	220,189
Provision used	--	(34,768)
Closing balance	1,382,627	1,011,662

* Reclassification in March 2003 of the provision of R$ 444,285 relating to the restatement of judicial deposits made in respect of litigation recorded in the "Provision for contingent tax liabilities".

** Reclassification of provisions for loss on transactions with sundry debtors which are not encompassed by the rules of CMN Resolution 2682/99.

6.g) Supplementary information:

	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	**6.30.2003**	**6.30.2004**	**6.30.2003**
Renegotiated loans	1,685,308	1,159,887	1,685,308	1,159,887
Recoveries of loans written off as losses*	537,324	373,976	538,753	375,661

* Includes R$ 18,359 (R$ 1,295 at June 30, 2003) of recoveries of assignments of loans to individuals and corporate entities which are recorded in the statement at income in the account Income from loan operations, as permitted by CMN Resolution 2836/2001.

7 Provision for Vacation Pay, Paid Leave and Litigation:

The changes in the provisions are as follows:

	Bank	
7.a) Vacation pay (Other liabilities – Sundry):	**6.30.2004**	**6.30.2003**
Opening balance	617,320	536,242
Provision/(reversal)	269,475	212,265
Provision used	(306,719)	(262,371)
Closing balance	580,076	486,136

7.b) Paid leave (Other liabilities – Sundry):	**6.30.2004**	**6.30.2003**
Opening balance	591,669	551,963
Provision/(reversal)	111,835	82,005
Provision used	(131,919)	(108,505)
Closing balance	571,585	525,463

7.c) Labor claims (Other liabilities – Sundry):	**6.30.2004**	**6.30.2003**
Opening balance	1,782,375	1,164,361
Provision/(reversal)	108,860	264,643
Closing balance	1,891,235	1,429,004

7.d) Tax claims (Other liabilities –Taxes and social security charges):

	6.30.2004	**6.30.2003**
Opening balance	121,130	575,011
Reclassification (Note 6.f)	--	(444,285)
Provision/(reversal)	3,142	7,243
Closing balance	124,272	137,969

7.e) Other legal claims (Other liabilities – Sundry):	**6.30.2004**	**6.30.2003**
Opening balance	470,246	616,533
Provision/(reversal)	188,345	93,879
Closing balance	658,591	710,412

8 Other Receivables

8.a) Foreign Exchange Portfolio

	Current and long-term			
	BB - Domestic and Foreign Branches		BB - Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Forward foreign exchange purchases pending settlement	9,450,980	10,170,563	9,450,980	9,171,673
Bills of exchange and time drafts in foreign currency	126,456	121,653	126,456	121,653
Receivables from sales of foreign exchange	3,388,455	7,764,065	3,388,455	6,765,175
Advances received	(1,552,733)	(4,125,677)	(1,552,733)	(4,125,677)
Foreign currency receivables	31,006	18,501	31,006	18,501
Income receivable on advances granted	63,347	123,416	63,347	123,416
Income receivable on financed imports	17	6	17	6
Total	11,507,528	14,072,527	11,507,528	12,074,747

8.b) Specific Credits

These are credits from the Federal Treasury of R$ 516,137 for the extension of terms of rural financing (R$ 463,964 at June, 2003), as determined by Law 9138/1995.

8.c) Sundry

	Current and long-term			
	BB – Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Salary and other advances	139,874	161,898	139,976	161,920
Accounts receivable – Federal Treasury	292,770	373,417	292,770	373,417
Accounts receivable – Credit card operations	887,697	649,823	887,697	649,823
Accounts receivable – Other	309,711	209,713	322,836	223,694
Tax credits (Note 18)	8,850,134	10,290,570	8,970,736	10,433,058
Sundry debtors – foreign	26,142	30,655	26,839	30,921
Sundry debtors – domestic *	1,689,814	743,902	1,692,643	744,511
Receivables from guarantee deposits**	7,738,573	5,519,563	7,749,998	5,519,834
Income tax and social contribution on net income to offset	450,435	22,405	491,035	53,500
Receivables from sale of assets and rights	571,277	564,094	589,824	582,283
Other	261,724	280,167	211,200	254,823
Total	21,218,151	18,846,207	21,375,554	19,027,784

* At June 30, 2004, includes the net amount of R$ 908,504 of the PREVI actuarial liability relating to the 1997 contract, less the adjustment account of this liability (Note 25.e).

** Includes R$ 6,096,478 relating to filing appeals of tax claims, R$ 1,225,009 relating to filing appeals of labor claims and R$ 397,880 relating to other appeals.

9 Other Assets

	Current and long-term			
	BB – Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Non-operating assets	361,583	375,802	369,728	377,605
Supplies materials	27,863	24,681	27,863	24,681
Total	389,446	400,483	397,591	402,286

10 Deposits

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Demand deposits	29,383,631	21,004,640	29,425,435	21,169,821
Related companies	668,031	870,824	668,031	870,824
Individuals	9,297,011	7,388,143	9,300,385	7,389,570
Corporate entities	12,579,772	6,877,451	12,620,095	7,042,788
Financial institutions	313,876	158,743	312,002	157,268
Government	1,587,617	1,503,424	1,587,617	1,503,424
Federal Treasury	162,358	103,326	162,358	103,326
Domiciled abroad	15,992	20,827	15,970	20,718
Restricted	3,666,969	3,466,871	3,666,972	3,466,871
In foreign currency	1,080,248	580,745	1,080,248	580,745
Other	11,757	34,286	11,757	34,287
Savings deposits	28,938,999	26,426,968	28,938,999	26,426,968
Individuals	27,512,079	25,264,655	27,512,079	25,264,655
Corporate entities	1,110,996	921,602	1,110,996	921,602
Related companies	313,030	237,131	313,030	237,131
Financial institutions	2,894	3,580	2,894	3,580
Interbank deposits	12,836,804	8,770,885	7,684,061	5,436,655
Time deposits	49,581,661	46,736,211	49,746,848	46,847,262
Time deposits	25,563,589	26,953,031	25,728,776	27,064,082
Time deposits in foreign currency	1,072	965	1,072	965
Time deposits with automatic renewal	187,939	197,706	187,939	197,706
Remunerated judicial deposits	15,535,828	14,491,368	15,535,828	14,491,368
Special deposits relating to Funds and Programs (Note 14.c)	8,293,233	5,093,141	8,293,233	5,093,141
Total	120,741,095	102,938,704	115,795,343	99,880,706

11 Borrowings – Foreign Borrowings

	BB - Domestic and Foreign Branches							
	No Maturity	**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 6.30.2004**	**Total 6.30.2003**
Exports	--	31,164	140,138	--	--	--	171,302	409,054
Imports	--	106,691	159,515	88,230	43,733	--	398,169	362,366
Foreign exchange	8,879,626	--	--	--	--	--	8,879,626	3,966,570
Specific credit lines	--	--	165,388	175,166	169,672	3,445,434	3,955,660	3,588,720
Other	--	1,562,317	1,613,450	5,433	--	--	3,181,200	3,247,088
Total	8,879,626	1,700,171	2,078,491	268,830	213,405	3,445,434	16,585,957	11,573,798

	BB - Consolidated							
	No Maturity	**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 6.30.2004**	**Total 6.30.2003**
Exports	--	--	15,570	--	--	--	15,570	122,988
Imports	--	77,420	91,929	88,230	43,733	--	301,312	329,474
Foreign exchange	8,879,626	--	--	--	--	--	8,879,626	3,966,570
Specific credit lines	--	--	165,388	175,166	169,672	3,445,434	3,955,660	3,588,720
Other	--	164,512	533,139	21,777	--	--	719,428	706,375
Total	8,879,626	241,932	806,027	285,173	213,405	3,445,434	13,871,596	8,714,127

Banco do Brasil S.A. policy in respect of its foreign borrowings is to seek the lowest possible cost for the maturity, type of instrument, and its balance sheet profile. The Bank uses the Libor and US Treasury rates, respectively, as references for its financial and capital transactions, constantly monitoring rates in the various markets.

12 Local Onlendings – Official Institutions

Programs	Financial charges	BB - Domestic and Foreign Branches		BB – Consolidated	
		6.30.2004	6.30.2003	6.30.2004	6.30.2003
Federal Treasury		1,939,808	1,183,614	1,939,808	1,183,614
Rural Credit		1,934,899	1,172,121	1,934,899	1,172,121
Farming and livestock breeding	TR or 9% p.a.	37,026	35,989	37,026	35,989
PGPM-EGF	TR or 5.75% p.a. to 9.0% p.a.	--	2,547	--	2,547
PNDR	TJLP + 9.41% p.a.	2,695	3,245	2,695	3,245
PROFIR	TJLP + 5% p.a.	5,447	9,394	5,447	9,394
PRODECER III	TJLP + 3% p.a. / TJLP + 4% p.a. or 7.75% p.a. to 8.75% p.a.	--	34,619	--	34,619
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	33,189	24,601	33,189	24,601
PRONAF	1.15% p.a. or 4% p.a.	1,548,694	720,406	1,548,694	720,406
RECOOP	5.75% to 8.25% p.a.	307,848	341,320	307,848	341,320
Other funds and programs		4,909	11,493	4,909	11,493
PNDA	Foreign exchange variation + 8.61% p.a. or TJLP + 7.11% p.a.	3,565	6,315	3,565	6,315
Alcohol storage	TMS	1,344	5,178	1,344	5,178
BNDES	*	3,321,797	2,736,626	3,321,797	2,736,626
FINAME	**	2,712,142	1,690,398	2,720,047	1,698,761
Other Institutions	--	466,285	514,322	466,396	515,114
PROHEMP	--	1,307	1,439	1,307	1,439
FBB – Fundec II	--	14,759	19,479	14,759	19,479
FUNCAFÉ	TR or TMS (Available) or TJLP + 3% p.a. or 4% p.a. (Invested)	449,960	491,916	449,960	491,916
Other	--	259	1,488	370	2,280
Total		8,440,032	6,124,960	8,448,048	6,134,115

* BNDES
- Programs with fixed interest rates: interest paid to the BNDES varies from 3% p.a. to 9% p.a.
- Programs with Long-Term Interest Rate (TJLP) or foreign exchange variation: interest paid to the BNDES varies from 0.5% p.a. to 11% p.a.

** FINAME
- Programs with fixed interest rates: interest paid to BNDES/FINAME varies from 5.75% p.a. to 11% p.a.
- Programs with TJLP or foreign exchange variation: interest paid to BNDES/FINAME varies from 0.5% p.a. to 4.5% p.a.

13 Funds Obtained in Foreign Capital Markets

The current outstanding transactions in the foreign capital markets are listed below, in millions:

Transactions	Coupon	Amount	Date of funding	Maturity
"Global Medium-Term Notes" Program**	9.375% p.a.	US$ 200	Jun/97	Jun/07
Securitization of the Flow of Remittance of Funds –Dekasseguis*	7.875% p.a.	US$ 300	Aug/01	Aug/06
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 450	Dec/01	Dec/08
Securitization of the Flow of Electronic Remittances (MT - 100)*	Libor 3m+0.60% p.a.	US$ 300	Jul/02	Jun/09
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 40	Sep/02	Sep/09
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.26% p.a.	US$ 120	Mar/03	Mar/10
"Global Medium-Term Notes" Program**	6.375% p.a.	US$ 75	Apr/03	Apr/05
"Global Medium-Term Notes" Program**	4.5% p.a.	EUR 150	Jul/03	Jul/04
Securitization of Credit Card Receivables – Visanet*	5.911% p.a.	US$ 178	Jul/03	Jun/11
Securitization of Credit Card Receivables – Visanet*	4.777% p.a.	US$ 45	Jul/03	Jun/11
Securitization of the Flow of Electronic Remittances (MT - 100)*	6.55% p.a.	US$ 250	Dec/03	Dec/13

Total issued per program:

	Foreign Currency	Reais***
"Global Medium-Term Notes" Program – GMTN	US$ 275 + EUR 150	1,422
Securitization of the Flow of Electronic Remittances (MT - 100)	US$ 1,160	3,604
Securitization of Credit Card Receivables – Visanet	US$ 223	693
Securitization of the Flow of Remittance of Funds – Dekasseguis	US$ 300	932
Total		**6,651**

* Recorded under Other liabilities – Negotiation and intermediation of securities
** Recorded under Funds from acceptance and issue of securities – foreign securities
*** Converted at R$ 3.1067 per US$ 1.00

14 Other Liabilities

14.a) Foreign Exchange Portfolio

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Forward foreign exchange sales pending settlement	3,391,285	7,733,346	3,391,285	6,734,456
Advances in foreign currencies	(32,620)	(310,090)	(32,620)	(310,090)
Import financing	(10,177)	(9,144)	(10,177)	(9,144)
Foreign exchange purchase liabilities	9,153,421	10,807,669	9,153,421	9,808,779
Advances on foreign exchange contracts	(7,071,688)	(6,568,785)	(7,071,688)	(6,568,785)
Foreign currency payables	47,438	40,306	47,438	40,306
Unearned income on advances granted	2,747	3,875	2,747	3,875
Liabilities for sales – floating rates	--	71,924	--	71,924
Total	5,480,406	11,769,101	5,480,406	9,771,321

14.b) Financial and Development Funds

	Current and long-term	
	BB - Domestic and Foreign Branches and BB - Consolidated	
	6.30.2004	6.30.2003
PIS/PASEP	1,269,803	1,284,527
Merchant Navy	15,450	7,910
Land and Agrarian Reform - BB Banco da Terra	192,853	94,542
Special Lending Program for Agrarian Reform – Procera	321,874	376,139
Other	25,046	13,825
Total	1,825,026	1,776,943

14.c) Fund for Worker Assistance (FAT) and Fund to Guarantee the Increase in Employment and Earnings (FUNPROGER):

FAT is a special accounting and financial fund, established by Law 7998/90, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Worker Assistance Fund (CODEFAT). CODEFAT is a collective, tripartite and equal level organization, composed of representatives of workers, employees and government, which acts as the manager of FAT.

The main sources of funding of FAT are contributions payable to the Social Integration Program (PIS) and to the Public Service Employees Savings Program (PASEP).

FAT's objective is to fund the Unemployment Insurance Program (with specific responsibilities for payment of Unemployment Insurance benefits, professional qualification and requalification, and orientation and intermediation of employment), the Salary Bonus, and finance programs for economic development as well as to promote employment.

The main actions to promote employment using FAT funds are centralized in the Programs for the Increase in Earnings (PROGER), whose resources are allocated by special deposits, established by Law 8352/91, in official federal financial institutions (including, among others, PROGER in the Urban and Rural categories, and the National Program to Strengthen Family Farming - PRONAF).

The Bank acts as a partner of FAT in carrying out programs for the increase in employment and earnings, through special deposits to be invested in PROGER, Urban and Rural, and in PRONAF, offering credit lines to micro and small companies, cooperatives, workers in the informal economic sector, and rural workers.

Special deposits held by Banco do Brasil, while available, are remunerated on a pro rata basis by the TMS (Average SELIC Rate). When they are invested in financing to support PRONAF and PROGER, they are remunerated by the TJLP (Long-term Interest Rate) during the period in which the financing is in effect.

The remuneration of the funds held by the Bank are paid to FAT in the month subsequent to that of deposit. Remuneration of funds applied to finance final borrowers are paid as stipulated in each specific resolution.

The Fund to Guarantee the Increase in Employment and Earning (FUNPROGER) is a special accounting fund, established on November 23, 1999 through Law 9872, changed by Law 10360/01, and regulated by CODEFAT Resolution 231/99, changed by CODEFAT Resolution 276/01, and is managed by the Bank with the supervision of CODEFAT/MTE, with a balance of R$ 164,397 at June 30, 2004 (R$ 82,922 at June 30, 2003).

The objective of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano financing, through the payment of a commission.

The net assets of FUNPROGER are accumulated through funds arising from the difference between the average SELIC Rate and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in the Fund for Worker Assistance (FAT). Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the Fund manager.

Program	Resolution	TMS Available (1)	TJLP Invested (2)	Total	Return of FAT funds Type (*)	Initial date	Final date
PROGER Rural and PRONAF		1,171,529	2,478,955	3,650,484			
Rural III	129/1996 133/1996	592,918	153,869	746,787	PU	-	11/2006
Rural IV	140/1997	83,550	679,443	762,993	PU	-	06/2005
Rural V and Pronaf III	239/2000	65,260	17,173	82,433	05 PAS	10/2004	10/2008
Rural VI	271/2001	20,833	41,337	62,170	04 PAS	05/2004	05/2007
Rural VII	300/2002	3,096	109,750	112,846	07 PAS	07/2005	07/2011
Rural VIII	366/2003	28,148	330,512	358,660	07 PAS	07/2006	07/2012
Pronaf I	173/1998	136,926	163,071	299,997	PU	-	09/2006
Pronaf II	217/1999	100,807	211,063	311,870	07 PAS	07/2004	07/2010
Pronaf IV	283/2002	20,831	217,881	238,712	06 PAS	07/2005	07/2010
Pronaf V	303/2002	12,422	147,820	160,242	07 PAS	07/2005	07/2011
Pronaf VI	367/2003	106,738	407,036	513,774	07 PAS	07/2006	07/2012
PROGER Urban		406,650	3,153,017	3,559,667			
Urbano V	228/1999	16,499	98,736	115,235	13 PSS	02/2002	02/2008
Urbano VI	243/2000	3,288	99,927	103,215	12 PSS	06/2003	12/2008
Urbano VII	260/2001	3,413	158,785	162,199	12 PSS	12/2003	06/2009
Urbano VIII	280/2002	4,161	235,490	239,651	12 PSS	02/2005	08/2010
Urbano IX	307/2002	7,965	165,918	173,883	12 PSS	06/2005	12/2010
Urbano X	312/2003	5,248	108,277	113,525	12 PSS	09/2005	03/2011
Urbano XI	322/2003	3,843	214,150	217,993	12 PSS	01/2006	07/2011
Urbano XII	357/2003	377	315,580	315,957	12 PSS	05/2006	11/2011
Urbano XIII	375/2003	81,759	119,490	201,249	12 PSS	10/2006	04/2012
Popular company 1 – 1st tranche	294/2002	8,207	108,091	116,297	09 PSS	11/2004	11/2008
Popular company 1 – 2nd tranche	294/2002	7,364	104,065	111,429	09 PSS	04/2005	04/2009
Popular company 2	338/2003	88,171	117,178	205,349	09 PSS	10/2005	10/2009
Small/medium size company 1	297/2002	12,347	540,922	553,269	07 PSS	01/2005	01/2008
Small/medium size company 2	331/2003	74,437	755,685	830,123	09 PSS	11/2004	11/2008
Turismo I	323/2003	39,571	10,723	50,294	16 PSS	02/2006	08/2013
Turismo II	324/2003	50,000	--	50,000	09 PSS	08/2004	08/2008
Other		167,119	508,216	675,335			
Electric appliances	360/2003	10,376	3,069	13,445	07 PSS	03/2004	03/2007
Export 1	347/2003	50,000	-	50,000	09 PSS	06/2005	06/2009
Residence I	349/2003	6,324	202,262	208,586	09 PSS	11/2004	11/2008
Residence II	378/2003	419	302,885	303,304	09 PSS	04/2005	04/2009
Residence III	387/2004	100,000	-	100,000	09 PSS	07/2005	07/2009
Total		1,745,298	6,140,188	7,885,486			

(1) Funds remunerated by the TMS: Average SELIC Rate
(2) Funds remunerated by the TJLP: Long-term Interest Rate
(*) Type: PU (Single payment at the end of the period), PAS (Annual and successive installments) and PSS (Semiannual and successive installments)

The funds of FAT and FUNPROGER comprise the balance of the account “Obligations for Special Deposits and Funds and Programs” (Note 10).

14.d) Sundry

	Current and long-term			
	BB - Domestic and Foreign Branches		BB – Consolidated	
	6.30.2004	6.30.2003	6.30.2004	6.30.2003
Provisions for payments*	4,839,859	5,617,912	4,847,916	5,627,570
Contracts of assumption of liabilities	1,392,266	1,165,662	694,942	--
Provisions for contingent liabilities (Note 7)	2,689,937	2,141,370	2,755,520	2,145,043
Sundry creditors – overseas	55,073	142,449	57,260	149,817
Sundry creditors – domestic	622,049	421,063	624,642	421,874
Credit card operations	841,619	688,865	841,619	688,865
Liabilities for official agreements	108,357	568,643	108,357	568,643
Funds restricted to credit operations	146,799	96,756	1,405,076	701,494
Other	288,526	518,039	370,573	701,964
Total	**10,984,485**	**11,360,759**	**11,705,905**	**11,005,270**

* Includes R$ 2,893,892 relating to the sum of the "PREVI Actuarial Liability of the Informal Plan” (exclusive responsibility of the Bank) and the “CASSI Actuarial Liability" at June 30, 2004. (Note 25.e).

14.e) Subordinated Debt

As from June 30, 2001, as determined by CMN Vote No. 67 of June 28, 2001 and Bacen-Diret Official Letter 2001/1602 of June 29, 2001, Banco do Brasil has considered the funds from the Central-Western Constitutional Fund (FCO) as subordinated debt and as Level II Reference Equity, due to the low repayment requirement and extended period held in the Bank. At June 30, 2004, these payables amount to R$ 5,572,615 (at June 30, 2003, R$ 4,606,797).

15 Analysis of Income Statement Items

15.a) Banking services fees

	BB - Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Investment fund management	--	--	475,721	349,915
Collection services	305,622	226,305	306,525	226,782
Custody services	12,758	--	15,570	--
Services rendered to related companies	337,906	257,665	77,563	60,234
Fund transfers	67,374	56,321	67,506	56,526
Guarantees granted	57,876	34,512	57,938	34,671
Check clearing services and other	263,714	233,133	263,714	233,133
Review of requests for exclusion from CCF	34,566	--	34,566	--
PASEP administration	14,037	42,930	14,037	42,930
Loans contracted	299,824	242,707	299,824	242,707
Deposit account fees	94,869	88,443	94,869	88,443
Checking account fees	55,657	60,316	55,657	60,316
Fees for issuing documents	54,485	51,714	54,485	51,714
Fees for preparing customer record data	55,300	--	55,300	--
Ouro plan	539,566	376,611	539,566	376,611
Fees for official services	115,796	103,990	115,796	103,990
International trade services	8,812	8,837	8,812	8,837
Third party collection services	84,654	68,766	84,654	68,766
Commissions for administration of public sector debt	28,705	23,457	28,705	23,457
Payments for third parties	63,816	52,351	63,816	52,351
Annuities	120,745	96,109	120,745	96,109
Credit cards – fees on cash withdraws and purchases	4,011	--	4,011	--
Credit cards – commissions of issuing bank	101,760	74,350	101,760	74,350
Fee, 48-hour *Ouro* protection	--	42,085	--	42,085
Other	242,369	259,856	254,167	267,180
Total	2,964,222	2,400,458	3,195,307	2,561,107

15.b) Personnel expenses

	BB – Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Salaries	(1,527,356)	(1,385,560)	(1,552,169)	(1,402,466)
Benefits	(371,723)	(327,006)	(373,708)	(328,189)
Social charges	(572,803)	(526,203)	(581,057)	(532,458)
Training	(16,891)	(12,824)	(17,048)	(12,941)
Directors and board member fees	(3,225)	(2,699)	(3,459)	(2,892)
Personnel provisions*	(756,096)	(345,335)	(756,096)	(345,335)
Provisions for labor claims	(108,860)	(264,643)	(108,860)	(264,643)
Labor claim losses	(134,318)	(101,032)	(134,318)	(101,032)
Total	(3,491,272)	(2,965,302)	3,526,715)	(2,989,956)

* Includes R$ 277,454 relating to the estimate of expenses with the Voluntary Layoff Program (PEA).

15.c) Other Administrative Expenses

	BB – Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Water, electricity and gas	(101,318)	(81,979)	(101,390)	(81,985)
Rent	(110,067)	(92,839)	(112,515)	(94,145)
Leasing costs	(95,384)	(128,125)	(95,384)	(128,125)
Communications	(353,847)	(310,077)	(356,474)	(311,964)
Maintenance and upkeep	(86,883)	(78,519)	(88,140)	(79,556)
Materials	(68,726)	(61,327)	(68,974)	(61,512)
Data processing	(254,113)	(218,687)	(261,326)	(223,149)
Promotion and public relations	(92,513)	(66,372)	(92,645)	(66,412)
Advertising and publicity	(66,220)	(37,947)	(66,296)	(38,080)
Financial system services	(137,040)	(114,759)	(138,140)	(115,409)
Third party services	(177,139)	(126,468)	(177,677)	(126,583)
Security services	(171,550)	(159,906)	(171,681)	(159,979)
Specialized technical services	(43,839)	(36,499)	(47,169)	(39,410)
Transportation	(168,565)	(151,834)	(169,152)	(152,290)
Domestic travel	(38,165)	(25,811)	(38,750)	(25,961)
Amortization	(45,926)	(52,516)	(49,201)	(53,475)
Depreciation	(202,795)	(184,027)	(203,508)	(184,661)
Expenses with tax and civil lawsuits	(166,294)	(112,928)	(166,294)	(112,928)
Other	(98,651)	(64,959)	(102,176)	(68,977)
Total	(2,479,035)	(2,105,579)	(2,506,892)	(2,124,601)

15.d) Other operating income

	BB – Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Recovery of charges and expenses	424,177	184,467	424,326	184,585
Income from special operations	49,075	60,669	49,075	60,669
Income from specific credits	24,570	29,851	24,570	29,851
Income from other services	--	4,486	--	4,486
Income from other credit operations	8,836	66,929	8,836	66,929
Income from payments of INSS benefits	32,763	25,974	32,763	25,974
Income from guarantee deposits	416,518	220,254	416,518	220,254
Income from securities and credits receivable from the Federal Treasury	29,732	23,831	29,732	23,831
Dividends received	5,314	3,137	5,314	3,137
Equalization of rates – Law 8427	2,561	--	2,561	--
Exchange adjustments of credit card transactions	21,031	12,353	21,031	12,353
Overdue advances on exchange contracts	4,175	--	4,175	--
Tax unduly paid	361,052	--	361,052	--
Reversal of provisions	47,138	--	47,138	--
Exchange losses/Reclassification of balances	--	3,963,251	--	3,963,251
Other	71,223	255,272	73,211	312,494
Total	1,498,165	4,850,474	1,500,302	4,907,814

15.e) Other operating expenses

	BB – Domestic and Foreign Branches		BB – Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Discounts granted on renegotiations – credit operations	(51,938)	(20,867)	(51,938)	(20,867)
Updating of the pension liability	(258,612)	(689,969)	(258,612)	(689,969)
Monetary adjustment of dividends payable	--	(9,362)	--	(9,362)
Interest on funds allocated for payment of benefits	(21,690)	(15,943)	(21,690)	(15,943)
CASSI – Adjustments arising from CVM Resolution 371	(139,860)	(115,127)	(139,860)	(115,127)
Losses from robberies and theft	(1)	(16,791)	(1)	(16,791)
Errors and fraud	(15,187)	(38,785)	(15,187)	(38,785)
BB Personal Banking expenses	(54,029)	(34,486)	(54,029)	(34,486)
Expenses with credit card operations	(105,304)	(131,523)	(105,304)	(131,523)
Provision for guarantees provided	(98,150)	--	(98,150)	--
Foreign exchange losses	--	(1,254,747)	--	(1,254,747)
Law 9138/95 – Restatement of funds to be returned to the Federal Treasury	(60,118)	(34,179)	(60,118)	(34,179)
Securitization dekasseguis – liabilities with the SPE	(23,979)	(29,993)	(23,979)	(29,993)
Securitization SWIFT MT100 – liabilities with the SPE	(129,891)	(91,289)	(129,891)	(91,289)
Other	(82,321)	(104,942)	(166,060)	(124,703)
Total	(1,041,080)	(2,588,003)	(1,124,819)	(2,607,764)

15.f) Non-operating income

	BB – Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Non-operating income	86,004	110,275	89,788	126,597
Profit on the sale of assets	9,892	18,451	10,751	18,507
Capital gains	5,675	6,114	5,679	6,147
Rental income	4,431	4,209	4,431	4,209
Valuation of other assets	5,978	13,820	6,118	14,072
Gains on shares and quotas	259	--	1,301	7,667
Gains on tax incentive investments	--	997	--	997
Sale of properties	52,896	64,167	52,896	64,167
Other non-operating income	6,873	2,517	8,612	10,831
Non-operating expenses	(31,685)	(33,630)	(34,985)	(34,505)
Loss on sale of assets	(5,146)	(2,762)	(5,263)	(2,904)
Capital losses	(9,162)	(6,757)	(9,195)	(6,879)
Loss in value of other assets	(14,295)	(20,598)	(14,369)	(20,598)
Losses with shares and quotas	(32)	(46)	(3,004)	(608)
Other non-operating expenses	(3,050)	(3,467)	(3,154)	(3,516)
Total	54,319	76,645	54,803	92,092

16 Stockholders' Equity

16.a) Stockholders' equity of R$ 12,863,546 (R$ 10,871,885 at June 30, 2003) includes net income for the period, and the book value per share is R$ 17.57 (R$ 14.85 at June 30, 2003) considering the total of 732,017,829 common shares (disregarding treasury stock);

16.b) Capital

Capital comprises 743,275,506 common shares with no par value. The Federal Treasury is the controlling stockholder.

The Extraordinary General Meeting of stockholders held on November 12, 2003 approved the grouping, on January 23, 2004, of the Series B and C shares and subscription bonuses, in the proportion of one new share/bonus for each lot of one thousand existing shares/bonuses.

16.c) Treasury stock

The Bank purchased 10,234,252 preferred shares, equivalent to 1.44% of the total capital, as reimbursement to dissident stockholders not in agreement with the conversion of preferred shares into common shares, approved at the Special Preferred Stockholders' Meeting held on June 7, 2002. These shares were converted into 11,257,677 common shares and remain in treasury in accordance with article 45 of Law 6404/76.

The amount paid as reimbursement totaled R$ 125,778,962.78, equivalent to R$ 12.29 per share at the book value per share at December 31, 2001. The market value per common share at June 30, 2004 was R$ 22.47 (R$ 13.09 at June 30,2003).

16.d) Revaluation reserves

These refer to revaluations of property and equipment of the associated companies Visanet and Kepler Weber. The realizations of the reserves in the period through depreciation, totaling R$ 42 (R$ 29 at June 30, 2003), were transferred to the "Retained earnings" account.

16.e) Appropriation of net income

	1st six months 2004	1st six months 2003
Net income	1,420,752	1,078,895
Adjustment to retained earnings	42	1,158
Adjusted net income	1,420,794	1,080,053
Legal reserve	71,037	53,945
Statutory reserve	42,622	32,367
Interest on own capital	449,958	321,916
Reserves for expansion	857,177	671,825

16.f) Interest on own capital

In conformity with Laws 9249/1995 and 9430/1996 and with the Bank's by-laws, management decided to pay Interest on Own Capital to its stockholders on account of dividends, as follows:

	1st six months 2004	1st six months 2003
1. Basis of calculation	1,529,858	1,094,515
a) Net income for the six-month period	1,420,752	1,078,895
b) Legal reserve recorded in the period	(71,037)	(53,945)
c) Adjustment to retained earnings	--	1,129
d) Profit sharing	180,101	68,407
e) Realization of the revaluation reserve in subsidiary and Associated companies	42	29
2. Interest on own capital considered as dividends (25% of item 1)	382,464	273,629
3. Income tax withheld at source (item 2 / 0.85 x 0.15)	67,494	48,287
4. Interest on own capital payable to stockholders (item 2 + item 3)	449,958	321,916

As prescribed by article 2 of Resolution 10/1996 of the Coordination and Control Council of State Companies (CCE), as shown above, the interest was calculated on net income without deduction of the employee profit sharing, thus representing 33.34% of net income after profit sharing and legal reserve.

Interest on own capital will be paid with interest equivalent to the SELIC rate as from the balance sheet date up to the effective payment date, in accordance with Decree 2673/1998, as amended by Decree 3381/2000.

The total interest on own capital recorded amounts to R$ 449,958, which resulted in a reduction of the tax charge of R$ 152,986.

16.g) Retained profits

The capital budget that supports the appropriation to Reserve for Expansion will be submitted to the Annual General Meeting of stockholders that will approve the 2004 financial statements.

16.h) Adjustment to Market Value – Securities and Derivative Financial Instruments

In accordance with BACEN Circular Letters 3068/01 and 3082/02, this account records the mark-to-market adjustment of securities available for sale, totaling R$ 51,237 (R$ 194,103 at June 30, 2003), net of tax effects. The changes in this stockholders' equity account are as follows:

	December 2003	Net changes in the period	June 2004
Securities available for sale	**Balance**		**Balance**
Bank	358,095	(107,369)	250,726
Subsidiary and associated Companies	8,044	(220,975)	(212,931)
Tax effects	(138,315)	49,283	(89,032)
Total	227,824	(279,061)	(51,237)

	December 2002	Net changes in the period	June 2003
Securities available for sale	**Balance**		**Balance**
Bank	(1,402,521)	1,187,828	(214,693)
Subsidiary and associated Companies	(185,140)	126,179	(58,961)
Tax effects	476,846	(397,295)	79,551
Total	(1,110,815)	916,712	(194,103)

16.i) Shareholding positions

As prescribed in paragraphs IV, V, VI and VII of Article 40 of the Bank's by-laws, the shareholding positions are as follows:

Paragraph IV: Shareholdings of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	**Total shares**	**% Total**
Federal Treasury	533,507,414	71.8
Banco do Brasil Employees Retirement Fund (PREVI)	102,536,547	13.8
BNDES Participações S.A. – BNDESPAR	42,985,035	5.8

Paragraph V: Number and characteristics of the securities issued by the Bank and directly or indirectly held by the controlling stockholder, management and members of the Fiscal Council; and

Paragraph VI: Changes in ownership of the parties referred to in the previous paragraph of these securities during the preceding twelve months:

Controlling stockholder – Federal Treasury	**6.30.2004**	**6.30.2003**
Common shares (ON)	533,507,414	533,507,414,282
B Bonus	155,276,743	155,276,743,847
C Bonus	258,794,573	258,794,573,092

Board of Directors	**Position**	**ON Shares**		**B Bonds**		**C Bonds**	
		6.30.04	**6.30.03**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**
Bernard Appy	President	01	01	--	--	--	--
Cássio Casseb Lima	Vice-President	01	01	--	--	--	--
Carlos Augusto Vidotto	Counselor	02	01	--	--	--	--
Francisco Augusto da Costa e Silva	Counselor	02	01	--	--	--	--
João Carlos Ferraz	Counselor	02	01	--	--	--	--
José Carlos Rocha Miranda	Counselor	01	01	--	--	--	--
Tarcísio José Massote de Godoy	Counselor	01	01	--	--	--	--
		ON Shares		**B Bonds**		**C Bonds**	
Fiscal Council	**Position**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**
Marcus Pereira Aucélio	President	--	--	--	--	--	--
Luiz Awazu Pereira da Silva	Member	--	--	--	--	--	--
Rodrigo Pirajá Wienskoski	Member	--	--	--	--	--	--
Artemio Bertholini	Member	--	--	--	--	--	--
Vicente de Paulo Barros Pegoraro	Member	01	1,232	--	336	--	560
Ernesto Rubens Gelbcke	Deputy	--	--	--	--	--	--
Marcos de Andrade Reis Villela	Deputy	--	--	--	--	--	--
Otávio Ladeira de Medeiros	Deputy	--	--	--	--	--	--
Pedro Paulo Bernardes Lobato	Deputy	--	--	--	--	--	--

		ON Shares		B Bonus		C Bonus	
Executive Board of Directors	**Position**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**
Cássio Casseb Lima	President	01	01	--	--	--	--
Adézio de Almeida Lima	Vice-President	02	2,464	--	769	1	1,233
Edson Machado Monteiro	Vice-President	57	57,876	17	17,362	28	28,939
José Luiz de Cerqueira César	Vice-President	--	--	--	--	--	--
Luiz Eduardo Franco de Abreu	Vice-President	01	1,000	--	--	--	--
Luiz Oswaldo Sant'Iago Moreira de Souza	Vice-President	02	2,544	--	748	1	1,249
Ricardo Alves da Conceição	Vice-President	371	371,463	111	111,253	185	185,424
Rossano Maranhão Pinto	Vice-President	--	--	--	--	--	--

		ON Shares		B Bonds		C Bonds	
Directors	**Position**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**	**6.30.04**	**6.30.03**
Aldo Luiz Mendes	Director	--	--	--	--	--	--
Antônio Francisco de Lima Neto	Director	--	403	--	120	--	203
Augusto Braúna Pinheiro	Director	--	--	--	--	--	--
Derci Alcântara	Director	33	33,676	9	9,806	16	16,345
Henrique Pizzolato	Director	26	26,537	7	7,714	12	12,858
Izabela Campos Alcântara Lemos	Director	--	--	--	--	--	--
João Carlos de Mattos	Director	--	--	--	--	--	--
José Carlos Soares	Director	219	--	6	--	10	--
José Gilberto Jaloretto	Director	--	--	--	--	--	--
José Maria Rabelo	Director	20	--	6	--	10	--
Juraci Masiero	Director	--	--	--	--	--	--
Manoel Gimenes Ruy	Director	14	14,267	4	4,192	6	6,988
Miguel Oscar Viana Peixoto	Director	--	--	--	--	--	--
Murilo Castellano	Director	3	--	--	--	1	--
Paulo César Simplício da Silva	Director	29	29,044	8	8,568	14	14,281
Paulo Euclides Bonzanini	Director	--	--	--	--	--	--
Paulo Rogério Caffarelli	Director	--	--	--	--	--	--
Renato Donatello Ribeiro*	Director	84,9811*	84,9811*	2	2,438	4	4,064
Ricardo José da Costa Flores	Director	19	--	5	--	9	--
William Bezerra Cavalcanti Filho	Director	--	--	--	--	--	--

* Shares held by the Banco do Brasil Employees Investment Club (CIN).

Statutory Auditor							
José Luis Salinas	General Auditor	--	--	--	--	--	--

Paragraph VII – Number of shares in the market and percentage in relation to the total issued:

BB shares	**Number**	**%**
Market	52,988,833	7.1
Total issued	743,275,506	100.0

17 Income Tax and Social Contribution on Net Income

17.a) Details of calculation basis

	BB – Consolidated			
	1st six months 2004		1st six months 2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Income before taxes and after employee profit sharing	2,227,325	2,227,325	2,228,822	2,228,822
- Income before taxation	2,210,864	2,210,864	2,243,035	2,243,035
- Net income of foreign entities	(121,446)	(121,446)	(15,586)	(15,586)
- Intercompany eliminations	317,187	317,187	69,409	69,409
- Employee profit sharing	(179,280)	(179,280)	(68,036)	(68,036)
b) Permanent additions/(deductions) :	(1,469,345)	(1,487,534)	570,094	549,366
- Equity in the (earnings)/loss of subsidiary and associated companies	(759,811)	(759,811)	983,760	983,760
- Expense with interest on own capital	(449,958)	(449,958)	(321,916)	(321,916)
- Non-deductible expenses and provisions	148,999	124,517	135,993	110,359
- Other additions/(deductions)	(408,575)	(402,282)	(227,743)	(222,837)
c) Temporary additions/(deductions):	1,878,986	1,876,670	739,422	1,740,424
- Allowance for loan losses	2,575,258	2,575,258	1,601,886	1,601,886
- Provision for loss on securities and investments	1,115	1,119	(252)	(252)
- Provision for pension liabilities	(1,067,657)	(1,066,164)	(1,024,934)	(39,037)
- Provision for labor claims, tax contingencies, and contingent liabilities	284,160	284,160	335,429	354,369
- Amortization of goodwill on investments	4,832	-	4,832	-
- Other additions/(deductions)	81,278	82,297	(177,539)	(176,542)
d) Other additions/(deductions) :	(1,041,215)	(1,034,204)	(474,677)	(467,711)
- Foreign profits	81,006	81,006	111,540	111,540
- Adjustment – BACEN Resolution 2682/99 and Law 9430/99	(1,107,307)	(1,107,307)	(571,115)	(571,115)
- Other	(14,914)	(7,903)	(15,102)	(8,136)
e) Taxable income	1,595,751	1,582,257	3,063,661	4,050,901
f) Income tax/Social contribution:	377,639	140,201	730,057	359,617
- Rate of 15% / 9%	241,374	143,610	459,549	364,581
- Additional 10%	160,868	-	306,318	-
- Tax incentives	(8,851)	-	(14,305)	-
- Income tax on profits of foreign entities	(15,752)	(3,409)	(21,505)	(4,964)

17.b) Details of income tax and social contribution on net income expense:

	BB – Consolidated			
	1st six months 2004		1st six months 2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution expenses per the Statement of income	(441,988)	(158,030)	(738,731)	(352,794)
- Provision for income tax and social contribution – present values	(377,639)	(140,201)	(730,057)	(359,617)
- (Provision)/reversal of deferred income tax on the adjustment of the portfolio and depreciation (leasing operations)	5,852	-	6,287	-
- Foreign income tax	(21,924)	-	(29,503)	-
- (Provision)/reversal of provision for deferred taxes – positive MTM	14,839	4,893	15,789	7,272
- (Provision)/reversal of the provision for deferred income tax – sale of investments in installments (BB - BI)	267	96	(1,247)	(449)
- (Provision)/reversal of provision for deferred taxes-restatement of judicial deposits	(63,383)	(22,818)	-	-
b) Deferred tax credits	(8,161)	(1,020)	(4,236)	77
- Recording/(reversal) of tax credits on temporary differences	(821)	(1,041)	(68)	77
- Recording/(reversal) of tax credits on income tax and social contribution losses	(6,107)	-	(6,287)	-
- Recording/(reversal) of tax credits – negative MTM	(1,233)	21	2,119	-
c) Total income tax and social contribution expense (a + b)	(450,149)	(159,050)	(742,967)	(352,717)

17.c) Reconciliation of income tax and social contribution on net income expense:

	BB – Consolidated	
a) Income Tax	1st six months 2004	1st six months 2003
Income before taxation and profit sharing	2,210,864	2,243,035
- Total income tax charge (rate of 25%)	(552,716)	(560,759)
- Expense with interest on own capital	112,490	80,479
- Effects of non-taxable income	632,083	423,415
- Effects of non-deductible expenses	(956,253)	(907,355)
- Effects of foreign profits	(26,468)	(59,325)
- Employee profit sharing	44,820	17,009
- Deferred charges on mark-to-market adjustments	1,357	765
- Other	285,687	240,401
- Fiscal incentives (Workers Meal Program, Culture and others)	8,851	22,403
Income tax expense	(450,149)	(742,967)
b) Social Contribution on Net Income	2,210,864	2,243,035
Income before taxation and profit sharing	(198,978)	(201,873)
- Total social contribution charge (rate of 9%)	40,496	28,972
- Expense with interest on own capital	227,395	61,959
- Effects of non-taxable income	(344,251)	(326,696)
- Effects of non-deductible expenses	(3,881)	(10,039)
- Effects of foreign profits	16,135	6,123
- Deferred charges on mark-to-market adjustments	489	275
- Other	103,545	88,562
Social contribution expense	(159,050)	(352,717)

17.d) Litigation: Income tax and social contribution on net income

In February 1998, the Bank filed a legal request for full offset of prior year income tax and social contribution on net income losses against taxable income, whereas tax legislation enacted as from 1995 restricted this offset to 30% of annual taxable income. Since then, the Bank has offset these tax losses in full against income tax and social contribution taxable income and has made judicial deposits of the taxes otherwise due (on 70% of the amount offset). These deposits prompted the Federal District 16th Court to issue a dispatch recognizing the suspension of payment of these taxes until final judgment of the Bank's request, based on article 151, II, of the Tax Code.

The amounts relating to this matter are as follows:

	BB - Consolidated	
	6.30.2004	**6.30.2003**
a) Judicial deposits	4,568,787	3,281,692
- Amount paid	3,608,816	2,736,041
- Restatement	959,971	545,651
b) Receivables from guarantee deposits	4,568,787	3,281,692
- Original amounts	3,608,816	2,736,041
- Restatement	959,971	545,651
c) 70% thereof	3,517,362	2,610,947
- Income tax losses incurred up to December 31, 1994	739,067	739,067
- Income tax losses incurred after December 31, 1994	1,135,965	491,462
- Social contribution losses incurred up to December 31, 1994	356,007	356,007
- Social contribution losses incurred after December 31, 1994	560,880	560,880
- Social contribution to offset (Temporary differences up to 1998)	725,443	463,531

d) The offset of income tax and social contribution losses results in the reduction of the deferred tax credits.

e) The provision relating to the judicial deposit, recorded in Provision for losses on assets without loan characteristics, amounts to R$ 959,791. Management considers this provision sufficient based on the status of the lawsuit at June 30, 2004.

f) In the event of an unfavorable decision, the extraordinary appeal of which was accepted by the President of the Federal Regional Court – First Region on November 26, 2001 and submitted to the Federal Supreme Court for judgment, the deposits equivalent to the amount of taxes determined to be payable will be transferred to the Federal Revenue Secretariat; the amount of these deposits, net of the provision recorded, will be expensed. The resulting deferred tax asset to be recorded in this event, arising from the reinstatement of the tax losses previously offset, will be subject to analysis in respect of its possible future realization at the time it is recorded.

18 Tax credits

18.a) Tax credits recorded as assets:

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Income tax and social contribution losses	6,307,685	-	10,173,799	-
a.1) Rate (%)	25	9	25	9
a.2) Tax credit recorded	1,576,921	-	2,543,450	-
b) Timing differences	14,141,161	11,508,157	14,137,512	11,513,643
b.1) Rate (%)	25	9	25	9
b.2) Tax credit recorded	3,535,290	1,035,734	3,534,378	1,036,228
c) Negative mark-to-market adjustments	108,050	98,532	423,373	415,635
c.1) Rate (%)	25	9	25	9
c.2) Tax credit recorded	27,013	8,868	105,843	37,407
d) Social Contribution to offset	--	2,764,891	-	3,145,397
e) Tax credits abroad	14,581	-	14,214	-
f) Total income tax and social contribution tax credits recorded (a.2 + b.2 + c.2 + d + e) .	5,153,805	3,809,493	6,197,885	4,219,032
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Negative mark-to-market adjustments	159,945	159,945	448,750	440,789
g.1) Rate (%)	0.65	4	0.65	3
g.2) Tax credit recorded	1,040	6,398	2,917	13,224
h) Total PASEP and COFINS credits recorded (g.2)	1,040	6,398	2,917	13,224
i) Total tax credits recorded (f + h)	5,154,845	3,815,891	6,200,802	4,232,256

18.b) Tax credits not recorded as assets:

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Income tax and social contribution losses	648,501	40,040	587,729	39,919
a.1) Rate (%)	25	9	25	9
a.2) Tax credits not recorded	162,125	3,604	146,932	3,593
b) Timing differences	2,924,424	5,302,314	1,188,775	3,289,504
b.1) Rate (%)	25	9	25	9
b.2) Tax credits not recorded	731,106	477,208	297,194	296,055
c) Negative mark-to-market adjustments	50,334	50,334	44,319	10,137
c.1) Rate (%)	25	9	25	9
c.2) Tax credits not recorded	12,584	4,530	11,080	912
d) Accounting losses of foreign entities in countries with favorable taxation	453,441	453,441	426,607	426,607
d.1) Rate (%)	25	9	25	9
d.2) Tax credits not recorded	113,360	40,810	106,652	38,395
e) Tax credits abroad	132,034	--	130,636	--
f) Total income tax and social contribution credits not recorded (a.2 + b.2 + c.2 + d.2 + e)	1,151,209	526,152	455,206	300,560
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Negative mark to market adjustments	2,544	2,544	--	7,960
g.1) Rate (%)	0.65	4	0.65	3
g.2) Tax credits not recorded	16	102	--	239
h) Total PASEP and COFINS tax credits not recorded (g.2)	16	102	--	239
i) Total tax credits not recorded (f + h)	1,151,225	526,254	455,206	300,799

18.c) Changes during the period

Tax credits recorded during the period

	BB – Consolidated			
	1st six months 2004		1st six months 2003	
	Income tax	Social contribution	Income tax	Social contribution
a) On timing differences	3,713	1,320	--	78
b) On negative mark-to-market adjustments	9,143	3,268	--	--
c) Total income tax and social contribution credits recorded (a + b)	12,856	4,588	--	78
	PASEP	**COFINS**	**PASEP**	**COFINS**
d) On negative mark-to-market adjustments	291	1,791	3	--
e) Total tax credits recorded (c + d)	13,147	6,379	3	78

Tax credits reversed during the period

	BB – Consolidated			
	1st six months 2004		1st six months 2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Relating to income tax and social contribution losses	325,665	--	679,733	--
b) Relating to timing differences	4,535	2,361	69	--
c) Relating to social contribution to offset (MP 1858/99)	--	119,104	--	339,342
d) Relating to negative mark-to-market adjustments	75	90	260,319	78,531
e) Tax credits abroad	3,071	--	5,819	--
f) Total reversals of income tax and social contribution tax credits (a + b + c + d + e)	333,346	121,555	945,940	417,873
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Relating to negative mark-to-market adjustments	36	41	8,892	41,265
h) Total tax credits reversed (f + g)	333,382	121,596	954,832	459,138

18.d) Deferred tax liabilities

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Income tax	Social contribution	Income tax	Social contribution
a) Arising from sale of investments	1,351	486	1,492	537
b) Arising from mark-to-market adjustments	97,169	34,972	74,167	26,700
c) Arising from portfolio adjustment	31,168	--	45,823	--
d) Arising from tax incentive depreciation	3	--	3	--
e) Entities abroad	4,189	--	7,319	--
f) Arising from restatement of judicial deposits	64,714	23,297	--	--
g) Total deferred income tax and social contribution liabilities (a + b + c + d + e + f)	198,594	58,755	128,804	27,237
	PASEP	**COFINS**	**PASEP**	**COFINS**
h) Arising from mark-to-market adjustments	2,649	16,301	2,002	9,238
i) Arising from restatement of judicial deposits	1,765	10,859	--	--
j) Total deferred tax liabilities (g + h + I)	203,008	85,915	130,806	36,475

18.e) Estimates of the realization of tax credits recorded (tax losses, timing differences and social contribution available for offset)

	BB - Consolidated	
	6.30.2004	
	Nominal value	Present value
In 2004	645,754	627,798
In 2005	1,864,975	1,735,900
In 2006	1,964,763	1,737,058
In 2007	2,454,684	2,067,455
In 2008	920,420	745,739
From 2009 to 2013	1,056,096	810,255
From 2014 to 2016	6,479	2,963
Total tax credits	8,913,171	7,727,168

In the 1st six-month period of 2004, the tax credits of the Bank were reduced by R$ 432,610, equivalent to 41.04% of the amount estimated to be offset during the year (R$ 1,054 million according to a technical study prepared as of December 31, 2003).

The above estimates of the annual realization of the tax credits are based on a technical study prepared as of June 30, 2004.

18.f) Other information

f.1) The tax credits were recorded at the current rates calculated on their respective bases. The rules established by BACEN Resolution 3059/2002 for the recording, maintenance and reversal/use of the credits are being followed.

f.2) The tax credits recorded include Social Contribution to Offset relating to tax credits calculated at the rate of 18% on tax losses and temporary differences existing on December 31, 1998. Provisional Measure (MP) 1.858/99 (current MP 2.158-35/2001) reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables – Sundry. At December 30, 2004, the balance of this account amounted to R$ 2,764,891.

Since January 1, 2003, the rate for social contribution on net income is 9%, in conformity with Law 10.637/2002.

f.3) The Bank, in order to accelerate the reversal of the tax credits recorded, has been recording additional reversals, from the 4th quarter 2001 to the 4th quarter 2003, when the provisions for income tax and social contribution, including deferred taxes, were less than the amount calculated by applying the total statutory rates (currently 34%) on accounting income before taxation. These reversals were discontinued in 2004, as explained below.

With the issue of BACEN Resolution 3059/02, more objective regulations to recognize and maintain tax credits were established, among which the exclusion, for purposes of calculation of level I of the Referential Equity (PR), of those tax credits that are estimated to be realized beyond five years, as shown in Note 20. The Bank has established a schedule beginning in January 2004 to exclude 20% of those credits annually, totaling 100% as from January 2008.

Accordingly, as from January 2004, the Bank has ceased to record the additional reversals in order to avoid a double impact on the calculation of the index of capital adequacy.

f.4) Projections of taxable income for the Bank indicate that the tax credits will be realized in up to seven years in the following proportions, according to the technical study prepared as of June 30, 2004: 2004, 7%; 2005. 21%; 2006, 22%; 2007, 28%; 2008, 10% and as from 2009, 12%. This study also considers the tax credits at their present value, based on the average rate of funding of the Bank.

The tax credits on temporary differences are recorded based on the amounts of the non-deductible provisions; most of these amounts are only expected to be realized in the long-term.

f.5) The Bank has recorded IRPJ, CSLL, PASEP and COFINS tax credits on the negative mark-to-market adjustments of securities and derivative financial instruments recorded in a separate account in Stockholders' equity. The Bank has only recognized PASEP and COFINS tax credits on negative mark-to-market adjustments recorded in income for the period, in compliance with the rules included in BACEN Resolution 3.059/2002 and BACEN Circular 3.171/2002 (Note 3, items "d" and "e").

IRPJ, CSLL, PASEP and COFINS) deferred tax liabilities have been recorded on the positive mark-to-market adjustments of securities and derivative financial instruments recorded in income and in a separate account in Stockholders' equity (Note 3, items "d" and "e").

19 Equity in the Earnings (Loss) of Subsidiary and Associated Companies

Significant investments in Brazil and abroad are stated on the equity method of accounting, in conformity with BACEN and CVM instructions, and are classified in an investment account in permanent assets.

The equity accounting adjustments were recorded in the account "Equity in the earnings (loss) of subsidiary and associated companies" as follows:

19.a) BB – Domestic and foreign branches

DESCRIPTION	Paid in capital	Adjusted stockholders' equity	Ownership%	Dividends/ interest on own capital	Equity accounting adjustments		Book value	
					Operational	Foreign exchange variations	6.30.2004	6.30.2003
SUBSIDIARIES								
BAMB – Brazilian American Merchant Bank	1,320,348	1,489,411	100.00	--	55,006	102,414	1,489,411	1,264,134
Banco do Brasil A.G. Vienna (Austria)	71,263	104,906	100.00	--	2,063	3,918	104,906	84,631
BB – Leasing Company Ltd.	--	96,247	100.00	--	5,909	6,348	96,247	310,033
BB – Administradora de Cartões de Crédito S.A.	9,300	32,618	100.00	--	9,205	--	32,618	36,907
BB – Administradora de Consórcios S.A. ***	14,100	14,100	100.00	--	--	--	14,100	--
BB – Corretora de Seguros e Administradora. de Bens S.A.	17,805	54,175	100.00	--	19,657	--	54,175	52,547
BB – Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A.	99,628	119,908	100.00	80,470	80,470	--	119,908	114,603
BB – Banco de Investimento S.A.	1,589,399	1,968,433	100.00	43,022	181,111	--	1,968,433	1,706,508
BB – Leasing S.A. – Arrendamento Mercantil	61,860	22,562	100.00	--	(24,815)	--	22,562	50,774
Banco Popular do Brasil S.A. ***	116,550	116,568	100.00	--	--	--	116,568	--
Cobra Tecnologia S.A. *	17,183	2,961	99.35	13	(2,828)	--	2,942	21,846
ASSOCIATED COMPANIES								
CADAM – Caulim da Amazônia S.A. **	175,809	380,513	21.64	--	4,458	--	82,343	79,622
Central Clearing	--	--	--	--	--	--	--	3,539
SUBTOTAL	--	--	--	123,505	330,236	112,680	4,104,213	3,725,144
Abroad								
Foreign exchange gain/losses in the branches	--	--	--	--	--	187,366	--	--
Increase/decrease in stockholders' equity arising from other matters.	--	--	--	--	683	--	--	--
TOTAL	--	--	--	123,505	330,919	300,046	4,104,213	3,725,144

* Information from the March 2004 trial balance.
** Information from the May 2004 trial balance.
*** In the pre-operating stage.

19.b) BB - Consolidated

DESCRIPTION	Paid in capital	Adjusted stockholders' equity	Ownership%	Dividends/ interest on own capital	Equity accounting Adjustments			Book value	
					Operational	Foreign exchange variations	Provision	6.30.2004	6.30.2003
1) Investments of the Bank									(B)
SUBSIDIARIES									
BB – Administradora de Cartões de Crédito S.A.	9,300	32,618	100.00	--	9,205	--	--	32,618	36,907
BB – Administradora de Consórcios S.A. ***	14,100	14,100	100.00	--	--	--	--	14,100	--
BB – Corretora de Seguros e Admin. de Bens S.A.	17,805	54,175	100.00	--	19,657	--	--	54,175	52,547
Cobra Tecnologia S.A. *	17,183	2,961	99.35	13	(2,828)	--	--	2,942	21,846
ASSOCIATED COMPANIES									
CADAM – Caulim da Amazônia S.A. **	175,809	380,513	21.64	--	4,458	--	--	82,343	79,622
Central Clearing	--	--	--	--	--	--	--	--	3,539
SUBTOTAL (1)	--	--		13	30,492	--	--	186,178	194,461
2) Investments of BB - BI Banco de Investimento									
ASSOCIATED COMPANIES **									
Brasilseg Participações S.A.	84,290	182,279	70.00	11,200	6,120	--	--	127,595	141,878
Cia. de Seguros Aliança do Brasil S.A.	129,861	217,989	70.00	36,798	34,413	--	--	152,592	154,348
Brasilprev (1)	77,687	173,026	49.99	22,204	32,164	--	--	91,981	75,106
Brasilcap	71,500	167,698	49.99	28,193	35,765	--	--	83,918	89,674
Brasilsaúde (2)	39,726	40,274	49.92	--	869	--	--	19,993	19,708
Cia. Brasileira de Meios de Pagamento (3)	74,534	48,177	32.03	624	(8,008)	--	--	16,181	43,735
Seguradora Brasileira de Crédito à Exportação	9,165	13,419	12.088	76	167	--	--	1,622	1,349
Cibrasec	60,003	55,118	10.00	892	364	--	--	5,512	5,274
Itapebi	150,000	178,028	19.00	2,686	6,020	--	--	34,282	29,654
Kepler Weber	51,228	105,454	24.38	279	2,901	--	--	25,710	19,237
Cia Brasileira de Soluções e Serviços	8,718	654	37.467	--	(584)	--	--	245	2,856
Ativos S.A..	4,577	23,540	74.50	4,074	11,266	--	--	17,537	3,410
Maxblue Americas Holdings	--	--	--	--	--	--	--	--	51,176
BAF e DTVM S.A. (A)	203,498	32,069	100.00	--	(14,200)	--	21,770	--	--
SUBTOTAL (2)	--	--	--	107,026	107,257	--	21,770	577,168	637,405
3) Investments of BAMB – Brazilian American Merchant Bank									
SUBSIDIARIES									
BBTUR – Viagens e Turismo Ltda. **	12,634	13,242	99.00	--	355	(967)	--	13,110	--
Ativos S.A. **	4,577	23,540	25.50	--	4,010	(340)	--	6,003	1,167
Other	--	--	--	--	--	--	--	19	18
SUBTOTAL (3)	--	--	--	--	4,365	(1,307)	--	19,132	1,185
4) Investment of BB – Leasing Company Ltd.									
ASSOCIATED COMPANY									
BB TUR – Viagens e Turismo Ltda. **	12,634	13,242	1.00	--	(6)	--	--	133	--
SUBTOTAL (4)	--	--	--	--	(6)	--	--	133	--
5) Investment of BB – Administração de ativos – Distribuidora de Títulos e Valores Mobiliários S.A.									
ASSOCIATED COMPANIES- (not stated on the equity method)									
PRONOR *	--	--	12.02	--	--	--	--	20,722	20,722
SUBTOTAL (5)	--	--	--	--	--	--	--	20,722	20,722
Abroad									
Foreign exchange gains/(losses) in the branches	--	--	--	--	--	187,366	--	--	--
Foreign exchange gains/(losses) in subsidiaries	--	--	--	--	--	112,680	--	--	--
Increase/decrease in stockholders' equity arising from other matters.	--	--	--	--	683	--	--	--	--
TOTAL	--	--	--	107,039	142,791	298,739	21,770	803,333	853,773

(A) On December 19, 2003, the contracts for the corporate dissolution of Maxblue Americas Holdings S.A were signed through which BB BI exchanged its 49.9% investment in this company for 100% of Maxblue DTVM. The Extraordinary General Meeting of stockholders held on 5/12/2004 changed the Company's name from Maxblue DTVM S.A to Brasil Aconselhamento Financeiro e DTVM S.A.
BAF and DTVM S.A. has a provision for loss on investments of R$ 31,619.

(B) The difference of R$ 168,453 refers to the provision of Maxblue Investimentos DTVM S.A.

* Information from the March 2004 trial balance.

** Information from the May 2004 trial balance.

*** In the pre-operating stage;

(1) Goodwill of R$ 5,485;

(2) Negative goodwill of R$ 111;

(3) Goodwill of R$ 750;

Note: The goodwill recorded on the acquisition of investments was based on the expectation of future profits and the negative goodwill on other economic reasons.

20 Related Party Transactions

The transactions carried out between companies of the conglomerate:

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Cash and cash equivalents	**789**	**--**	**1,664**	**--**
Foreign subsidiaries	789	--	1,664	--
Short-term Interbank deposits	**1,244,034**	**158,577**	**167,344**	**94,297**
Foreign subsidiaries	1,062,832	142,242	--	61,732
BB – Banco de Investimento S.A.	--	2,995	53,000	13,853
BB – Leasing S.A. – Arrendamento Mercantil	181,102	13,340	114,344	18,712
BB - Banco Popular do Brasil S.A.	100	--	--	--
Securities	**8,969**	**(1,370)**	**13,771**	**(2,847)**
Foreign subsidiaries	--	775	--	1,729
BB – Banco de Investimento S.A.	335	--	--	--
BB – Leasing S.A. – Arrendamento Mercantil	8,634	--	13,771	--
BB – Administração de Ativos - DTVM S.A.	--	(1,010)	--	(3,275)
BB – Administradora de Cartões de Crédito S.A.	--	(1,135)	--	(1,301)
Loan operations	**75,692**	**290,894**	**94,277**	**225,409**
Foreign subsidiaries	--	1,318	--	5,143
BB – Leasing S.A. – Arrendamento Mercantil	68,176	5,180	66,158	6,649
BB – Administração de Ativos - DTVM S.A.	7,516	284,396	7,474	213,617
BB – Tur Viagens e Turismo Ltda.	--	--	20,645	--
Other receivables	**217,073**	**--**	**144,083**	**--**
BB – Banco de Investimento S.A.	44,143	--	9,024	--
BB – Leasing S.A. – Arrendamento Mercantil	2,829	--	622	--
BB – Administração de Ativos - DTVM S.A.	132,423	--	113,249	--
BB – Administradora de Cartões de Crédito S.A.	350	--	1,061	--
BB – Corretora de Seguros e Administradora de Bens S.A.	19,799	--	17,877	--
Cobra Tecnologia S.A.	2,856	--	2,250	--
BB - Banco Popular do Brasil S.A.	9,236	--	--	--
BB – Administradora de Consórcios S.A.	1,874	--	--	--
Brasil Acomselhamento Financeiro e DTVM S.A.	323	--	--	--
BB – Tur Viagens e Turismo Ltda.	2,979	--	--	--
Ativos S.A.	261	--	--	--

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	**(11,937)**	**--**	**(11,615)**	**--**
Foreign subsidiaries	(22)	--	(109)	--
BB – Banco de Investimento S.A.	(1,375)	--	(627)	--
BB – Leasing S.A. – Arrendamento Mercantil	(63)	--	(409)	--
BB – Administração de Ativos - DTVM S.A.	(431)	--	(438)	--
BB – Administradora de Cartões de Crédito S.A.	(562)	--	(981)	--
BB – Corretora de Seguros e Administradora de Bens S.A.	(603)	--	(3,159)	--
BB – Tur Viagens e Turismo Ltda.	(2,119)	--	(2,438)	--
Cobra Tecnologia S.A.	(6,702)	--	(3,454)	--
Brasil Acomselhamento Financeiro e DTVM S.A.	(5)	--	--	--
Ativos S.A.	(40)	--	--	--
BB – Administradora de Consórcios S.A.	(15)	--	--	--
Interbank Deposits	**(12,695,711)**	**--**	**(10,071,888)**	**--**
Foreign subsidiaries	(12,695,711)	--	(9,859,888)	--
BB – Administração de Ativos - DTVM S.A.	--	--	(195,000)	--
BB – Leasing S.A. – Arrendamento Mercantil	--	--	(17,000)	--
Deposits received under security repurchase agreements	**(981,297)**	**(30,987)**	**(545,474)**	**(37,303)**
Foreign subsidiaries	(62,730)	--	(61,352)	--
BB – Banco de Investimento S.A.	(125,901)	(1,884)	(3,361)	(1,058)
BB – Leasing S.A. – Arrendamento Mercantil	--	(55)	(2,328)	(624)
BB – Administração de Ativos - DTVM S.A.	(389,792)	(19,030)	(144,512)	(22,193)
BB – Administradora de Cartões de Crédito S.A.	(208,817)	(1,527)	(240,560)	(4,670)
BB – Corretora de Seguros e Administradora de Bens S.A.	(109,718)	(7,813)	(90,585)	(8,758)
Cobra Tecnologia S.A.	(9,990)	--	(2,776)	--
BB - Banco Popular do Brasil S.A.	(50,156)	--	--	--
BB – Administradora de Consórcios S.A.	(14,684)	--	--	--
BB – Tur Viagens e Turismo Ltda.	(9,509)	(678)	--	--
Funds from acceptance and issue of securities	**(44,116)**	**--**	**(18,234)**	**--**
Foreign subsidiaries	(44,116)	--	(18,234)	--
Foreign borrowings	**(2,788,029)**	**(15,195)**	**(2,970,408)**	**--**
Foreign subsidiaries	(2,788,029)	(15,195)	(2,970,408)	--
Foreign onlendings	**(1,219,152)**	**(17,862)**	**(527,827)**	**(239)**
Foreign subsidiaries	(1,219,152)	(17,862)	(527,827)	(239)
Derivative financial instruments	**(5,580)**	**1,052**	**(7,614)**	**5,556**

	BB – Consolidated			
	6.30.2004		6.30.2003	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Foreign subsidiaries	(4,050)	--	--	--
BB – Banco de Investimento S.A.	(878)	(483)	--	--
BB – Leasing S.A. – Arrendamento Mercantil	--	1,554	(1,250)	5,254
BB – Administradora de Cartões de Crédito S.A.	(281)	(19)	(1,569)	302
BB – Administradora de Consórcios S.A.	(371)	--	--	--
BB – Tur Viagens e Turismo Ltda.	--	--	(4,795)	--
Other liabilities	**(830,714)**	**--**	**(3,185,779)**	**--**
Foreign subsidiaries	(697,398)	--	(3,163,508)	--
BB – Leasing S.A. – Arrendamento Mercantil	(28)	--	(14)	--
BB – Administradora de Cartões de Crédito S.A.	(320)	--	(119)	--
BB – Administração de Ativos – DTVM S.A.	(6,293)	--	(5,893)	--
Cobra Tecnologia S.A.	(122,270)	--	(16,245)	--
BB – Tur Viagens e Turismo Ltda.	(4,405)	--	--	--
Cost recoveries	**--**	**(4,226)**	**--**	**(3,200)**
BB – Administração de Ativos – DTVM S.A.	--	(4,226)	--	(3,200)
Other operating income	**--**	**63,528**	**--**	**17,406**
Foreign subsidiaries	--	52,222	--	66
BB – Banco de Investimento S.A.	--	1,427	--	7,954
BB – Administração de Ativos – DTVM S.A.	--	8,098	--	8,027
BB – Administradora de Cartões de Crédito S.A.	--	402	--	387
BB – Corretora de Seguros e Administradora de Bens S.A.	--	1,405	--	972
BB – Tur Viagens e Turismo Ltda.	--	34	--	--
Ativos S.A.	--	340	--	--
Other operating expenses	**--**	**(53,852)**	**--**	**(61,202)**
BB – Administradora de Cartões de Crédito S.A.	--	(2)	--	(1)
Cobra Tecnologia S.A.	--	(53,850)	--	(61,201)

Other receivables include accounts receivable from related parties, dividends and interest on own capital receivable.

21 Operating Limits – Basel Agreement

At June 30, 2004, the referential stockholders' equity exceeded the minimum required by the Brazilian Central Bank by R$ 4,370,587, and the coefficient of capital adequacy was 14.45% (13.79% as of June 30, 2003), while the minimum required is 11%.

The risk-weighted assets are as follows:

	6.30.2004	6.30.2003
Cash and cash equivalents	2,210,165	2,223,667
Credits and securities issued or guaranteed by the Brazilian Government	69,923,008	66,624,702
Deposits with the Brazilian Central Bank	18,780,512	18,910,843
Receivables from related companies	8,053	15,040
Specific credits – rescheduling of rural credits	516,137	463,963
Foreign exchange portfolio	1,285,991	1,490,111
Other	939,968	664,452
Total subject to zero-risk	93,663,834	90,392,778
Foreign currency funds	8,704,139	3,535,268
Clearing services for checks and other papers	2,082,323	3,124,570
Foreign exchange portfolio	1,385,885	2,525,102
Deposits with other banks	4,913,071	912,237
Investments in gold	13,310	11,596
Total subject to 20% risk	17,098,728	10,108,773
Weighted amount	3,419,746	2,021,755
Funds applied in interbank deposits	9,667,454	11,281,983
Foreign exchange portfolio	8,284,638	7,262,535
Foreign securities	166,427	16,059
Credit assignments with joint liability	21,032	-
Other	408,687	717,030
Total subject to 50% risk	18,548,238	19,277,607
Weighted amount	9,274,119	9,638,804

	6.30.2004	6.30.2003
Loan operations	69,105,371	56,527,967
Property and equipment in use	2,730,093	2,403,952
Leased assets	456,083	437,615
Investments	843,202	837,180
Securities	4,244,863	6,655,456
Foreign exchange portfolio	551,013	796,998
Memorandum accounts	(8,623,621)	(12,664,818)
Other	11,463,974	8,019,695
Total subject to 100% risk	80,770,978	63,014,045
Weighted amount	80,770,978	63,014,045
Deferred tax credits – income tax and social contribution on net income	8,833,857	10,433,058
Total subject to 300% risk	8,833,857	10,433,058
Weighted amount	26,501,571	31,299,174
Total assets subject to risk weighting	218,915,635	193,226,261
Total weighted amount	119,966,413	105,973,778

The calculations of the required stockholders' equity and the adequacy coefficient are as follows:

	6.30.2004	6.30.2003
A) Assets subject to risk weighting	218,915,635	193,226,261
B) AWR (assets weighted by risk)	119,966,413	105,973,778
C) SWAP credit risk	758,450	828,748
D) Requirement of stockholders' equity on AWR (11% of B)	13,196,305	11,657,115
E) Requirement of stockholders' equity on SWAP (20% of C)	151,690	165,750
F) Requirement of stockholders' equity on interest rate exposure	580,700	527,534
G) Required stockholders' equity (RSE): D + E + F	13,928,695	12,350,399
H) Referential equity amount (RE)	18,299,282	15,478,682
Level I	12,702,342	10,847,152
- Capital	8,366,189	8,366,189
- Capital reserves	4,769	4,754
- Revenue reserves	4,645,279	2,796,091
- Adjustment to market value – Securities and derivatives	(51,237)	(194,103)
- Treasury stock	(125,779)	(125,779)
- 20% of tax credits realizable after 5 years	(136,879)	-
Level II (Note 14.e)	5,596,940	4,631,530
Subordinated debts eligible as capital	5,572,615	4,606,797
Revaluation reserves	24,325	24,733
I) Ratio between Referential equity amount to required stockholders' equity: RE and RSE (H/G)	1.31	1.25
J) Surplus/(insufficiency) of stockholders' equity: RE - RSE (H-G)	4,370,587	3,128,282
L) Margin/(surplus) of leverage: (J x 100)/11	39,732,610	28,438,931
M) Basel Ratio: RE x 100/(RSE/0.11)	14.45	13.79

22 Profit Sharing

The amount of R$ 180,101 was provided for employee and management profit sharing for the first six-month period of 2004 (R$ 68,407 in the same period of 2003).

23 Assets and Liabilities in Foreign Currencies

The balance sheet amounts in foreign currencies are as follows:

	BB – Domestic and Foreign Branches		BB - Consolidated	
	6.30.2004	**6.30.2003**	**6.30.2004**	**6.30.2003**
Assets				
Assets in foreign currencies recorded in Brazil (except investments)	25,426,264	18,625,461	24,362,644	16,627,266
Investments in foreign currencies recorded in Brazil	11,723	12,181	--	--
Assets in foreign currencies recorded abroad	35,257,131	28,656,376	28,032,939	21,972,041
Total	60,695,118	47,294,018	52,395,583	38,599,307
Liabilities				
Liabilities in foreign currencies recorded in Brazil	19,064,730	17,788,769	14,429,693	9,173,057
Liabilities in foreign currencies recorded abroad	40,688,164	29,449,490	37,023,666	29,383,232
Total	59,752,894	47,238,259	51,453,359	38,556,289

24 Management of Risk (Unaudited)

The integration of the market, liquidity, operating and credit risks of the Group was concluded during the first six months of 2004, and the Risk Management Unit was made responsible for the global management of risks. The increase in synergy of the processes and level of specialization provided by this integration provides, among other aspects, greater accuracy in measuring risks and efficiency in the investment of capital.

The Global Risk Committee (CRG) is responsible for the integrated view of the risks of the Bank and for defining exposure levels, contingency plans and risk measurement models.

Management of market risk and liquidity

The management of market risk and liquidity in Banco do Brasil is guided by a process of analysis of scenarios, including stress situations. Banco do Brasil separates the commercial and treasury operations from the trading operations, each with its own limits and strategies.

Interest rate risk

During the first six-month period, the Global Risk Committee approved a Resolution which establishes limits of the VaR for transactions in Brazilian reais at prefixed interest rates. Because of the increase in volatility of the domestic interest rates during this period, there was an increase in VaR and, consequently, an increase in capital requirements for such transactions.

The table below presents the behavior of the capital requirement and of the VaR for fixed rate instruments during the period:

Capital requirement /VaR (in R$ million)

Interest rate (fixed rate)	6.30.03	6.30.04	Minimum *	Medium *	Maximum *
Capital requirement	528	581	206	364	788
VaR	138	378	72	251	788

***** January to June 2004.

Exchange Risk

Banco do Brasil's policy is not to incur exposures in foreign currency that require capital for their coverage, remaining within the limits established by CMN Resolution 2891/01.

The Brazilian Central Bank has permitted the use of a methodology which considers exposures in the Euro, U.S. dollar, Swiss franc, Japanese yen, Pound sterling and Gold as a single currency, so as to incorporate the effect of the diversification in the calculation. Banco do Brasil adopted this measure to improve its management of the exchange exposure.

Liquidity risk

Banco do Brasil maintains comfortable liquidity levels as a result of its wide and diversified depositor base, the quality of its assets and the rigorous control over liquidity management.

In November 2003, as a result of the permanent improvement of the management of liquidity risk, the Global Risk Committee established the strategic index of Availability of Free Funds, to assure the balance between the evolution of the investments and funding from the commercial portfolio.

The Liquidity Contingency Plan should also be noted, which is an important instrument of liquidity risk management of Banco do Brasil, establishing actions and measures to be adopted in contingency situations.

Trading risk

Periodically, the Bank reviews the structure of the VaR limits, stress, maximum monthly loss, maximum daily loss, delta and twist of its domestic and foreign trading portfolios. The purpose is to adapt the limits established to the situation in the domestic and foreign markets.

The table below shows the VaR for domestic and international trading portfolios in the first six-month 2004:

VaR

Trading	6.30.03	6.30.04	Minimum *	Medium *	Maximum *
Domestic R$	122	59	1	63	239
International US$	275	349	175	378	865

(*) January to June 2004.

25 Retirement and Pension and Health Plans – Post-Employment Benefits

25.a) Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI are of defined contribution (Plano Previ Futuro) or defined benefit (Plan 1), the latter having adopted the capitalization method for actuarial calculations. At June 30, 2004, the number of participants was 127,501, of which 73,776 are active and 53,725 retired employees.

25.a.1) The funding of the vested and unvested benefits are summarized as follows:

a) Participants employed before April 14, 1967, contemplated in the contract signed on December 24, 1997 between the Bank and PREVI (Plan 1): The sponsor assumes the commitment for the payment of benefits for this group; the mathematical reserves which guarantee the benefits are not yet fully funded. The balance of the commitments assumed for this group of R$ 1,499,520 is fully provided by the Bank at June 30, 2004. The retirement benefit of this group is characterized as a defined benefit.

b) Participants employed between April 15, 1967 and December 23, 1997 (Plan 1): active participants contribute 3% of their contribution salary plus 2% of the amount of such salary that exceeds six-month of the PREVI contribution (R$ 2,057.53 at June 30, 2004), plus 8% of the amount of such salary that exceeds the PREVI contribution. Participants receiving benefits contribute 8% of the amount of the pension complement and the sponsor an amount equal to the contributions of the participants. The retirement benefit of this group is characterized as a defined benefit.

c) Participants employed as from December 24, 1997 (Plano Previ Futuro): active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, varying based on length of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants. The retirement benefit of this group is characterized as a defined contribution.

25.a.2) Effects of Benefit Plan 1, based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

	6.30.2004	6.30.2003
	Plan 1	Plan 1
1) Present value of actuarial liabilities with coverage	46,567,548	42,088,217
2) Present value of actuarial liabilities not covered	--	--
3) Present value of actuarial liabilities (1+2)	46,567,548	42,088,217
4) Fair value of the plan assets	(55,714,690)	(42,529,571)
5) Present value of liabilities in excess of (less than) the fair value of the assets (3 + 4)	(9,147,142)	(441,354)
6) Actuarial (gains) or losses not recognized	(6,739,118)	1,072,784
7) Net actuarial liability (asset) to be provided (5 – 6)	(2,408,024)	(1,514,138)

The Previ Futuro Plan, being a defined contribution plan, is not required to record actuarial assets or liabilities.

b) Amounts paid to PREVI:

	6.30.2004			6.30.2003		
	Plan 1	Plano Previ Futuro	Total	Plan 1	Plano Previ Futuro	Total
Sponsor contributions	217,507	16,538	234,045	166,473	10,283	176,756
Amounts paid to PREVI referring to the 1997 Contract	1,194,657	--	1,194,657	820,436	--	820,436
Total paid to PREVI	1,412,164	16,538	1,428,702	986,909	10,283	997,192

c) Effect on net income:

	6.30.2004			6.30.2003		
	Plan 1	**Plano Previ Futuro**	**Total**	**Plan 1**	**Plano Previ Futuro**	**Total**
1) Cost of current service (with interest)	150,756	32,264	183,020	178,496	20,064	198,560
2) Expected earnings on the plan assets	2,882,239	--	2,882,239	2,592,554	--	2,592,554
3) Interest on actuarial liabilities	2,380,132	--	2,380,132	2,544,742	--	2,544,742
4) Deferment of the net earnings from assets and liabilities as from June/2003 (2-3)	502,107	--	502,107	--	--	--
5) Total gross expense/(income) (1 – 2 + 3 +4)	150,756	32,264	183,020	130,684	20,064	150,748
6) Expected contributions from participants	82,136	16,553	98,689	99,664	10,295	109,959
7) Previ liability expense/(income) related to the 1997 contract	185,369	--	185,369	(187,158)	--	(187,158)
8) Subtotal net expense/(income) (5 – 6 + 7)	253,989	15,711	269,700	(156,138)	9,769	(146,369)
9) Previ management fee	10,870	827	11,697	8,324	514	8,838
10) Effect of the net expense/(income) (8 + 9)	264,859	16,538	281,397	(147,814)	10,283	(137,531)

25.a.3) The principal economic assumptions adopted for the actuarial calculations were the following:
- Real interest rate used for discounting actuarial liabilities to present value: 6.9% p.a.
- Real expected yield on plan assets: 6.9% p.a.
- Estimated salary increases: 1.5987% p.a. for Plan 1 and 3.1409% p.a. for Plano Previ Futuro

25.b) Benefits of sole responsibility of the Bank

Banco do Brasil is also responsible for assistance and pension benefits for employees employed before April 14, 1967, not covered by the PREVI Benefits Plan, with characteristics of a defined benefit plan, and the regime adopted for the actuarial calculations is that of capitalization. There were 7,985 participants at June 30, 2004.

The main benefits are: (a) retirement pensions to founder participants and pension payments to survivors of participants deceased prior to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in retirement benefits and pension payments in excess of those provided by the PREVI Benefit Plans, as a result of judicial and administrative decisions due to the restructuring of job and salary plans and incentives created by the Bank.

25.b.1) The cost of these benefits is totally funded by Banco do Brasil**.**

25.b.2) Effects on the financial statements based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	6.30.2004	6.30.2003
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	1,492,491	1,421,934
3) Present value of actuarial liabilities (1 + 2)	1,492,491	1,421,934
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,492,491	1,421,934
6) Actuarial (gains) or losses not recognized	229,713	171,690
7) Net actuarial liability/ (asset) to be provided (5 – 6)	1,262,778	1,250,244

b) Amounts paid to PREVI:

	6.30.2004	6.30.2003
Sponsor contributions	153,708	111,739

c) Effect on net income:

	6.30.2004	6.30.2003
1) Cost of current service (with interest)	--	--
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	73,244	82,242
4) Actuarial (gains) or losses	--	12,157
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	73,244	94,399

25.b.3) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 1 (item 25.a.3).

25.c) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses with the promotion, protection, recovery and rehabilitation of a member's health and of his/her inscribed beneficiaries. At June 30, 2004, there were 149,739 participants, of which 81,455 active and 68,284 retired participants and pensioners.

The Bank contributes monthly an amount equivalent to 150% of the total contributions from members (active and retired) and from pension beneficiaries of employees employed before December 23, 1997 and 100% of the total contributions from participants employed after that date. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

23.c.1) Effects of the CASSI Plan on the financial statements, based on actuarial appraisals as of December 31, 2002 and 2003 carried out by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

	6.30.2004	6.30.2003
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	2,389,460	1,831,412
3) Present value of actuarial liabilities (1 + 2)	2,389,460	1,831,412
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	2,389,460	1,831,412
6) Actuarial (gains) or losses not recognized	758,346	271,029
7) Net actuarial liability/(asset) to be provided (5 – 6)	1,631,114	1,560,383

b) Amounts paid to CASSI:

	6.30.2004	6.30.2003
Sponsor contributions	178,721	139,014

c) Effect on net income :

	6.30.2004	6.30.2003
1) Cost of current service (with interest)	11,887	10,511
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	121,879	110,856
4) Actuarial (gains) or losses	17,980	4,270
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 – 2 + 3 + 4 – 5)	151,746	125,637

25.c.2) The economic assumptions adopted for the actuarial calculations were the same as those applied to the PREVI Plan 1 (item 25.a.3).

25.d) Policy for the recognition of actuarial gains and losses

In accordance with CVM Deliberation 371, the actuarial gains or losses to be recognized as income or expense in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; and
- 10% of the fair value of plan assets.

This amount is being amortized annually over the estimated average time of service remaining for the participating employees.

25.e) Summary of the Provisions for the PREVI and CASSI Liabilities

6.30.2004				
	Net actuarial liability/ (asset) on 01.01.2004	**Expense (income) recorded in the income statement**	**Sponsor contributions in the 1st six-month**	**Net actuarial liability (asset) on 6.30.2004**
PREVI actuarial liability in respect of the 1997 contract	2,508,808	185,369	(1,194,657)	1,499,520
Adjustment account of the PREVI actuarial liability	(2,270,115)	68,620	(206,529)	(2,408,024)
PREVI actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,343,242	73,244	(153,708)	1,262,778
CASSI actuarial liability	1,593,117	151,746	(113,749)	1,631,114
Total	3,175,052	478,979	(1,668,643)	1,985,388

6.30.2003				
	Net actuarial liability/ (asset) on 01.01.2003	**Expense (income) recorded in the income statement with actuarial adjustments**	**Sponsor contributions in the 1st six-month**	**Net actuarial liability (asset) on 6.30.2003**
PREVI actuarial liability in respect of the 1997 contract	3,852,117	(187,158)	(820,436)	2,844,523
Adjustment account of the PREVI actuarial liability	(2,044,167)	688,179	(158,150)	(1,514,138)
PREVI actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,267,584	94,399	(111,739)	1,250,244
CASSI actuarial liability	1,515,233	125,637	(80,487)	1,560,383
Total	4,590,767	721,057	(1,170,812)	4,141,012

25.f) PREVI contributions parity

In order to comply with the Federal Constitution, a parity was established as from April 6, 2001 between the contributions from the Bank and from participants.

On April 12, 2001, the Judge of the Seventh Federal Court of the Federal District granted a partial injunction for a claim filed by the São Paulo Bank Employees Union against the Secretariat of Complementary Retirement Benefits and against the Fiscal Director appointed by the Secretariat for PREVI.

The injunction suspends the decision issued by the Fiscal Director on April 6, 2001 which authorizes the use of R$ 2.2 billion attributable to Banco do Brasil's share in PREVI's remaining reserve balances, after the implementation of the parity, to amortize the pension liability with the entity that is the Bank's responsibility, retroactive to December 15, 2000.

While the injunction is in effect, the decision of the Fiscal Director cannot be carried out.

The readjusted amount of the initial R$ 2.2 billion totals R$ 4.3 billion at June 30, 2004.

A decision on October 17, 2003 partially granted the request by the São Paulo Bank Employees Union to exclude from the implementation of the contribution parity the retired beneficiaries who had already been receiving supplementary benefits from PREVI, as well as the insured employees who had already enrolled in PREVI prior to the enactment of Constitutional Amendment 20/98, which instituted the pension reform.

The compliance with the sentence (the re-establishment of the contribution in the proportion of 2 to 1) has been prevented by the Suspension of Injunction (Process 2004.01.06.024554-1), requested by the Government and granted by the President of the Federal Court of Appeals – 1st Region, on June 17, 2004. For this reason, Banco do Brasil maintains the parity between the contributions from the sponsor and the contributions from the participants.

26 Compensation Paid to Employees and Management

The monthly compensation of employees and management of the Bank in Brazil is presented below (in reais) in the format required by item 4, Section C of Ministry of Finance Statement of Justification 139/88:

	1st six months 2004	1st six months 2003
Lowest salary:		
Standard amount	719.10	638.40
Semiannual bonus	179.77	159.60
Total	898.87	798.00
Highest salary:		
Standard amount	995.10	883.50
Amount per individual/Supplement for length of service – I	345.45	621.19
Amount per individual – Standard amount	1,054.71	1,586.90
Variable temporary supplement – Commissioned position	9,609.83	7,329.12
Additional per function	2,393.70	2,125.80
Additional for temporary work updated	1,485.90	1,319.40
Semiannual bonus	1,568.71	1,634.19
Total	17,453.40	15,500.10
Average salary	2,842.95	4,733.46
Management		
President	22,745.70	20,200.20
Vice-President	20,493.60	18,200.10
Director	17,453.40	15,500.10

27 Assignment of Employees to External Organizations

27.a) With costs for the Bank:

a) Federal Government

Assignments are regulated by article 93 of Law 8112/90 (amended by Law 9257/97), by Decree 925/93, and by PGFN/CJN Note 088/96 issued by the General Counsel of the Federal Treasury.

	1st six months 2004	1st six months 2003
Number of employees assigned	15	7
Cost for the period	1,253	374

b) Labor Unions

Assignments occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

	1st six months 2004	1st six months 2003
Number of employees assigned	111	93
Cost for the period	3,820	2,576

c) Other Organizations/Entities

Assignments occur as a result of agreements of strategic business interest of the Bank:

	1st six months 2004	1st six months 2003
Number of employees assigned	3	3
Cost for the period	433	384

27.b) Without cost to the Bank

	1st six months 2004	1st six months 2003
a) Federal, State and Municipal Governments	331	319
b) External organizations	617	615
c) Labor unions	--	1
d) Employee entities	32	29
e) Subsidiary and associated companies	290	34
Total employees assigned	1,399	1,101

28 Commitments, Responsibilities and Contingencies

28.a) Contingent liabilities

The Bank and its subsidiaries are parties in lawsuits involving labor, civil, tax and social security contingencies.

The Bank classifies contingencies as remote, possible and probable, based on the possibilities of loss determined after a legal update of each claim. This procedure complies with Statement XXII - Contingencies issued by the Institute of Independent Auditors of Brazil – IBRACON, which requires a provision for the total amount of the contingencies classified as probable, and does not require a provision to be recorded for those classified as possible and remote.

The provisions for claims are recorded taking into consideration the possibility of success by the plaintiff in the lawsuit against the Bank/subsidiary.

The provisions for labor claims are recorded considering, also, the jurisprudence applicable to each claim.

The details of the contingent liabilities at June 30, 2004, segregated by nature of claim and classification of loss, as well as the provisions recorded, whose changes are shown in Note 7, are the following:

	BB – Domestic and Foreign Branches		BB - Consolidated	
	Amount	Provision	Amount	Provision
Labor claims	**2,238,885**	**1,891,235**	**2,238,947**	**1,891,297**
Probable loss	1,891,235	1,891,235	1,891,297	1,891,297
Possible loss	347,650	--	347,650	--
Tax claims	**201,075**	**124,272**	**201,796**	**124,329**
Probable loss	124,272	124,272	124,329	124,329
Possible loss	76,803	--	77,467	--
Civil claims	**1,576,896**	**659,030**	**1,616,688**	**686,124**
Probable loss	659,030	659,030	686,124	686,124
Possible loss	917,866	--	930,564	--
Social security claims	**8**	**8**	**8**	**8**
Probable loss	8	8	8	8
Possible loss	--	--	--	--

28.b) Contingent tax assets

28.b.1) The Bank has filed lawsuits for reimbursement of taxes unduly paid, the most important being:

- Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st six months of 1992, in the amount of R$ 10,084;
- Tax on Financial Transactions (IOF) – Law 8033/90 (Price-level restatement), in the amount of R$ 157,596;
- Unconstitutionality of the payment of Social Contribution on Net Income during 1998 - Law 7.689/88, in the amount of R$ 235,174.

28.b.2) The Bank recorded R$ 564,621 as a credit to income relating to the recognition of the right to offset tax credits (FINSOCIAL) in a final unappelable decision. R$ 208,163 was recorded an Recovery of Charges and Expenses (principal) and R$ 356,458 thousand in Other Operating Income (interest), as shown in Note 15.d.

28.c) Other commitments

28.c.1) 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.

28.c.2) Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries – guarantees, sureties and bonds - amounted to R$ 4,098,471 at June 30, 2004 (R$ 2,489,677 at June 30, 2003). A provision of R$ 35.790 has been recorded and is considered sufficient to cover any potential loss arising on these guarantees.

28.c.3) Available credit lines for loan and lease operations amount to R$ 19,876,701 at June 30, 2004 (R$ 15,969,221 at June 30, 2003).

28.c.4) The confirmed import and export letters of credit total R$ 1,023,128 at June 30, 2004 (R$ 1,282,916 at June 30, 2003).

28.c.5) The Bank is the operator of the Fund for Sectorial Investments (FISET), with net assets of R$ 2,296 (R$ 2,304 at June 30, 2003), and is the manager of the Public Service Employee Savings Program (PASEP), with net assets of R$ 1,269,803 at June 30, 2004 (R$ 1,284,527 at June 30, 2003). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

28.c.6) 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.

29 Statement of Added Value

	BB – Domestic and Foreign Branches				BB - Consolidated			
	1st six months 2004		1st six months 2003		1st six months 2004		1st six months 2003	
DESCRIPTION		%		%		%		%
Added Value Calculation								
Net income from financial intermediation	4,622,130		3,875,585		4,834,448		3,974,281	
Banking service fees	2,964,222		2,400,458		3,195,307		2,561,107	
Other operating income (expenses), net	(1,773,229)		393,435		(1,878,700)		413,586	
Non-operating income, net	54,319		76,646		54,803		92,092	
Added Value	5,867,442		6,746,124		6,205,858		7,041,066	
Equity in the earnings (loss) of subsidiary and associated companies	630,965		(873,227)		463,300		(1,036,198)	
Gross Added Value	6,498,407		5,872,897		6,669,158		6,004,868	
Depreciation and amortization	(248,721)		(236,543)		(252,709)		(238,138)	
Added Value to Be Distributed	6,249,686	100.00	5,636,354	100.00	6,416,449	100.00	5,766,730	100.00
Distribution of Added Value								
Employees	3,314,639	53.04	2,723,087	48.31	3,347,541	52.17	2,745,348	47.61
Salaries and fees	2,351,086		1,909,543		2,376,132		1,926,643	
Benefits, social charges, and training	783,452		745,137		790,496		750,249	
Employee profit sharing	180,101		68,407		180,913		68,456	
Governments	1,514,295	24.23	1,834,372	32.55	1,648,156	25.69	1,942,487	33.68
Brazil	1,486,871	23.79	1,802,862	31.99	1,619,841	25.25	1,906,477	33.06
Social security contributions (INSS) on salaries	356,734		310,622		360,087		313,063	
Tax expenses (except income tax and social contribution on net income)	629,789		506,012		672,523		529,169	
Income tax/social contribution on net income	500,348		986,228		587,231		1,064,245	
Foreign	27,424	0.44	31,510	0.56	28,315	0.44	36,010	0.62
Tax expenses (except income tax and	6,029		4,423		6,347		4,571	

DESCRIPTION	BB – Domestic and Foreign Branches				BB - Consolidated			
	1st six months 2004	%	1st six months 2003	%	1st six months 2004	%	1st six months 2003	%
social contribution on net income)								
Income tax and social contribution on net income	21,395		27,087		21,968		31,439	
Stockholders	1,420,752	22.73	1,078,895	19.14	1,420,752	22.14	1,078,895	18.71
Interest on own capital of the Federal Treasury	323,070		234,618		323,070		234,618	
Interest on own capital of other stockholders	126,888		87,298		126,888		87,298	
Retained earnings	970,794		756,979		970,794		756,979	
Added Value Distributed	6,249,686	100.00	5,636,354	100.00	6,416,449	100.00	5,766,730	100.00

30 Statement of Cash Flows

	BB - Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Cash flows from operating activities				
Net income	1,420,752	1,078,895	1,420,752	1,078,895
Depreciation and amortization	248,721	236,543	252,709	238,136
Depreciation of leased assets	(169)	--	65,709	83,449
Amortization of losses	--	--	2,190	1,111
Equity in the (earnings) loss of subsidiary and associated companies	(630,965)	873,227	(463,300)	1,036,198
Foreign exchange gains (losses)	187,367	(650,766)	300,047	(1,028,067)
(Gains)/losses, changes in the percentage ownership of investments	--	--	--	69
(Gain)/losses on investments	(41)	125	(41)	125
(Income)/loss on the sale of assets and investments	17	19	(772)	(7,821)
Excess depreciation	--	--	23,890	23,782
Amortization of share premium	--	--	4,832	4,832
Additional /(reversal) provision for loss of other assets	--	--	(66)	(252)
Additional/(reversal) provision for loss of tax incentive investments	--	--	(34)	(70)
Additional/(reversal) provision for loss on investments	(227)	3,247	(20,229)	(3,859)
Disposals of fixed assets	90,776	15,511	90,776	15,511
Disposals of investments	--	6	--	6
Disposals of other assets	293	2,203	293	2,203
Other adjustments	1,855	(1,722)	(2,594)	(724)
Increase in capital of subsidiaries	(92,050)	(4,772)	(92,050)	(5,076)
Loan operations	(3,580,798)	(5,705,646)	(3,649,957)	(5,246,791)
Lease operations	(4,261)	--	6,709	30,157
Interbank and interdepartmental accounts	(990,400)	(1,946,804)	(990,605)	(1,921,692)
Other receivables	(4,875,958)	(2,824,069)	(4,886,951)	(816,053)
Changes in deferred income	11,409	--	11,262	--
Adjustment to market value – securities and derivatives	(279,061)	916,712	(279,061)	916,712
Revaluation reserve through equity accounting	(42)	--	(42)	--
Net cash used in operating activities	(8,492,782)	(8,007,291)	(8,206,533)	(5,599,219)
Cash flows from financing activities				
Deposits	(8,051,791)	4,351,295	5,781,672	2,627,388
Borrowings and onlendings	4,568,545	(3,657,530)	4,879,190	(4,505,318)

	BB - Domestic and Foreign Branches		BB - Consolidated	
	1st six months 2004	1st six months 2003	1st six months 2004	1st six months 2003
Deposits received under security repurchase agreements	(2,777,062)	(6,993,639)	(2,931,534)	(6,859,511)
Derivative financial instruments	1,466,806	(26,497)	1,462,657	(40,943)
Other liabilities	(14,277,668)	8,095,442	(13,707,021)	6,210,269
Funds from acceptance and issue of securities	(211,428)	15,265	(240,011)	18,067
Interest on own capital proposed	(449,958)	(321,916)	(449,958)	(321,916)
Net cash provided by (used in) financing activities	(19,732,556)	1,462,420	(5,205,004)	(2,871,964)
Cash flows from investing activities				
Dividends received from subsidiary and associated companies	120,954	69,710	92,514	67,321
Interest on own capital receivable	5,649	17,888	17,623	17,346
Purchases of non-operating assets	30,909	31,198	31,361	33,539
Purchases of fixed assets for use	388,957	29,723	388,957	30,144
Purchases of leased assets	--	--	23,324	36,878
Investments	502	618	502	17,261
Adjustment to market value of associated companies	93,979	(68,515)	211,557	(19,961)
Disposal of assets not in use	(23,016)	(22,629)	(23,445)	(23,189)
Disposal of fixed assets in use	(235,592)	(95,053)	(236,087)	(95,053)
Disposal of leased assets	(16,905)	--	(188,317)	(40,735)
Disposal of investments	(348,440)	(8,862)	(348,969)	(14,301)
Expenditures in deferred charges	(109,389)	(58,501)	(142,584)	(57,999)
Short-term interbank deposits	33,503,628	3,510,003	18,932,521	5,416,166
Marketable securities and derivative financial instruments	(66,361)	(1,794,968)	(264,531)	(1,803,151)
Other assets	(47,768)	11,112	(31,448)	7,617
Cash provided by (used in) investing activities	33,297,107	1,621,724	18,462,978	3,571,883
Net increase (decrease) in cash and cash equivalents	5,071,769	(4,923,147)	5,051,441	(4,899,300)
Change in cash and cash equivalents:				
At the beginning of the period	10,741,667	11,569,820	10,789,242	11,582,061
At the end of the period	15,813,436	6,646,673	15,840,683	6,682,761
Net increase (decrease) in cash and cash equivalents	5,071,769	(4,923,147)	5,051,441	(4,899,300)

31 Other Information

The Board of Directors approved in February 16, 2004 a proposal which authorized the Executive Board to make a Public Purchase Offer for the Series “B” and “C” subscription bonuses and the Private Issue of Shares, as already advised by the Significant Events Notice issued on February 17, 2004.

On July 8, 2004, the Executive Board approved the conditions and terms of the two transactions, as detailed in the announcement published on 7.12.2004:

a) offer to purchase all the “B” and “C” bonuses (213,591,542 and 355,986,440, respectively) at the price of R$ 2.65 for series “B” and R$ 2,82 for series “C”; and

b) private issue of 70,525,577 common shares at R$ 22.26. Oversubscriptions will be cancelled. This represents R$ 1,569,899,344.02 and is intended to finance the Public Purchase Offer.

The special clause in the minutes of the Extraordinary General Meeting (EGM) of stockholders which approved the issue of the bonuses establishes that the holders of series "B" subscription bonuses may exercise the right included in these securities – with the amendments arising from the conversion of preferred shares into common shares (EGM of July 7, 2002) and the grouping of shares (EGM of December 11, 2003). Accordingly, if the bonus holder opts not to sell his/her position, he/she may exercise his/her right by paying the price of R$ 8.50, restated by the IGP-DI index, and receiving in exchange 1.043933 share per bonus. At June 30, 2004, this was equivalent to R$ 20.29 per bonus.

Both the Public Purchase Offer for the subscription bonuses and the Private Issue of Shares may receive confirmations and purchase requests from July 12, 2004 to August 8, 2004. The formalization of these transactions, as well as the exercise of the “B” bonus, are subject to the purchase of at least 90% of the existing bonuses and the subscription of at least 90% of the private issue.

On July 7, 2004, the Bank issued a Significant Events Notice advising that the minimum percentage of 90% of acceptance had been achieved, according to the conditions in items 2.1.g and 2.1.j of the respective announcements.

(A free translation of the original in Portuguese)

Banco do Brasil S.A.

Financial Statements at December 31, 2003 and 2002 and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

To the Board of Directors and Stockholders
Banco do Brasil S.A.

1 We have audited the financial statements of Banco do Brasil S.A. (the Bank) and Banco do Brasil S.A. and subsidiary companies (consolidated) as of December 31, 2003 and 2002 and for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements. The liabilities for complementary post-employment benefits regarding retirement, pension and medical assistance plans were recorded by Banco do Brasil S.A. based on actuarial calculations prepared by an independent actuary and information regarding assets maintained by Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI, which was audited by other independent auditors (Note 24). Our report, insofar as it relates to the adequacy of the post-employment benefit liabilities, is based exclusively on the calculations of the actuary and on the reports of the other independent auditors.

2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank and its subsidiary companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and the significant estimates made by the Bank's management, as well as evaluating the overall financial statement presentation.

3 Based on our audits, the reports of other independent auditors and the actuarial calculations prepared by the independent actuary, as mentioned in paragraph 1, in our opinion, the financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. and Banco do Brasil S.A. and its subsidiary companies at December 31, 2003 and 2002, and the results of operations, the changes in stockholders' equity and the changes in financial position of the Bank, as well as the consolidated results of operations and consolidated changes in financial position for the years then ended and for the second half of 2003, in conformity with accounting practices adopted in Brazil.

4 The statements of added value and cash flows, which are presented in Notes 29 and 30, respectively, to provide supplementary information about Banco do Brasil S.A. and Banco do Brasil S.A. and its subsidiary companies, are not required as an integral part of these financial statements. These statements have been submitted to the audit procedures described in paragraph 2 and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

5 As described in Note 24, to comply with the requirements of Constitutional Amendment 20/98, which regulates the parity between sponsors and participants of closed private pension entities sponsored by public entities, the Bank reduced its contribution to an amount equivalent to the contributions made by the beneficiaries of Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI. Additionally, the Bank is waiting for the outcome of an injunction against the decision of the Fiscal Director nominated by the Secretariat of Complementary Benefits, which confirmed the parity of the contribution and determined the use of the surplus of the entity to amortize the pension liability. At the time of the closing of this legal proceeding, a new actuarial calculation will be made to assess the impact on the pension liabilities of Banco do Brasil S.A. in compliance with the specifications of Brazilian Securities Commission (CVM) Deliberation 371. The judicial confirmation of the decision of the Fiscal Director may result in significant impacts to the financial statements of Banco do Brasil.

6 As described in Note 17, the Bank has recorded deferred income tax and social contribution assets based on tax losses, temporary differences and social contribution available for offset, which amount, at December 31, 2003, to R$ 9,406 million in the Bank. These tax benefits may be used to offset future taxable income, subject to the generation of sufficient income to assure their realization. Due to the significance of the amounts involved, the Bank has adopted the accounting practice of writing down the deferred income tax and social contribution assets such that the charge for income tax and social contribution of the period is at least equal to the amount determined using the current tax rates (currently 34%) of income before taxes, regardless of the generation of taxable income.

7 As mentioned in Note 16, the Bank has an injunction to offset the full amount of taxable income with income tax and social contribution loss carryforwards. The injunction is currently under discussion in court and, if the Bank obtains an unfavorable decision, the amount of the related judicial deposits recorded as assets, net of a provision totaling R$ 3,121 million, will be written off against income. In the event of an unfavorable decision, a deferred tax asset would also be recorded for this amount, subject to an analysis of its expected future realization at the time it is recorded.

Brasília, February 13, 2004

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" DF

Paulo Sergio Miron
Contador CRC 1SP173647/O-5 "S" DF

(A free translation of the original in Portuguese)
Banco do Brasil S.A.
Financial statements
(in thousands of reais)

B A L A N C E S H E E T

A S S E T S	BB-Domestic Branches 12.31.2003	BB-Domestic Branches 12.31.2002	BB-Consolidated 12.31.2003	BB-Consolidated 12.31.2002
CURRENT ASSETS……..	139,072,370	109,464,913	117,058,555	106,205,493
Available funds ……..	10,741,667	11,569,820	10,789,242	11,582,061
Short-term interbank investments.....……(Note 4).....	54,804,214	22,192,378	31,510,051	17,758,957
Open market investments	5,092,029	10,190,151	5,033,741	10,124,855
Interbank deposits	49,712,185	12,002,227	26,476,310	7,634,102
Marketable securities.....……..…(Note 5).....…	11,238,850	14,824,522	12,058,573	15,376,280
Own portfolio	6,473,377	4,377,733	7,292,094	4,918,501
Subject to repurchase commitments	3,102,047	9,794,716	3,103,355	9,810,837
Restricted deposits - Central Bank	1,248,325	22	1,273,588	22
Restricted to guarantees provided	21,837	363,207	21,837	366,707
Derivative financial instruments.……	393,264	288,844	367,699	280,213
Interbank accounts	18,660,557	18,155,919	18,665,722	18,177,517
Payments and receipts pending settlement	77,533	113,624	82,698	135,222
Restricted deposits				
Central Bank deposits	18,476,910	17,970,515	18,476,910	17,970,515
National Treasury - rural credit receivable	2,384	15,224	2,384	15,224
SFH - National Housing Financing System	1,483	1,363	1,483	1,363
Interbank onlendings	5,506	10,231	5,506	10,231
Correspondent banks	96,741	44,962	96,741	44,962
Interdepartmental accounts	33,904	270,189	33,904	270,189
Internal transfers of funds	33,904	270,189	33,904	270,189
Lending operations	31,197,329	26,947,330	31,657,757	27,531,385
Lending operations				
Public sector …(Note 6a)	438,061	624,703	486,330	986,636
Private sector ...(Note 6a)	32,618,152	27,826,672	33,052,137	28,083,318
(Allowance for loan losses) ….…....(Note 6e)	(1,858,884)	(1,504,045)	(1,880,710)	(1,538,569)
Leasing operations	724	--	3,989	44,788
Leases and subleases receivable				
Public sector	--	--	--	20,757
Private sector	1,781	--	170,267	213,663
(Unearned income from leasing operations)	-1,042	--	-152,554	-179,530
(Allowance for leasing losses)…….....……(Note 6e)....	-15	--	-13,724	-10,102
Other receivables	12,166,122	15,253,124	12,106,757	15,209,996
Receivables on guarantees honored	11,296	20,184	11,296	20,184
Foreign exchange portfolio ……..(Note 8a)….....	8,859,458	10,160,566	8,859,458	10,160,566
Income receivable	479,011	279,567	362,611	217,615
Negotiation and intermediation of securities	27,053	4,054	88,314	16,568
Specific credits ……..(Note 8b).....	247,091	216,859	247,091	216,859
Special operations	1,355	1,366	1,355	1,366
Sundry ……...(Note 8c).....	3,663,332	4,913,638	3,662,821	4,943,672
(Allowance for other losses)…….....(Note 6e)…...	(1,122,474)	-343,110	(1,126,189)	-366,834
Other assets	229,003	251,631	232,560	254,320
Shareholdings……	4	--	4	--
Other assets ……..(Note 9).....	404,106	407,548	411,966	410,093
(Allowance for losses)	-196,052	-198,521	-203,565	-200,105
Prepaid expenses	20,945	42,604	24,155	44,332

(continued)

LONG-TERM RECEIVABLES	106,876,499	92,685,599	108,573,134	94,039,019
Interbank investments (Note 4)	1,592,612	277,785	1,897,379	5,164
Open market investments	58,068	--	58,068	--
Interbank deposits	1,534,544	277,785	1,839,311	5,164
Marketable securities (Note 5)	56,883,159	54,831,762	57,531,567	55,566,477
Own portfolio	10,068,317	14,567,033	10,590,226	15,225,416
Subject to repurchase commitments	36,216,661	30,243,750	36,343,160	30,318,263
Restricted deposits - Central Bank	10,074,054	9,642,917	10,074,054	9,642,917
Restricted to guarantees provided	524,127	368,260	524,127	368,260
Derivative financial instruments	--	9,802	--	11,621
Lending operations	33,332,759	23,176,515	33,933,696	23,875,931
Lending operations				
Public sector (Note 6a)	3,869,681	4,610,798	3,877,785	4,630,621
Private sector (Note 6b)	31,242,211	19,927,833	32,155,324	20,909,205
(Allowance for loan losses) (Note 6e)	(1,779,133)	(1,362,116)	(2,099,413)	(1,663,895)
Leasing operations	1,109	--	8,526	17,473
Leases and subleases receivable				
Private sector	1,689	--	157,677	203,782
(Unearned income from leasing operations)	(580)	--	(146,119)	(181,480)
(Allowance for leasing losses) (Note 6e)	--	--	(3,032)	(4,829)
Other receivables	15,066,860	14,399,537	15,201,966	14,573,974
Receivables on guarantees honored	18,989	17,872	18,989	17,872
Income receivable	37,939	81,450	38,048	81,559
Specific credits (Note 8b)	247,091	216,859	247,091	216,859
Special operations	--	3,221	--	3,221
Sundry (Note 8c)	14,873,151	14,211,717	15,017,178	14,396,035
(Allowance for other losses) (Note 6e)	(110,310)	(131,582)	(119,340)	(141,572)

(continued)

PERMANENT ASSETS	7,055,935	6,825,928	4,512,758	4,350,096
Investments	3,815,594	3,998,968	877,849	970,394
Investments in associated and subsidiary companies...(Note 18):				
Local	2,237,334	1,999,989	881,143	728,204
Foreign	1,538,080	1,968,046	--	280,728
Other investments	195,122	186,524	231,720	229,684
(Allowance for losses)	(154,942)	(155,591)	(235,014)	(268,222)
Property and equipment in use	2,884,551	2,536,453	2,886,378	2,539,215
Land and buildings in use	2,209,268	2,219,830	2,210,842	2,221,655
Other property and equipment in use	3,672,465	3,066,594	3,680,505	3,076,324
(Accumulated depreciation)	(2,997,182)	(2,749,971)	(3,004,969)	(2,758,764)
Leased assets	1,463	--	392,701	547,298
Leased assets	1,473	--	509,877	668,071
(Accumulated depreciation)	(10)	--	(117,176)	(120,773)
Deferred charges	354,327	290,507	355,830	293,189
Organization and expansion costs	666,332	562,064	677,268	574,150
(Accumulated amortization)	(312,005)	(271,557)	(321,438)	(280,961)
TOTAL	253,004,804	208,976,440	230,144,447	204,594,608

B A L A N C E S H E E T

L I A B I L I T I E S/S T O C K H O L D E R S' E Q U I T Y	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	**12.31.2002**	**12.31.2003**	**12.31.2002**
CURRENT LIABILITIES	**198,500,330**	**156,731,515**	**174,735,606**	**152,613,071**
Deposits (Note 10)	116,865,212	89,143,119	96,559,931	88,054,124
Demand deposits	27,017,936	24,303,771	27,140,084	24,342,264
Savings deposits	27,425,394	26,917,763	27,425,394	26,917,763
Interbank deposits	25,545,342	4,915,730	5,036,526	3,660,252
Time deposits	36,876,540	33,005,855	36,957,927	33,133,845
Funds obtained in the open market	36,336,564	44,289,465	35,877,964	44,018,055
Own portfolio	34,507,481	33,864,133	34,048,881	33,598,399
Third-party portfolio	1,829,083	10,425,332	1,829,083	10,419,656
Funds from acceptances and issuance of securities (Note 28)	857,943	367,858	842,410	367,507
Foreign marketable securities	857,943	367,858	842,410	367,507
Interbank accounts	12,294	60,804	17,475	74,075
Receipts and payments pending settlement	12,294	55,614	17,475	68,885
Correspondent banks	--	5,190	--	5,190
Interdepartmental accounts	1,834,267	1,366,391	1,834,267	1,366,391
Third-party funds in transit	1,815,675	1,365,584	1,815,675	1,365,584
Internal transfers of funds	18,592	807	18,592	807
Borrowings (Note 11)	9,451,116	5,798,736	6,321,564	3,422,040
Foreign borrowings	9,451,116	5,798,736	6,321,564	3,422,040
Local onlendings - official institutions (Note 12)	1,492,556	820,998	1,496,236	828,920
National Treasury	1,491,415	779,148	1,491,415	779,148
BNDES - National Economic Development Bank	--	1,155	--	1,155
CEF - Federal Savings and Loan Bank	--	2	--	2
FINAME - National Industrial Financing Authority	--	39,587	3,576	46,793
Other institutions	1,141	1,106	1,245	1,822
Foreign onlendings	92,799	--	1,655	--
Foreign onlendings	92,799	--	1,655	
Derivative financial instruments (Note 5b)	530,603	722,946	524,340	730,315
Derivative financial instruments	530,603	722,946	524,340	730,315
Other liabilities	31,026,976	14,161,198	31,259,764	13,751,644
Collection of taxes and social contributions	271,320	186,684	271,560	187,004
Foreign exchange portfolio (Note 13a)	22,763,324	4,414,132	22,407,272	4,414,132
Social and statutory	584,011	346,639	584,580	346,639
Taxes and social security charges	628,156	952,443	886,926	1,189,809
Negotiation and intermediation of securities (Note 28)	361,119	255,879	430,725	280,356
Financial and development funds (Note 13b)	42,799	21,526	42,799	21,526
Special operations	2,400	2,365	2,400	2,365
Sundry (Note 13d)	6,373,847	7,981,530	6,633,502	7,309,813

LONG-TERM LIABILITIES	42,206,711	42,946,256	43,110,760	42,682,091
Deposits (Note 10)	11,927,674	9,444,291	13,453,740	9,199,195
Interbank deposits	712,854	460,722	2,238,920	215,626
Time deposits	11,214,820	8,983,569	11,214,820	8,983,569
Funds obtained in the open market	4,116,082	4,309,198	4,185,281	4,309,198
Own portfolio	3,413,205	4,253,888	3,482,404	4,253,888
Third-party portfolio	702,877	55,310	702,877	55,310
Funds from acceptances and issuance of securities (Note 28)	794,310	706,500	794,310	685,816
Foreign marketable securities	794,310	706,500	794,310	685,816
Borrowings (Note 11)	3,934,544	10,001,007	3,660,344	10,010,000
Foreign Borrowings	3,934,544	10,001,007	3,660,344	10,010,000
Local onlendings - official institutions (Note 12)	5,957,062	5,092,152	5,962,061	5,092,152
National Treasury	337,928	402,003	337,928	402,003
BNDES - National Economic Development Bank	2,931,961	2,569,501	2,931,961	2,569,501
CEF - Federal Savings and Loan Bank	--	14	--	14
FINAME - National Industrial Financing Authority	2,131,742	1,739,933	2,136,741	1,739,933
Other institutions	555,431	380,701	555,431	380,701
Foreign onlendings	749,926	278,429	--	2,239
Foreign onlendings	749,926	278,429	--	2,239
Derivative financial instruments (Note 5b)	1,185	3,471	8,536	12,530
Derivative financial instruments	1,185	3,471	8,536	12,530
Other liabilities	14,725,928	13,111,208	15,046,488	13,370,961
Taxes and social security charges	49	35	21,412	35
Negotiation and intermediation of securities (Note 28)	3,620,571	3,551,620	3,623,312	3,551,620
Financial and development funds (Note 13b)	1,700,921	1,754,922	1,700,921	1,754,922
Subordinated debts (Note 13e)	4,990,609	4,180,032	4,990,609	4,180,032
Sundry (Note 13d)	4,413,778	3,624,599	4,710,234	3,884,352
DEFERRED INCOME	125,965	101,604	126,283	102,381
Deferred income	125,965	101,604	126,283	102,381
STOCKHOLDERS' EQUITY (Note 15)	12,171,798	9,197,065	12,171,798	9,197,065
Capital	8,366,189	7,435,544	8,366,189	7,435,544
Local residents	8,343,671	7,433,152	8,343,671	7,433,152
Foreign residents	22,518	2,392	22,518	2,392
Capital reserves	4,754	4,754	4,754	4,754
Revaluation reserves	24,367	24,762	24,367	24,762
Retained earnings	3,674,443	2,968,599	3,674,443	2,968,599
Adjustments to market value - marketable securities and derivative financial instruments (Note 15)	227,824	(1,110,815)	227,824	(1,110,815)
(Treasury stock)	(125,779)	(125,779)	(125,779)	(125,779)
TOTAL	253,004,804	208,976,440	230,144,447	204,594,608

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)
Banco do Brasil S.A.
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(in thousands of reais)

STATEMENT OF INCOME

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	**Year 2003**	**Year 2002**	**2nd half 2003**	**Year 2003**	**Year 2002**
REVENUE FROM FINANCIAL INTERMEDIATION	18,006,429	33,267,251	36,235,125	18,154,501	33,624,646	36,726,598
Lending operations	8,425,811	15,997,734	13,558,714	8,482,567	16,166,579	13,827,503
Commercial leasing	77	77	--	38,668	83,123	106,072
Marketable securities	7,585,305	15,682,840	15,457,003	7,640,886	15,800,842	15,547,946
Financial instruments and derivatives	(318,881)	(531,702)	(1,622,182)	(334,588)	(546,770)	(1,663,620)
Foreign exchange	1,528,270	436,686	8,215,036	1,541,121	439,256	8,282,143
Compulsory investments	785,847	1,681,616	626,554	785,847	1,681,616	626,554
EXPENSES FROM FINANCIAL INTERMEDIATION	(12,228,014)	(23,600,013)	(28,235,425)	(12,136,634)	(23,618,357)	(28,655,368)
Deposits and funds obtained in the open market	(8,415,586)	(17,542,461)	(13,483,916)	(8,328,215)	(17,496,896)	(13,616,658)
Borrowings and onlendings	(2,211,567)	(2,865,418)	(11,997,637)	(2,197,655)	(2,856,036)	(12,030,091)
Allowance for credit losses (Note 6e)	(1,600,861)	(3,192,134)	(2,753,872)	(1,610,764)	(3,265,425)	(3,008,619)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	5,778,415	9,667,238	7,999,700	6,017,867	10,006,289	8,071,230
OTHER OPERATING INCOME (EXPENSES)	(3,388,524)	(5,191,316)	(4,901,013)	(3,598,055)	(5,433,471)	(4,881,309)
Services rendered (Note 14a)	2,734,244	5,141,849	4,131,690	2,923,090	5,491,433	4,453,519
Personnel expenses (Note 14b)	(3,754,274)	(6,759,441)	(5,505,293)	(3,781,765)	(6,811,750)	(5,547,620)
Other administrative expenses (Note 14c)	(2,366,809)	(4,476,471)	(4,062,886)	(2,385,312)	(4,514,153)	(4,096,755)
Taxes	(562,609)	(1,071,312)	(779,565)	(595,504)	(1,127,517)	(819,668)
Equity in the earnings of associated and subsidiary companies (Note 18)	505,866	(369,821)	2,471,970	396,881	(642,379)	2,303,634
Other operating income (Note 14d)	1,604,425	6,485,347	1,637,986	1,614,740	6,553,079	1,679,177
Other operating expenses (Note 14e)	(1,549,367)	(4,141,467)	(2,794,915)	(1,770,185)	(4,382,184)	(2,853,596)
OPERATING PROFIT	2,389,891	4,475,922	3,098,687	2,419,812	4,572,818	3,189,921
NON-OPERATING INCOME (Note 14f)	37,619	114,286	166,704	56,420	148,576	170,689
Non-operating income	93,482	203,796	289,546	123,461	250,142	320,130
Non-operating expenses	(55,863)	(89,510)	(122,842)	(67,041)	(101,566)	(149,441)
INCOME BEFORE TAXES AND PROFIT SHARING	2,427,510	4,590,208	3,265,391	2,476,232	4,721,394	3,360,610
INCOME TAX AND SOCIAL CONTRIBUTION (Note 16)	(921,567)	(1,936,963)	(1,092,839)	(969,200)	(2,067,011)	(1,188,058)
Allowance for income tax	(660,729)	(1,344,762)	(655,171)	(692,416)	(1,433,454)	(729,550)
Allowance for social contribution	(261,599)	(595,260)	(398,078)	(271,008)	(623,802)	(423,569)
Deferred tax asset	761	3,059	(39,590)	(5,776)	(9,755)	(34,939)
PROFIT SHARING (Note 21)	(203,856)	(272,263)	(144,876)	(204,945)	(273,401)	(144,876)
NET INCOME	1,302,087	2,380,982	2,027,676	1,302,087	2,380,982	2,027,676
Number of shares	743,275,506,498	743,275,506,498	743,275,506,498	743,275,506,498	743,275,506,498	743,275,506,498
(Treasury stock)	(11,257,677,709)	(11,257,677,709)	(11,257,677,709)	(11,257,677,709)	(11,257,677,709)	(11,257,677,709)
Total shares used in earnings per share calculation	732,017,828,789	732,017,828,789	732,017,828,789	732,017,828,789	732,017,828,789	732,017,828,789
Earnings per 1,000 shares	1.78	3.25	2.77	1.78	3.25	2.77

The accompanying notes are an integral part of these financial statements.

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EVENTS	Capital	Capital reserves			Revaluation Reserves on associated and subsidiary companies	Revenue reserves			Adjustment to Market Value - Marketable Securities and Derivatives	
		Donations and fiscal incentive	Income from the sale of treasury	Share premium		Legal	Statutory	Reserves for Expansion	Multiple Bank	Associated and subsidiary companies
Balances at 12.31.2001	7,435,544	20	140	4,594	33,428	214,363	128,618	930,646	—	—
Prior year adjustments (Bacen Circular Letters 3068 and 3082):										
Securities available for sale (Note 15h)	—	—	—	—	—	—	—	—	(254,095)	(112,126)
Securities for negotiation	—	—	—	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—	—	—	—
Adjustment to market value - Marketable securities and derivatives (Note 15h)	—	—	—	—	—	—	—	—	(651,891)	(92,703)
Treasury Stock (Note 15c)	—	—	—	—	—	—	—	—	—	—
Adjustment of investments is associated/subsidiary companies	—	—	—	—	(10,200)	—	—	—	—	—
OTHER EVENTS:										
Realization of revaluation reserve in associated/subsidiary companies (Note 15d)	—	—	—	—	(85)	—	—	—	—	—
Revaluation in associated/subsidiary companies	—	—	—	—	1,619	—	—	—	—	—
NET INCOME FOR THE YEAR	—	—	—	—	—	—	—	—	—	—
APPROPRIATIONS:										
Reserves	—	—	—	—	—	101,385	56,523	1,537,064	—	—
Dividends (Note 15f)	—	—	—	—	—	—	—	—	—	—
Balances at 12.31.2002	7,435,544	20	140	4,594	24,762	315,748	185,141	2,467,710	(905,986)	(204,829)
CHANGES IN THE YEAR	—	—	—	—	(8,666)	101,385	56,523	1,537,064	(905,986)	(204,829)
Balances of 06.30.2003	8,366,189	20	140	4,594	24,733	369,693	217,508	2,208,890	(136,618)	(57,485)
Adjustment to market value - Marketable securities and derivatives	—	—	—	—	—	—	—	—	572,788	67,006
Tax effect on adjustments - Marketable securities and derivatives	—	—	—	—	—	—	—	—	(210,883)	(6,984)
OTHER EVENTS:										
Write-off of revaluation reserve	—	—	—	—	(307)	—	—	—	—	—
Realization of revoluation reserve in	—	—	—	—	(59)	—	—	—	—	—

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EVENTS	Capital	Capital reserves			Revaluation Reserves on associated and subsidiary companies	Revenue reserves			Adjustment to Market Value - Marketable Securities and Derivatives	
		Donations and fiscal incentive	Income from the sale of treasury	Share premium		Legal	Statutory	Reserves for Expansion	Multiple Bank	Associated and subsidiary companies
associated/subsidiary companies										
NET INCOME FOR THE PERIOD	—	—	—	—	—	—	—	—	—	—
APPROPRIATIONS:										
Reserves	—	—	—	—	—	65,104	39,063	774,185	—	—
Interest on own capital (Note 15f)	—	—	—	—	—	—	—	—	—	—
Balances at 12.31.2003	8,366,189	20	140	4,594	24,367	434,797	256,571	2,983,075	225,287	2,537
CHANGES IN THE PERIOD	—	—	—	—	(366)	65,104	39,063	774,185	361,905	60,002
Balances at 12.31.2002	7,435,544	20	140	4,594	24,762	315,748	185,141	2,467,710	(905,956)	(204,829
Capital increase with reserve	930,645	—	—	—	—	—	—	(930,645)	—	—
Adjustment to market value - Marketable securities and derivatives (Note 15h)	—	—	—	—	—	—	—	—	1,760,616	193,184
Tax effect on adjustments - Marketable securities and derivatives (Note 15b)	—	—	—	—	—	—	—	—	(629,343)	14,182
Dividends expired - Reversal	—	—	—	—	—	—	—	—	—	—
OTHER EVENTS:										
Write-off of revaluation reserve	—	—	—	—	(307)	—	—	—	—	—
Realization of revoluation reserve in associated/subsidiary companies (Note 15d)	—	—	—	—	(88)	—	—	—	—	—
NET INCOME FOR THE YEAR	—	—	—	—	—	—	—	—	—	—
APPROPRIATIONS:										
Reserves	—	—	—	—	—	110,049	71,430	1,446,010	—	—
Interest on own capital (Note 15f)	—	—	—	—	—	—	—	—	—	—
Balances at 12.31.2003	8,366,189	20	140	4,594	24,367	434,797	256,571	2,983,079	225,287	2,537
CHANGES IN THE YEAR	930,645	—	—	—	(395)	119,049	71,430	515,365	1,131,273	207,366

(A free translation of the original in Portuguese)

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STATEMENT OF CHANGES IN FINANCIAL POSITION

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	Year 2003	Year 2002	2nd half 2003	Year 2003	Year 2002
FINANCIAL RESOURCES WERE PROVIDED BY:	**54,440,623**	**58,448,730**	**43,743,057**	**38,806,017**	**41,744,887**	**42,715,710**
Net income	**1,302,087**	**2,380,982**	**2,027,676**	**1,302,087**	**2,380,982**	**2,027,676**
Adjustments to net income/(loss)	**(49,094)**	**429,290**	**(622,651)**	**344,613**	**709,232**	**531,005**
Depreciation and amortization	237,071	474,243	442,471	238,384	477,191	447,337
Depreciation of leased assets	--	--	--	66,057	149,507	215,986
Amortization of losses	--	--	--	1,395	2,506	1,935
Equity in the earnings of associated and subsidiary companies	(505,866)	369,821	(2,471,970)	(396,881)	642,379	(2,303,634)
(Profit)/loss on the sale of investments	3,186	3,205	(20)	828	(6,993)	(12,794)
Excess depreciation	--	--	--	35,223	59,005	(4,885)
Changes in the currency conversion rate	126,146	(524,620)	1,370,695	146,422	(884,707)	2,112,119
(Gains)/losses from changes in ownership in investments	--	--	--	(21,992)	(21,923)	(3,299)
(Gain)/Loss on investments	(3)	122	(230)	(3)	122	(229)
Goodwill amortization	--	--	--	186,741	191,573	13,184
Provision for devaluation of other assets and rights	--	--	--	(344)	(596)	(69)
Provision for losses on tax incentives	--	--	--	(522)	(591)	--
Provision for loss on investments	(114)	3,133	(7,827)	(269)	(4,128)	32,884
Write-off of fixed assets	78,903	94,413	26,954	78,903	94,413	26,954
Write-off of investment	1	7	13,821	1	7	13,821
Write-off of other assets	8,458	10,661	--	8,458	10,661	--
Other adjustments	3,124	(1,695)	3,455	2,212	806	(8,305)
Changes in deferred income	**29,222**	**29,222**	**12,785**	**29,222**	**29,222**	**12,796**
Prior years adjustment to market value	**--**	**--**	**246,716**	**--**	**--**	**246,716**
Adjustment to market value - marketable securities and financial derivative instruments	**421,927**	**1,338,639**	**(1,110,815)**	**421,927**	**1,338,639**	**(1,110,815)**
Receipt of profits from overseas subsidiaries/branches	**229,880**	**229,880**	**26,340**	**--**	**--**	**--**
Tax incentives	**--**	**--**	**--**	**--**	**--**	**2,496**
Third party funds:						
Increase in liabilities	**40,146,077**	**49,683,235**	**41,569,578**	**26,263,498**	**32,938,672**	**39,120,173**
Deposits	25,854,181	30,205,476	24,635,532	10,132,964	12,760,352	23,817,363
Interbank and interdepartmental accounts	--	419,366	531,099	--	411,276	533,183
Funds from acceptances and issuance of securities	562,630	577,895	--	565,331	583,397	--
Borrowings and onlendings	3,344,210	--	6,922,651	2,591,825	--	5,658,028
Purchase and sale commitments	--	--	4,686,844	--	--	4,574,335
Other liabilities	10,385,056	18,480,498	4,067,035	12,973,378	19,183,647	3,794,419
Derivative financial instruments	--	--	726,417	--	--	742,845
Decrease in assets	**12,117,999**	**3,965,809**	**1,147,874**	**10,185,846**	**3,886,817**	**1,012,028**
Marketable securities and derivative financial instruments	3,329,243	1,534,275	--	3,155,767	1,352,617	--
Interbank and interdepartmental accounts	3,544,266	--	--	3,717,600	--	--
Leasing operations	--	--	--	19,589	49,746	9,953
Other assets	743	11,855	--	1,590	9,207	--
Other receivables	5,243,747	2,419,679	1,147,874	3,291,300	2,475,247	1,002,075
Disposal of assets and investments	**46,300**	**107,839**	**171,733**	**109,178**	**226,999**	**662,306**
Non-operating assets	17,662	48,860	123,309	18,284	51,823	125,272
Property and equipment in use	28,315	58,038	1,454	28,315	58,459	1,454
Leased assets	--	--	--	30,533	67,411	83,355
Adjustment to market value of associated companies	--	--	46,327	--	--	--
Investments	323	941	643	32,046	49,306	452,225
Revaluation reserve recognized by equity accounting	**307**	**307**	**--**	**307**	**307**	**--**

continued

Dividends received from associated/subsidiary companies.....	**183,158**	**252,879**	**186,917**	**122,410**	**189,742**	**169,880**
Interest on capital receivable.....	**12,760**	**30,648**	**86,904**	**26,929**	**44,275**	**41,449**
FINANCIAL RESOURCES WERE USED FOR:	**50,345,629**	**59,276,883**	**37,830,070**	**34,699,536**	**42,537,706**	**36,800,375**
Dividends and bonuses ……..	**--**	**--**	**579,505**	**--**	**--**	**579,505**
0	**423,794**	**745,710**	**--**	**423,794**	**745,710**	**--**
Changes in deferred income……	**88**	**4,860**	**--**	**244**	**5,320**	**--**
Purchase of own shares……..	**--**	**--**	**125,779**	**--**	**--**	**125,779**
Revaluation reserve recognized by equity accounting……	**366**	**366**	**1,619**	**366**	**366**	**1,619**
Investments.....	**915,716**	**1,110,775**	**690,530**	**968,615**	**1,161,854**	**1,208,329**
Non-operating assets.....	26,866	49,495	66,837	27,018	50,206	68,629
Property and equipment in use.....	789,128	884,181	616,051	789,783	884,837	617,881
Leased assets.....	--	--	--	81,594	122,329	178,191
Adjustment to market value of associated companies……	74,725	143,240	--	24,752	44,713	22,368
Investments	24,997	33,859	7,642	45,468	59,769	321,260
Deferred charges	**99,613**	**158,115**	**123,868**	**99,621**	**157,620**	**125,375**
Increase in assets	**46,139,095**	**48,603,092**	**36,211,851**	**29,996,820**	**30,079,366**	**34,651,670**
Interbank investments.....	37,436,665	33,926,663	6,658,473	21,059,474	15,643,309	5,149,789
Marketable securities and derivative financial instruments…..	--	--	8,033,251	--	--	8,478,537
Other assets.....	--	--	37,306	--	--	37,817
Lending operations.....	8,700,597	14,406,243	11,691,542	8,937,346	14,184,137	11,181,979
Leasing operations……	1,833	1,833	--	--	--	
Interbank and interdepartmental accounts.....	--	268,353	9,791,279	--	251,920	9,803,548
Decrease in liabilities	**2,766,957**	**8,653,965**	**96,918**	**3,210,076**	**10,387,470**	**108,098**
Committed operations (deposits received under security repurchase agreements)……	1,152,376	8,146,017	--	1,404,496	8,264,008	--
Interbank and interdepartmental accounts.....	1,446,449	--	--	1,636,553	--	--
Funds from acceptances and issuance of securities……	--	--	96,918	--	--	108,098
Derivative financial instruments……..	168,132	194,629	--	169,027	209,969	--
Borrowings and onlendings……	--	313,319	--	--	1,913,493	--
INCREASE/(DECREASE) IN AVAILABLE FUNDS.....	**4,094,994**	**(828,153)**	**5,912,987**	**4,106,481**	**(792,819)**	**5,915,335**
CHANGES IN FINANCIAL POSITION:						
At the beginning of the period.....	6,646,673	11,569,820	5,656,833	6,682,761	11,582,061	5,666,726
At the end of the period……..	10,741,667	10,741,667	11,569,820	10,789,242	10,789,242	11,582,061
Increase/(Decrease) in available funds.....	**4,094,994**	**(828,153)**	**5,912,987**	**4,106,481**	**(792,819)**	**5,915,335**

The accompanying notes are an integral part of these financial statements.

1 The Bank and its Operations

Banco do Brasil S.A. is a publicly held company established under private law and subject to Brazilian corporate legislation. Its corporate purpose is to carry out asset, liability and related bank transactions, provide bank services, intermediate and originate financial transactions in various forms and exercise any activity permitted for institutions that are part of the National Finance System. It is also the main financial agent of the Federal Government and exercises the functions attributed to it by law, specifically those of art. 19 of Law 4595/1964.

2 Presentation of the Financial Statements

2.a) The financial statements of Banco do Brasil S.A. have been prepared in accordance with Law 6404/1976, in due compliance with instructions issued by the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM).

The financial statements present the position of the Bank's operations in Brazil and abroad (BB-Domestic and Overseas branches), as well as the consolidated amounts, including domestic and overseas branches and financial subsidiaries (BB-Consolidated). The balances of foreign branches and subsidiaries included in the balance sheet of the parent company are as follows:

	Foreign branches		Foreign branches and Subsidiaries	
	12.31.2003	**12.31.2002**	**12.31.2003**	**12.31.2002**
Current assets	48,593,498	27,060,624	49,354,187	27,280,282
Long-term receivables	8,110,035	6,928,758	8,357,212	7,901,880
Permanent assets	201,587	226,609	225,430	234,431
Total assets	56,905,120	34,215,991	57,936,829	35,416,593
Current liabilities	43,328,650	20,975,141	42,888,526	20,377,909
Long-term liabilities	10,689,461	9,442,128	10,622,896	9,271,139
Deferred income	4,043	7,144	4,361	7,921
Stockholders' equity	2,882,966	3,791,578	4,421,046	5,759,624
Total liabilities and stockholders' equity	56,905,120	34,215,991	57,936,829	35,416,593
Loss for the year	(100,334)	(57,919)	(26,452)	(137,882)

2.b) The consolidated financial statements (BB-Consolidated) comprise domestic and foreign branches and foreign subsidiaries: Banco do Brasil - A.G. Vienna - Austria, BB-Leasing Company Ltd., Brazilian American Merchant Bank – BAMB; and domestic subsidiaries: BB-Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A., BB-Banco de Investimento S.A., BB-Leasing S.A. - Arrendamento Mercantil and BB- Banco Popular do Brasil S.A.. The transactions, balances of accounts, and income and expenses among foreign branches, subsidiaries and Banco do Brasil S.A. were eliminated. The translation of the financial statements prepared in a foreign currency into Brazilian reais is carried out using current rates, in conformity with CVM Deliberation 28/1986.

BB-Corretora de Seguros e Administradora de Bens S.A., BB-Administradora de Cartões de Crédito S.A., BBTUR Viagens e Turismo Ltda., COBRA Tecnologia S.A., Ativos S.A. and MaxBlue Investimentos DTVM S.A. were not included in the consolidation as they do not materially affect the consolidated financial statements, as provided by article 23 of CVM Instruction 247/1996. The investments in these companies were evaluated by the equity method of accounting, and the information required by article 20 of CVM Instruction 247/1996 and CVM Deliberation 26/1986, is mentioned in Notes 18 and 19, respectively.

3 Accounting Policies

3.a) The Bank uses the accrual basis of accounting.

3.b) Rights and obligations in foreign currencies and those subject to indexation are adjusted in accordance with the exchange rates or official indices as of the balance sheet date and are presented at realizable values. Rights and obligations with floating financial charges are recorded at current value, calculated pro rata based on the variations in the contractual indices. Those with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses.

3.c) The allowance for loan losses is set up based on the parameters of CMN Resolution 2682/1999, for domestic branches and subsidiaries, as well as those abroad, taking into consideration the risks of loans based on consistent and verifiable criteria, supported by internal and external information, and covering all aspects set forth in the resolution.

3.d) Marketable Securities:

Securities purchased for own portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on the intention of management, in three different categories:

3.d.1) Trading securities: these are marketable securities acquired to be actively and frequently traded. They are adjusted to market value on a monthly basis and increases and decreases are recorded, respectively, in income and expense accounts of the period;

3.d.2) Securities available for sale: these are marketable securities which, although not actively and frequently traded, can be traded at any time. They are adjusted to market value on a monthly basis, and increases and decreases are recorded, net of tax effects, in a separate stockholders' equity account;

3.d.3) Securities held to maturity: these are securities that the Bank intends and has the financial capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. They are not adjusted to market value.

The mark-to-market methodology applied for securities was established following consistent and verifiable criteria, which consider the average price of trading on the day of the calculation or, if it does not exist, in pricing models that estimate the probable net fair value of realization.

Income accrued on marketable securities, irrespective of the category in which they are classified, are appropriated on a pro rata basis and complies with the accrual basis of accounting up to maturity date or date of final sale, on the exponential or linear method, based on the respective remuneration clauses and on the acquisition rate distributed over the period, being directly recognized in results of operations.

Losses with securities classified as available for sale and held to maturity, if judged to be other than temporary losses, are directly recorded in results of operations for the period and form a new cost basis for the assets.

Upon sale, the difference between the sale value and the cost of purchase plus accrued earnings is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

3.e) Derivative Financial Instruments:

Derivative financial instruments are recorded at market value, at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

Derivative financial instruments used for offset, in whole or in part, of the risks arising from exposures to variations in financial asset or liability market values are considered hedge instruments and are classified according to their nature:

3.e.1) Market Risk Hedge – increases or decreases in financial instruments classified in this category, as well as for the item hedged, are recorded in income and expense accounts for the period;

3.e.2) Cash Flow Hedge – for the financial instruments classified in this category, the effective portion of increases or decreases in value is recorded, net of tax effects, in a separate stockholders' equity account. The effective portion is the one in which the variation of the item hedged, directly related to the corresponding risk, is compensated with the variation in the financial instrument used for hedge, considering the accumulated effect of the transaction. Other variations observed in these instruments are directly recorded in income or expense accounts for the period.

The mark-to-market methodology applied for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trades on the date of the calculation or, if it does not exist, on pricing models that evaluate the probable net fair realization value according to the characteristics of the derivative.

3.f) Permanent assets

Investments are stated at cost and, when material, adjusted using the equity method of accounting. Property and equipments are recorded at cost, less depreciation, which is calculated on the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles, installations and equipment - 20%; others - 10%;

Organization and expansion expenses recorded in deferred charges relate to:

3.f.1) Leasehold improvements in properties owned by third parties for the installation of facilities which are amortized at rates based on the rental terms;

3.f.2) Acquisitions and development of systems are amortized at the annual rate of 20%;

3.g) Vacations, leave of absence and thirteenth-month salaries are accrued monthly, in accordance with the acquisition period;

3.h) Short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising complementary pension, medical assistance and other benefits for which the Bank is responsible were evaluated at December 31, 2003 in accordance with criteria established in CVM Deliberation 371/2000, taking into consideration a 6.9% annual interest rate, and are being allocated monthly according to such evaluation, as shown in Note 24. The benefit liability relating to the assumption of the obligation to employees hired before April 14, 1967 was accrued on the basis of an actuarial calculation, considering a 6% annual interest rate established in the contract between PREVI and the Bank.

3.i) Corporate income tax is computed at the basic rate of 15% plus a surcharge of 10%, and the social contribution at the basic rate of 9% on taxable income (Note 16.a). Income tax and social contribution tax credits are determined in accordance with the criteria mentioned in Note 17 and are supported by a study of the capacity for realization prepared by management. To accelerate the reduction of the tax credit asset since the fourth quarter of 2001, Banco Múltiplo has adopted the complementary reduction of tax credits – when the charges related to the provisions for Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), including those related to deferred taxes, are lower than the amount calculated by the application of the sum of the rates in effect (currently 34%) on corporate net income before taxation in the year – until this percentage is reached.

4 Short-term Interbank Investments

	Current and long term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	**12.31.2002**	**12.31.2003**	**12.31.2002**
Repurchase agreements	5,150,097	10,190,151	5,091,809	10,124,855
Sales pending settlement – own operations	3,415,098	3,598	3,415,098	3,598
Sales pending settlement – financed operations	1,734,999	10,186,553	1,676,711	10,121,257
Investments in interbank deposits	33,616,287	12,279,988	27,986,284	7,639,242
Investments in foreign currency	17,630,442	24	329,337	24
Total	56,396,826	22,470,163	33,407,430	17,764,121

5 Marketable Securities and Derivative Financial Instruments

Marketable securities are classified in three categories: trading securities, securities available for sale and securities held to maturity, and derivative financial instruments in derivative instruments for trading and derivative instruments for hedge purposes. Adjusted to market value, trading securities adjustments are recorded in results for the period and securities available for sale are recorded in a separate stockholders' equity account. Securities held to maturity are valued at cost of acquisition plus income accrued in the period.

Derivative financial instruments for trading, used at the request of clients or for own account, do not follow the hedging criteria and are recorded at market value, their effects being recorded directly in results. Derivatives for hedging purposes are used to protect exposures to risk or to modify the characteristics of financial assets and liabilities. They are directly related to the main operation and are also adjusted to market value with a contra-entry to results when a market risk hedge and recorded in a separate stockholders' equity account when a cash flow hedge.

The parameter for market value calculation of marketable securities and derivative financial instruments is as follows:

5.1) the average price of the negotiation representative on the day of the calculation and the daily adjustment value of future market operations divulged by ANDIMA, BM&F, BOVESPA and the Brazilian Central Bank; or

5.2) the net probable fair value of realization obtained with the use of future interest rate curves, foreign exchange rates, price indices and currencies, all in accordance with prices practiced in the market.

5.a) Marketable Securities

The cost plus accrued income and the market value of marketable securities at December 31, 2003 are as follows:

Maturity in days	BB-Domestic and Foreign Branches 12.31.2003							
	Market Value						Total	
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Unrealized gain/(loss)
I – Trading securities	33,069	21,413	899,634	3,071,962	12,010,183	15,995,691	16,036,261	--
Domestic	33,069	21,413	899,634	3,071,962	12,010,183	15,995,691	16,036,261	--
Financial Treasury Bills	--	21,413	899,014	2,989,200	11,380,174	15,279,687	15,289,801	--
Federal Treasury Bills	--	--	620	82,762	362,158	438,142	445,540	--
Federal Treasury Notes	--	--	--	--	267,851	248,416	267,851	--
Publicly traded shares	33,069	--	--	--	--	29,446	33,069	--
II – Securities available for sale	25,519	57,844	1,788,428	1,895,914	23,106,693	26,475,164	26,874,398	345,967
Domestic	15,725	2,427	429,092	1,853,315	22,707,763	24,596,961	25,008,322	358,094
Financial Treasury Bills	--	--	--	--	13,392,439	13,405,511	13,392,439	(13,072)
Central Bank Notes	--	--	269,962	284,214	289,147	801,521	843,323	15,901
Federal Treasury Notes	--	--	157,923	1,562,867	4,713,163	6,134,401	6,433,953	272,186
Federal Government Securities –	--	--	--	--	4,295,807	4,210,130	4,295,807	85,677
Debentures	--	--	--	--	2,282	2,176	2,282	106
Agricultural Debt Securities	--	2,427	1,207	6,234	14,925	28,478	24,793	(3,685)
Investment Fund Quotas	5,834	--	--	--	--	5,834	5,834	--
Social Development Funds	1,272	--	--	--	--	1,545	1,272	(273)
Publicly traded shares	8,619	--	--	--	--	7,365	8,619	1,254
Variable Income Fund Quotas	--	--	--	--	--	--	--	--
Foreign	9,794	55,417	1,359,336	42,599	398,930	1,878,203	1,866,076	(12,127)
EUROBONDS	--	460	618,705	42,538	104,266	763,318	765,969	2,651
Brazilian Foreign Debt Bonds	--	11,906	554,730	61	290,441	870,808	857,138	(13,670)

Maturity in days	12.31.2003							
	Market Value						Total	
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Unrealized gain/(loss)
Foreign Debt Bonds – Other	--	--	21	--	3,880	4,261	3,901	(360)
Variable Income Fund Quotas	9,793	--	--	--	--	9,107	9,793	686
Publicly traded shares	1	--	--	--	--	--	1	1
Other	--	43,051	185,880	--	343	230,709	229,274	(1,435)
III – Securities held to maturity	--	192,309	1,049,464	1,220,994	21,749,134	24,818,086	24,211,901	-- 2
Domestic	--	--	968,349	1,219,241	20,427,903	23,418,013	22,615,493	-- 2
Debentures	--	--	--	--	48,856	47,661	48,856	--
Financial Treasury Bills	--	--	968,349	970,980	16,688,366	18,845,034	18,627,695	-- 1
Federal Treasury Notes	--	--	--	--	1,520,976	2,063,274	1,520,976	--
Federal Government Securities –	--	--	--	248,261	2,169,705	2,462,044	2,417,966	--
Foreign	--	192,309	81,115	1,753	1,321,231	1,400,073	1,596,408	--
EUROBONDS	--	--	--	--	--	--	--	--
Brazilian Foreign Debt Bonds	--	39,907	7,763	--	1,299,838	1,151,159	1,347,508	--
Certificates of Deposits	--	139,698	65,634	1,149	18,201	224,696	224,682	--
Foreign Debt Bonds– Other	--	--	--	--	1,298	1,298	1,298	--
Other	--	12,704	7,718	604	1,894	22,920	22,920	--
Total	58,588	271,566	3,737,526	6,188,870	56,866,010	67,288,941	67,122,560	345,967 7

	BB-Domestic and Foreign Branches 12.31.2003							
	Market Value						Total	
Maturity in days	**With no maturity**	**0-30**	**31-180**	**181-360**	**Over 360**	**Cost Value**	**Market Value**	**Unrealized gain/(loss)**
Total by Portfolio	58,588	271,566	3,737,526	6,188,870	56,866,010	67,288,941	67,122,560	345,96
a) Own Portfolio	58,588	244,143	2,971,047	3,386,328	9,618,179	16,343,469	16,278,285	133,73
b) Subject to Committed Operations	--	6,518	766,479	2,493,068	35,715,306	39,048,540	38,981,371	238,46
c) Restricted to Central Bank	--	--	--	309,474	11,010,490	11,351,010	11,319,964	(26,232
d) Linked to Guarantees	--	20,905	--	--	522,035	545,922	542,940	(5

	BB-Domestic and Foreign Branches 12.31.2003						
Maturity in years	Market Value					Total	
	With no maturity	**Falling due in up to one year**	**Falling due between 1 and 5 years**	**Falling due between 5 and 10 years**	**Falling due after 10 years**	**Cost Value**	**Ma**
Total by category	58,588	10,197,962	49,195,703	6,353,704	1,316,603	67,288,941	
I - Trading securities	33,069	3,993,009	12,010,183	--	--	15,995,691	
II - Securities available for sale	25,519	3,742,186	23,084,093	20,810	1,790	26,475,164	
III – Securities held to maturity	--	2,462,767	14,101,427	6,332,894	1,314,813	24,818,086	

The portfolio after application of the mark-to-market method is as follows:

	12.31.2003		12.31.2002	
		% of the total portfolio		**% of the total portfolio**
Total by category	67,728,745	100%	69,357,638	100%
I - Trading securities	16,036,261	24%	3,504,436	5%
II - Securities available for sale	26,874,398	40%	40,092,813	58%
III – Securities held to maturity	24,818,086	36%	25,760,389	37%

Maturity in days	BB-Consolidated 12.31.2003								
	Market Value						Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Unrealized gain/(loss)	
I – Trading securities	33,069	22,792	911,131	3,117,708	12,010,183	16,054,438	16,094,883	--	3
Domestic	33,069	21,413	899,634	3,071,962	12,010,183	15,995,691	16,036,261	--	3
Financial Treasury Bills	--	21,413	899,014	2,989,200	11,380,174	15,279,687	15,289,801	--	3
Federal Treasury Bills	--	--	620	82,762	362,158	438,142	445,540	--	
Federal Treasury Notes	--	--	--	--	267,851	248,416	267,851	--	
Publicly traded shares	33,069	--	--	--	--	29,446	33,069	--	
Foreign	--	1,379	11,497	45,746	--	58,747	58,622	--	
EUROBONDS	--	973	955	36,062	--	38,246	37,990	--	
Brazilian Foreign Debt	--	395	7,660	9,499	--	17,423	17,554	--	
Foreign Debt Bonds – Other	--	3	2,882	159	--	3,044	3,044	--	
Other	--	8	--	26	--	34	34	--	
II – Securities available for sale	685,043	91,375	2,100,951	2,037,226	23,392,235	27,924,219	28,306,830	329,345	43
Domestic	634,156	35,958	733,112	1,988,120	22,872,980	25,869,678	26,264,326	341,382	42
Financial Treasury Bills	--	--	--	25,292	13,392,438	13,430,774	13,417,730	(13,043)	29
Central Bank Notes	--	--	269,962	284,214	289,147	801,521	843,323	15,901	
Federal Treasury Notes	--	--	157,923	1,562,867	4,713,163	6,134,401	6,433,953	272,186	6
Federal Government	--	--	--	15,119	--	15,304	15,119	(185)	
Federal Government	--	--	--	--	4,295,807	4,210,130	4,295,807	85,677	4
Debentures	1	355	--	--	167,500	166,921	167,856	935	
Promissory Notes	--	--	--	--	--	--	--	--	
Agricultural Debt Securities	--	2,427	1,207	6,234	14,925	28,478	24,793	17,570	
Fixed Income Mutual Funds	--	--	--	--	--	--	--	--	
Investment Fund Quotas	5,834	--	--	--	--	5,834	5,834	--	
Social Development Funds	1,272	--	--	--	--	10,321	1,272	(9,049)	
Publicly traded shares	470,163	--	--	--	--	451,215	470,163	(2,307)	
Variable Income Fund	156,886	--	--	--	--	189,077	156,886	(32,191)	
Commodities	--	33,176	304,020	94,394	--	424,894	431,590	6,696	

Maturity in days	12.31.2003								
	Market Value						Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Unrealized gain/(loss)	
Marketable Securities – Special Purpose	--	--	--	--	--	808	--	(808)	
Foreign	50,887	55,417	1,367,839	49,106	519,255	2,054,541	2,042,504	(12,037)	
EUROBONDS	--	460	618,705	42,538	104,266	763,318	765,969	2,651	
Brazilian Foreign Debt	--	11,906	556,038	61	397,600	968,535	965,605	(2,930)	
Foreign Debt Bonds – Other Countries	--	--	21	--	3,880	4,261	3,901	(360)	
Fixed Income Mutual Funds Quotas	--	--	--	--	--	--	--	--	
Variable Income Fund	49,296	--	--	--	--	43,207	49,296	6,089	
Publicly traded shares	1,591	--	--	--	--	1,299	1,591	292	
Other	--	43,051	193,075	6,507	13,509	273,921	256,142	(17,779)	
III – Securities held to maturity	--	192,317	1,049,464	1,220,994	21,751,779	24,820,728	24,214,554	--	25
Domestic	--	--	968,349	1,219,241	20,427,903	23,418,013	22,615,493	--	23
Debentures	--	--	--	--	48,856	47,661	48,856	--	
Financial Treasury Bills	--	--	968,349	970,980	16,688,366	18,845,034	18,627,695	--	16
Federal Treasury Notes	--	--	--	--	1,520,976	2,063,274	1,520,976	--	4
Federal Government Securities - Other	--	--	--	248,261	2,169,705	2,462,044	2,417,966	--	2
Foreign	--	192,317	81,115	1,753	1,323,876	1,402,715	1,599,061	--	1
EUROBONDS	--	--	--	--	--	--	--	--	
Brazilian Foreign Debt	--	39,907	7,763	--	1,302,273	1,153,594	1,349,943	--	1
Certificates of Deposits	--	139,698	65,634	1,149	18,201	224,696	224,682	--	
Foreign Debt Bonds– Other Countries	--	2	--	--	1,370	1,366	1,372	--	
Other	--	12,710	7,718	604	2,032	23,059	23,064	--	
Total	718,112	306,484	4,061,546	6,375,928	57,154,197	68,799,385	68,616,267	329,345	72

BB-Consolidated
12.31.2003

Maturity in days	Market Value					Total			
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Unrealized gain/(loss)	Cost
Total by Portfolio	718,112	306,484	4,061,546	6,375,928	57,154,197	68,799,385	68,616,267	329,345	72
a) Own Portfolio	718,112	279,061	3,293,759	3,548,094	9,779,867	17,711,553	17,618,893	106,377	21
b) Subject to Committed Operations	--	6,518	767,787	2,493,068	35,841,805	39,165,637	39,109,178	249,176	40
c) Restricted to Central Bank	--	--	--	334,766	11,010,490	11,376,273	11,345,256	(26,203)	10
d) Linked to Guarantees	--	20,905	--	--	522,035	545,922	542,940	(5)	

BB-Consolidated
12.31.2003

Maturity in years	Market Value						Tota
	With no maturity	Falling due in up to one year	Falling due between 1 and 5 years	Falling due between 5 and 10 years	Falling due after 10 years	Cost Value	
Total by category	718,112	10,743,959	49,376,731	6,353,704	1,423,761	68,799,385	
I - Trading securities	33,069	4,051,631	12,010,183	--	--	16,054,438	
II - Securities available for sale	685,043	4,229,552	23,262,477	20,810	108,948	27,924,219	
III – Securities held to maturity	--	2,462,776	14,104,071	6,332,894	1,314,813	24,820,728	

The portfolio after application of the mark-to-market method is as follows:

	12.31.2003		12.31.2002	
		% of total portfolio		% of total portfolio
Total by Portfolio	69,222,441	100%	70,650,923	100%
I - Trading securities	16,094,883	23%	3,584,623	5%
II - Securities available for sale	28,306,830	41%	41,303,473	58%
III – Securities held to maturity	24,820,728	36%	25,762,827	37%

5.a.1) In 2003, R$ 9,210 million securities available for sale were transferred to trading securities because of the criteria adopted by the Bank since 2002, to record securities falling due within six months under "trading securities".
In the second half of 2003, Banco do Brasil was rated by the Central Bank and the National Treasury as "Primary and Expert Dealer". Under this new category, the Bank now operates as "market-maker" for certain maturities of LTN, NTN-C and LFT bonds.
In order to meet the requirements of the Dealer role and increase its presence in the marketplace, The Bank decided to increase the number of securities actively and frequently traded, resulting in the reclassification of R$ 13,398 million in LFT bonds maturing by 2005, from "securities available for sale" to "trading securities".
These transfers made in the year generated a positive effect in net income of R$ 23,972 thousand, and are stated as follows:

Security	**Number**	**Book value**	**Market value**
LFT	10,845,690	22,549,724	22,573,413
LFT-B	28,275	34,641	34,924
Total	10,873,965	22,584,365	22,608,337

5.a.2) During the 2nd half of 2003, the National Treasury decided to accelerate the sale of the NTN-C securities maturing in 2011. Banco do Brasil had R$ 2.2 billion of these securities in its held to maturity portfolio. The disposal of these securities resulted in a gain of R$ 27.3 million.

5.b) Derivative Financial Instruments

The Bank uses Derivative Financial Instruments (IFD) to manage, in a consolidated manner, its positions and to meet clients' needs, classifying own positions into Hedging (market risk and cash flow) and Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated in the institution.

The models used to manage risks with derivatives are reviewed periodically and decisions made follow the best risk/return relation, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading of new derivatives, standardized or not, is subject to a previous risk analysis which is submitted for evaluation by the proper areas.

The strategy of hedge of the equity positions is in line with the macroeconomic analyses and is approved by management.

Risk evaluation of subsidiaries is individual and its management is consolidated.

Statistical methods and simulation are used to measure the risks of its positions, including derivatives, using models of risk value, sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments, resulting from the Bank's and its subsidiaries' business are credit, market and operating risks, all similar to those related to other types of financial instruments.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotation of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Credit risk is the exposure to losses in case of default of a counterparty to the transaction. The exposure in futures contracts is minimized due to daily settlement in cash. Swap contracts registered at CETIP are subject to credit risk if the counterparty is unable or unwilling to comply with its contractual liabilities. Total credit exposure in swaps at December 31, 2003 is R$ 1,667,686. The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Operating risk is the probability of financial losses resulting from failures or inappropriateness of persons, processes and systems, or factors such as catastrophes or criminal activities.

The tables below show the referential value restated at market value and the respective net exposures in the balance sheet at December 31, 2003 for the derivative financial instruments classified in conformity with their classification as hedging or trading instruments.

5.b.1) Trading Derivatives

By Index	Counter Party(*)	BB- Domestic and Foreign Branches					
		12.31.2003			12.31.2002		
		Notional Amount	Cost value	Market Value	Notional Amount	Cost value	Market value
Exchange Trading							
Futures contracts							
Purchase commitment		**1,803,648**	**(24,372)**	**(24,372)**	**1,483,786**	**(240,603)**	**(240,603)**
DI	E	541,037	368	368	876,367	7,263	7,263
U.S. Dollar	E	952,356	(12,399)	(12,399)	15,900	82,115	82,115
Index	E	679	284	284	--	(171)	(171)
Foreign exchange coupon	E	309,576	(12,615)	(12,615)	591,519	(329,791)	(329,791)
Commodities	E	--	(10)	(10)	--	(19)	(19)
Sales commitment		**487,060**	**(1,316)**	**(1,316)**	**1,063,812**	**(97,696)**	**(97,696)**
DI	E	--	(10,071)	(10,071)	254,521	(5,770)	(5,770)
U.S. Dollar	E	--	557	557	367,267	(120,484)	(120,484)
Index	E	--	(1,402)	(1,402)	--	37	37
Foreign exchange coupon	E	487,060	9,527	9,527	215,228	32,419	32,419
Commodities	E	--	73	73	--	(9)	(9)
Foreign exchange swap contract with periodical adjustment (SCC)		--	--	--	226,796	(3,889)	(3,889)
Options market							
Purchase options		**20,010**	**824**	**7**	**6,380**	**304**	**213**
Shares	E	20,010	824	7	6,380	304	213
Sales options		**(26,533)**	**(2,809)**	**(7,589)**	**9,179**	**(768)**	**(880)**
Shares	E	(26,533)	(2,809)	(7,589)	9,179	(768)	(880)
Over-the-counter trading							
Swap contracts							
Asset position		**6,159,616**	**357,451**	**335,421**	**4,088,564**	**333,626**	**297,966**
DI	C	2,345,008	164,578	148,377	325,977	(11,796)	9,685
	FI	575,256	32,972	22,720	79,570	2,060	13,135
Foreign currency	C	4,701	2	174	14,985	204	620
	FI	1,901,055	150,038	147,147	2,740,887	332,836	263,829
Prefixed	C	338,407	7,800	14,342	66,705	2,014	2,479
Referential Rate (TR)	C	41,835	900	1,500	55,469	439	349
Other	--	953,354	1,161	1,161	804,971	7,869	7,869
Liability position		**12,609,943**	**(529,393)**	**(509,956)**	**10,542,983**	**(614,998)**	**(572,343)**
DI	C	5,974,644	(235,954)	(235,534)	3,760,005	(114,205)	(118,525)
	FI	1,178,193	(140,839)	(121,906)	196,141	(2,619)	(3,795)

By Index	Counter Party(*)	BB- Domestic and Foreign Branches 12.31.2003 Notional Amount	Cost value	Market Value	12.31.2002 Notional Amount	Cost value	Market value
Foreign currency	C	137,088	(2,447)	(3,797)	728,937	(191,452)	(183,018)
	FI	1,979,868	(69,556)	(66,937)	1,520,680	(170,405)	(128,658)
Prefixed	C	176,657	(5,124)	(5,360)	--	--	--
SELIC rate	C	2,113,391	(42,184)	(42,184)	2,674,539	(89,220)	(89,220)
Referential Rate (TR)	C	830,401	(32,720)	(33,669)	928,954	(43,532)	(45,562)
Other		219,701	(569)	(569)	733,727	(3,565)	(3,565)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

By Maturity	BB – Domestic and Foreign Branches 12.31.2003 Notional amount	Cost Value	Market value	12.31.2002 Notional Amount	Cost Value	Market Value
Futures contracts						
Purchase commitment	**1,803,648**	--	--	**1,483,786**	--	--
Up to 30 days	1,039,371	--	--	607,891	--	--
31 to 60 days	586,107	--	--	689,441	--	--
181 to 360 days	52,402	--	--	30,529	--	--
1 to 5 years	125,768	--	--	155,925	--	--
Sales commitment	**487,060**	--	--	**1,063,812**	--	--
Up to 30 days	--	--	--	44,517	--	--
31 to 60 days	--	--	--	453,132	--	--
91 to 180 days	--	--	--	490,161	--	--
181 to 360 days	352,861	--	--	14,197	--	--
1 to 5 years	134,199	--	--	61,805	--	--

	BB – Domestic and Foreign Branches					
	12.31.2003			12.31.2002		
By Maturity	Notional amount	Cost Value	Market value	Notional amount	Cost Value	Market Value
Options market						
Purchase options						
Shares	**20,010**	**824**	**7**	**6,380**	**304**	**213**
Up to 30 days	810	16	7	5,800	264	185
31 to 60 days	19,200	808	--	580	40	28
Sales options						
Shares	**(26,533)**	**(2,809)**	**(7,589)**	**9,179**	**(768)**	**(880)**
Up to 30 days	(7,588)	(894)	(1,219)	8,599	(736)	(861)
31 to 60 days	(18,945)	(1,915)	(6,370)	580	(32)	(19)
Swap contracts						
Asset	**6,159,616**	**357,451**	**335,421**	**4,088,564**	**333,626**	**297,966**
Up to 30 days	784,444	60,401	61,391	699,826	44,209	44,022
31 to 60 days	359,366	28,134	28,364	654,214	34,124	35,360
61 to 90 days	750,290	22,096	23,002	879,073	65,179	63,910
91 to 180 days	1,140,708	78,148	80,891	750,430	47,513	52,178
181 to 360 days	1,528,508	102,314	85,115	633,317	58,781	44,546
1 to 5 years	1,596,300	66,358	56,658	471,704	83,820	57,950
Liability	**12,609,943**	**(529,393)**	**(509,956)**	**10,542,983**	**(614,998)**	**(572,343)**
Up to 30 days	1,571,115	(73,609)	(72,210)	964,726	(136,545)	(139,365)
31 to 60 days	458,223	(48,229)	(47,111)	536,841	(47,686)	(45,085)
61 to 90 days	504,893	(20,931)	(19,325)	974,522	(67,466)	(67,098)
91 to 180 days	2,179,778	(81,847)	(78,319)	1,426,567	(131,628)	(118,383)
181 to 360 days	4,884,355	(178,625)	(176,529)	4,819,799	(144,032)	(138,037)
1 to 5 years	3,011,579	(126,152)	(116,462)	1,820,530	(87,641)	(64,375)

By Index	Counter Party(*)	BB- Consolidated 12.31.2003 Notional Amount	Cost Value	Market Value	12.31.2002 Notional amount	Cost Value	Market value
Exchange Trading							
Futures contracts							
Purchase commitment		**1,803,648**	**(24,372)**	**(24,372)**	**1,483,786**	**(240,603)**	**(240,603)**
DI	E	541,037	368	368	876,367	7,263	7,263
U.S. Dollar	E	952,356	(12,399)	(12,399)	15,900	82,115	82,115
Index	E	679	284	284	--	(171)	(171)
Foreign exchange coupon	E	309,576	(12,615)	(12,615)	591,519	(329,791)	(329,791)
Commodities	E	--	(10)	(10)	--	(19)	(19)
Sales commitment		**487,060**	**(1,316)**	**(1,316)**	**1,063,812**	**(97,696)**	**(97,696)**
DI	E	--	(10,071)	(10,071)	254,521	(5,770)	(5,770)
U.S. Dollar	E	--	557	557	367,267	(120,484)	(120,484)
Index	E	--	(1,402)	(1,402)	--	37	37
Foreign exchange coupon	E	487,060	9,527	9,527	215,228	32,419	32,419
Commodities	E	--	73	73	--	(9)	(9)
SCC	E	--	--	--	226,796	(3,889)	(3,889)
Options market							
Purchase options		**97,432**	**4,584**	**1,219**	**105,631**	**3,333**	**3,242**
Shares	E	20,010	824	7	6,380	304	213
Financial assets and goods	C	77,422	3,760	1,212	99,251	3,029	3,029
Sales options		**50,889**	**(6,569)**	**(8,801)**	**108,430**	**(3,824)**	**(3,936)**
Shares	E	(26,533)	(2,809)	(7,589)	9,179	(768)	(880)
Financial assets and goods	FI	77,422	(3,760)	(1,212)	99,251	(3,056)	(3,056)
Over-the-counter trading							
Swap contracts							
Asset position		**5,788,597**	**338,143**	**308,644**	**3,582,059**	**333,476**	**288,125**
DI	C	2,345,008	164,578	148,378	328,606	(11,796)	9,695
	FI	2,237,324	169,505	152,949	59,980	(192)	3,760
Foreign currency	C	--	--	--	883	200	153
	FI	16,599	(283)	379	2,265,445	334,942	263,827
Fixed rate	C	194,477	2,282	4,277	66,705	2,014	2,472
Referential Rate (TR)	C	41,835	900	1,500	55,469	439	349
Other		953,354	1,161	1,161	804,971	7,869	7,869
Liability position		**12,386,979**	**(529,105)**	**(509,832)**	**10,411,928**	**(628,755)**	**(585,715)**
DI	C	5,974,644	(235,954)	(235,533)	3,760,005	(114,205)	(118,532)
	FI	1,178,193	(140,839)	(121,906)	74,141	(1,953)	(1,243)
Foreign currency	C	137,088	(2,447)	(3,797)	728,937	(191,452)	(183,019)
	FI	1,756,904	(69,267)	(66,813)	1,503,136	(184,810)	(144,571)
Fixed rate	C	176,657	(5,124)	(5,360)	8,489	(18)	(3)
SELIC rate	C	2,113,391	(42,185)	(42,185)	2,674,539	(89,220)	(89,220)

By Index	Counter Party(*)	BB- Consolidated 12.31.2003 Notional Amount	Cost Value	Market Value	12.31.2002 Notional amount	Cost Value	Market value
Referential Rate (TR)	C	830,401	(32,720)	(33,669)	928,954	(43,532)	(45,562)
Other		219,701	(569)	(569)	733,727	(3,565)	(3,565)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

By Maturity	BB – Consolidated 12.31.2003 Notional amount	Cost Value	Market value	12.31.2002 Notional Amount	Cost Value	Market value
Futures contracts						
Purchase commitment	**1,803,648**	--	--	**1,483,786**	--	--
Up to 30 days	1,039,371	--	--	607,891	--	--
31 to 60 days	586,107	--	--	689,441	--	--
181 to 360 days	52,402	--	--	30,529	--	--
1 to 5 years	125,768	--	--	155,925	--	--
Sales commitment	**487,060**	--	--	**1,063,812**	--	--
Up to 30 days	--	--	--	44,517	--	--
31 to 60 days	--	--	--	453,132	--	--
91 to 180 days	--	--	--	490,161	--	--
181 to 360 days	352,861	--	--	14,197	--	--
1 to 5 years	134,199	--	--	61,805	--	--

	BB – Consolidated					
	12.31.2003			12.31.2002		
By Maturity	**Notional amount**	**Cost Value**	**Market value**	**Notional Amount**	**Cost Value**	**Market value**
Options market						
Purchase options						
Shares	**97,432**	**4,584**	**1,219**	**105,631**	**3,333**	**3,242**
Up to 30 days	810	16	7	5,800	264	186
31 to 60 days	39,338	1,615	24	29,806	650	638
91 to 180 days	57,168	2,947	1,183	58,364	2,238	2,238
181 to 360 days	116	6	5	5,506	72	72
1 to 5 years	--	--	--	6,155	109	109
Sales options						
Shares	**50,889**	**(6,569)**	**(8,801)**	**108,430**	**(3,824)**	**(3,936)**
Up to 30 days	(7,588)	(894)	(1,219)	8,599	(736)	(861)
31 to 60 days	1,193	(2,722)	(6,394)	29,806	(669)	(656)
91 to 180 days	57,168	(2,947)	(1,183)	58,364	(2,238)	(2,238)
181 to 360 days	116	(6)	(5)	5,506	(72)	(72)
1 to 5 years	--	--	--	6,155	(109)	(109)
Swap contracts						
Asset	**5,788,597**	**338,143**	**308,644**	**3,582,059**	**333,476**	**288,125**
Up to 30 days	784,292	60,385	61,374	576,808	42,409	42,161
31 to 60 days	359,181	28,129	28,359	374,500	33,172	33,779
61 to 90 days	503,543	17,908	16,344	878,986	65,175	63,905
91 to 180 days	1,036,958	67,131	67,270	738,739	56,502	60,712
181 to 360 days	1,528,460	103,240	86,041	633,317	58,781	44,545
1 to 5 years	1,576,163	61,350	49,256	379,709	77,437	43,023
Liability	**12,386,979**	**(529,105)**	**(509,832)**	**10,411,928**	**(628,755)**	**(585,715)**
Up to 30 days	1,571,116	(73,610)	(72,211)	973,160	(141,062)	(143,867)
31 to 60 days	458,223	(49,189)	(48,071)	536,841	(47,686)	(45,085)
61 to 90 days	504,893	(20,931)	(19,325)	852,522	(69,869)	(67,614)
91 to 180 days	2,028,058	(81,143)	(77,860)	1,426,567	(138,335)	(125,090)
181 to 360 days	4,813,110	(178,080)	(175,903)	4,813,848	(148,979)	(143,459)
1 to 5 years	3,011,579	(126,152)	(116,462)	1,808,990	(82,824)	(60,600)

5.b.2) Hedge Derivatives

By Index	Counter party(*)	BB- Domestic and Foreign Branches					
		12.31.2003			12.31.2002		
		Notional Amount	Cost Value	Market value	Notional Amount	Cost value	Market value
Exchange Trading							
Futures contracts							
Purchase commitment		**43,300**	**(4,661)**	**(4,661)**	**853,563**	**13,052**	**13,052**
Foreign exchange coupon	E	43,300	(4,661)	(4,661)	853,563	13,052	13,052
Sales commitment		**320,135**	**12,094**	**12,094**	**34,978**	**233**	**233**
Foreign exchange coupon	E	320,135	12,094	12,094	34,978	233	233
Over-the-counter trading							
Swap contracts							
Asset position		**703,349**	**68,286**	**57,836**	**30,900**	**384**	**467**
DI	C	209,232	34,172	31,990	12,820	78	274
	FI	494,117	34,114	25,846	18,080	306	193
Liability position		**107,094**	**(16,042)**	**(13,831)**	**885,244**	**(269,672)**	**(152,825)**
DI	C	--	--	--	1,000	(455)	(409)
	FI	36,437	(8,848)	(8,820)	--	--	--
Foreign currency	C	60,000	(6,990)	(4,770)	79,953	(49,383)	(18,951)
	FI	--	--	--	804,291	(219,834)	(133,465)
Prefixed	C	10,657	(204)	(241)	--	--	--

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

By Maturity	BB- Domestic and Foreign Branches					
	12.31.2003			12.31.2002		
	Notional Amount	Cost Value	Market value	Notional Amount	Cost value	Market value
Futures contracts						
Purchase commitments	**43,300**	**--**	**--**	**853,563**	**--**	**--**
Up to 30 days	43,300	--	--	--	--	--
181 to 360 days	--	--	--	174,785	--	--
1 to 5 years	--	--	--	678,778	--	--
Sales commitments	**320,135**	**--**	**--**	**34,978**	**--**	**--**
181 to 360 days	142,969	--	--	34,978	--	--
1 to 5 years	177,166	--	--	--	--	--
Swap Contracts						
Asset	**703,349**	**68,286**	**57,836**	**30,900**	**384**	**467**
Up to 30 days	--	--	--	1,962	31	11
31 to 60 days	36,097	10,646	10,274	--	--	--
61 to 90 days	17,408	4,885	4,839	18,080	306	193
91 to 180 days	57,220	4,432	4,203	--	--	--
181 to 360 days	563,351	47,689	38,049	10,858	47	263
1 to 5 years	29,273	634	471	--	--	--
Liability	**107,094**	**(16,043)**	**(13,831)**	**885,244**	**(269,672)**	**(152,825)**
Up to 30 days	36,437	(8,848)	(8,820)	--	--	--
91 to 180 days	10,657	(205)	(241)	93,522	(22,902)	(21,369)
181 to 360 days	60,000	(6,990)	(4,770)	601,477	(168,289)	(111,762)
1 to 5 years	--	--	--	190,245	(78,481)	(19,694)

By Index	Counter party(*)	BB- Consolidated 12.31.2003 Notional Amount	Cost Value	Market value	12.31.2002 Notional Amount	Cost Value	Market Value
Exchange Trading							
Futures contracts							
Purchase commitment		**43,300**	**(4,661)**	**(4,661)**	**853,563**	**13,052**	**13,052**
Foreign exchange coupon	E	43,300	(4,661)	(4,661)	853,563	13,052	13,052
Sales commitment		**320,135**	**12,094**	**12,094**	**34,978**	**233**	**233**
Foreign exchange coupon	E	320,135	12,094	12,094	34,978	233	233
Over-the-counter trading							
Swap contracts							
Asset position		**703,349**	**68,286**	**57,836**	**30,900**	**384**	**467**
DI	C	209,232	34,172	31,990	12,820	78	274
	FI	494,117	34,114	25,846	18,080	306	193
Liability position		**107,094**	**(16,042)**	**(13,831)**	**885,244**	**(269,672)**	**(152,825)**
DI	C	--	--	--	1,000	(455)	(409)
	FI	36,437	(8,848)	(8,820)	--	--	--
Foreign currency	C	60,000	(6,990)	(4,770)	79,953	(49,383)	(18,951)
	FI	--	--	--	804,291	(219,834)	(133,465)
Prefixed	C	10,657	(204)	(241)	--	--	--

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

By Maturity	BB- Consolidated					
	12.31.2003			12.31.2002		
	Notional Amount	Cost Value	Market value	Notional Amount	Cost value	Market value
Futures contracts						
Purchase commitments	**43,300**	--	--	**853,563**	--	--
Up to 30 days	43,300	--	--	--	--	--
181 to 360 days	--	--	--	174,785	--	--
1 to 5 years	--	--	--	678,778	--	--
Sales commitments	**320,135**	--	--	**34,978**	--	--
181 to 360 days	142,969	--	--	34,978	--	--
1 to 5 years	177,166	--	--	--	--	--
Swap Contracts						
Asset	**703,349**	**68,286**	**57,836**	**30,900**	**384**	**467**
Up to 30 days	--	--	--	1,962	31	11
31 to 60 days	36,097	10,646	10,274	--	--	--
61 to 90 days	17,408	4,885	4,839	18,080	306	193
91 to 180 days	57,220	4,432	4,203	--	--	--
181 to 360 days	563,351	47,689	38,049	10,858	47	263
1 to 5 years	29,273	634	471	--	--	--
Liability	**107,094**	**(16,042)**	**(13,831)**	**885,244**	**(269,672)**	**(152,825)**
Up to 30 days	36,437	(8,848)	(8,820)	--	--	--
91 to 180 days	10,657	(204)	(241)	93,522	(22,902)	(21,369)
181 to 360 days	60,000	(6,990)	(4,770)	601,477	(168,289)	(111,762)
1 to 5 years	--	--	--	190,245	(78,481)	(19,694)

The margin given as guarantee for operations with derivative financial instruments is comprised of Financial Treasury Bills (LFT) amounting to R$ 545,964 (R$ 741,467 at 12.31.2002).

Given the high volatility in the domestic and foreign markets, there was an increased need for derivative financial instruments to manage market risks, mainly arising from interest rate and exchange rate fluctuations.

Banco do Brasil uses derivative financial instruments to minimize the risks arising from commercial and financial operations, as well as providing for the need of its clients.

The derivatives negotiated by the Bank are classified in the balance sheet as follows:
- Negotiation: derivatives realized at clients' request or to assume proprietary positions;
- Market Risk Hedge: derivatives realized to offset the effects of variations in market value of securities indexed to foreign exchange variations

The portfolio of market risk hedge presented the following composition in December 31, 2003:

I – Item object of Hedge:

	Market value	
	12.31.2003	**12.31.2002**
Asset		
Foreign exchange securities	915,898	2,026,304
NTN – D	632,382	1,770,044
NBC-E	283,516	256,260

II – Derivatives for Market Risk Hedge:

	Market value	
	12.31.2003	**12.31.2002**
Liability		
Financial derivative instruments of foreign exchange securities	1,088,599	1,734,729
DI Contracts	276,835	818,585
Swap contracts	811,764	916,144

The effectiveness calculated for the hedge portfolio at December 31, 2003 was 92.51%. This percentage complies with that established by BACEN Circular Letter 3082/02, the proof of hedge effectiveness corresponding to 80% to 125%.

5.c) Result of the Marketable Securities and Derivatives Marked to Market

Given the mark to market adjustment of Marketable Securities and Derivative Financial Instruments, as established by Circulars 3068 and 3082, and later regulations, we directly recognized the following amounts as income (expense):

	BB-Consolidated		
	2nd half 2003	2003	2002
Marketable Securities	36,004	297,081	(300,278)
Derivatives	(60,477)	(99,475)	210,136
Total	(24,473)	197,606	(90,142)

6 Lending Operations

6.a) Details of the lending portfolio and lending operations classified as Other receivables:

	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	**12.31.2002**	**12.31.2003**	**12.31.2002**
Lending operations	64,530,088	50,123,845	65,591,453	51,407,316
Loans and bills discounted	30,388,646	26,231,287	31,138,427	27,871,339
Financing	10,793,104	9,737,699	11,454,805	9,727,312
Rural and Agribusiness financing	26,978,344	17,011,129	26,978,344	17,011,129
Financing of marketable securities	8,011	9,891	--	--
(Allowance for loan losses)	(3,638,017)	(2,866,161)	(3,980,123)	(3,202,464)
Other Receivables with Lending Characteristics	7,562,155	7,576,386	7,836,947	7,924,361
Receivables on guarantees honored	30,285	38,056	30,285	38,056
Advances on foreign exchange	6,234,119	6,312,792	6,234,119	6,312,792
Sundry	1,494,690	1,495,230	1,771,111	1,861,699
(Allowance for other receivables)	(196,939)	(269,081)	(198,568)	(288,186)
Leasing operations	1,833	--	12,515	62,261
Leasing operations	1,848	--	29,271	77,192
(Allowance for leasing losses)	(15)	--	(16,756)	(14,931)
Total	72,094,076	57,700,842	73,440,915	59,393,938

6.b) Composition of the portfolio by sector, including operations with lending characteristics classified in Other Receivables:

	BB-Domestic and Foreign Branches				BB-Consolidated			
	12.31.2003	%	12.31.2002	%	12.31.2003	%	12.31.2002	%
PUBLIC SECTOR	4,309,082	5.7	5,228,908	8.6	4,365,455	5.7	5,631,415	9.0
Domestic	273,399	0.4	349,947	0.6	273,399	0.4	349,942	0.6
Government	162,996	0.2	226,523	0.4	162,996	0.2	226,523	0.4
Direct Administration	159,839	0.2	189,068	0.3	159,839	0.2	189,068	0.3
Indirect Administration	3,157	--	37,455	0.1	3,157	--	37,455	0.1
Business	110,403	0.2	123,424	0.2	110,403	0.2	123,419	0.2
Industry	131	--	3,853	--	131	--	3,853	--
Commerce	--	--	223	--	--	--	223	--
Financial Services	67,302	0.1	63,950	0.1	67,302	0.1	63,950	0.1
Other Services	42,970	0.1	55,398	0.1	42,970	0.1	55,393	0.1
Foreign	4,035,683	5.3	4,878,961	8.0	4,092,056	5.3	5,281,473	8.4
Business	4,035,683	5.3	4,878,961	8.0	4,092,056	5.3	5,281,473	8.4
Banks	--	--	346	--	--	--	21,103	--
Public Services	4,035,683	5.3	4,878,615	8.0	4,092,056	5.3	5,260,370	
PRIVATE SECTOR	71,619,965	94.3	55,607,176	91.4	73,270,907	94.3	57,268,104	91.0
Domestic	67,676,279	89.1	51,958,907	85.4	67,881,500	87.4	52,234,938	83.0
Rural	24,192,131	31.9	16,238,814	26.7	24,192,131	31.2	16,238,814	25.8
Industry	16,976,757	22.4	12,808,279	21.1	17,062,571	22.0	12,906,586	20.5
Commerce	7,153,707	9.4	5,621,028	9.2	7,207,843	9.3	5,677,936	9.0
Financial Services	344	--	197	--	344	--	197	--
Other Services	7,629,885	10.0	7,377,738	12.1	7,634,068	9.8	7,407,138	11.8
Individuals	11,723,455	15.4	9,912,851	16.3	11,784,543	15.1	10,004,267	15.9
Foreign	3,943,686	5.2	3,648,269	6.0	5,389,407	6.9	5,033,166	8.0
BB Group	66,668	0.1	170,854	0.3	7,479	--	34,920	--
Commerce	276,040	0.4	213,802	0.4	317,453	0.4	287,046	0.5
Industry	3,065,081	4.0	2,506,056	4.1	4,015,526	5.2	3,082,423	4.9
Other companies	18,846	--	88,717	0.2	122,340	0.2	448,302	0.7
Banks	303,811	0.4	--	--	374,472	0.5	301,724	0.5
Individuals	20,375	--	37,219	--	20,423	--	39,587	0.1
Other Services	192,865	0.3	631,621	1.0	531,714	0.6	839,164	1.3
Total	75,929,047	100.0	60,836,084	100.0	77,636,362	100.0	62,899,519	100.0

6.c) Composition of the lending portfolio by risk level and maturity, including operations with credit concession characteristics classified in Other Receivables:

BB-Domestic and Foreign Branches
Operations falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio	Share %	Total Portfolio	Share %
								12.31.2003		12.31.2002	
AA	742,937	595,341	731,447	1,044,521	2,423,990	1,495,293	8,876,954	15,910,483	22%	15,133,297	27%
A	1,628,886	1,286,395	1,568,751	1,623,616	4,525,286	11,189,800	12,261,890	34,084,624	47%	25,830,219	45%
B	646,242	546,323	701,294	823,007	2,116,055	4,446,735	5,302,843	14,582,499	20%	10,205,348	18%
C	357,801	168,664	357,937	289,180	759,679	1,493,024	1,477,415	4,903,700	7%	3,763,750	6%
D	227,428	290,051	62,372	79,376	342,397	218,450	646,727	1,866,801	3%	1,224,709	2%
E	21,996	2,511	6,073	5,014	11,844	23,059	152,305	222,802	--	441,096	1%
F	5,933	1,174	899	1,912	23,293	9,236	53,348	95,795	--	96,921	--
G	2,866	575	532	577	3,725	6,282	64,395	78,952	--	88,836	--
H	13,026	3,995	6,137	7,780	16,447	52,074	465,367	564,826	1%	302,349	1%
Total	3,647,115	2,895,029	3,435,442	3,874,983	10,222,716	18,933,953	29,301,244	72,310,482	100%	57,086,525	100%

BB-Domestic and Foreign Branches
Operations overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio	Share %	Total Portfolio	Share %
								12.31.2003		12.31.2002	
A	--	--	--	--	--	--	--	--	--	22	--
B	40,978	372,859	21,557	6	350	540	102	436,392	12%	841,724	22%
C	7,086	93,975	326,338	11,962	6,098	684	72	446,215	12%	456,353	12%
D	2,258	106,906	123,407	205,312	33,662	1,239	176	472,960	13%	300,799	8%
E	1,231	22,671	29,199	50,600	175,841	47,941	368	327,851	9%	361,238	10%
F	1,426	8,469	12,583	16,637	186,892	6,933	--	232,940	7%	215,682	6%
G	635	5,918	8,311	8,435	200,846	3,946	75	228,166	6%	172,512	5%
H	5,188	42,452	61,050	37,991	189,733	989,369	148,258	1,474,041	41%	1,401,229	37%
Total	58,802	653,250	582,445	330,943	793,422	1,050,652	149,051	3,618,565	100%	3,749,559	100%

BB-Consolidated
Operations falling due

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 12.31.2003	Share %	Total Portfolio 12.31.2002	Share %
AA	745,764	599,753	745,193	1,100,205	2,497,635	1,498,396	8,860,055	16,047,001	22%	15,693,190	27%
A	1,633,210	1,286,575	1,571,535	1,632,977	4,534,597	11,207,848	12,672,004	34,538,746	47%	26,269,045	44%
B	650,354	546,365	701,546	828,529	2,156,360	4,482,206	5,746,732	15,112,092	20%	10,545,175	18%
C	357,827	168,668	357,956	289,197	759,947	1,495,279	1,505,778	4,934,652	7%	4,039,977	7%
D	228,130	290,057	62,384	79,415	513,344	219,691	698,036	2,091,057	3%	1,243,459	2%
E	21,997	2,511	6,075	5,014	11,883	23,464	152,910	223,854	--	536,251	1%
F	5,935	1,176	899	1,913	23,300	9,261	53,552	96,036	--	97,180	--
G	3,220	575	532	577	3,726	6,293	86,531	101,454	--	89,000	--
H	90,549	3,996	6,143	7,800	16,489	52,331	658,495	835,803	1%	585,094	1%
Total	3,736,986	2,899,676	3,452,263	3,945,627	10,517,281	18,994,769	30,434,093	73,980,695	100%	59,098,371	100%

BB-Consolidated
Operations overdue

Risk level	0-15	16-30	31-60	61-90	91-180	181-360	Over 360	Total Portfolio 12.31.2003	Share %	Total Portfolio 12.31.2002	Share %
A	--	--	--	--	--	--	--	--	--	22	--
B	45,961	374,766	21,716	6	350	540	102	443,441	12%	844,882	22%
C	7,552	94,501	329,394	11,967	6,098	684	73	450,269	12%	460,102	12%
D	2,529	107,283	124,132	206,953	33,662	1,239	175	475,973	13%	335,008	9%
E	1,357	22,766	29,395	51,017	177,818	47,941	368	330,662	9%	362,826	9%
F	1,485	8,508	12,823	16,708	187,423	6,932	--	233,879	7%	216,592	6%
G	693	5,936	8,372	8,485	201,757	3,945	75	229,263	6%	173,462	5%
H	5,393	42,681	61,560	38,206	190,813	992,573	160,954	1,492,180	41%	1,408,254	37%
Total	64,970	656,441	587,392	333,342	797,921	1,053,854	161,747	3,655,667	100%	3,801,148	100%

6.d) Composition of the allowance for loan losses by risk levels, including operations with credit concession characteristics classified in Other Receivables:

BB-Domestic and Foreign Branches

Risk level	%	Balance 12.31.2003	Allowance 12.31.2003	Balance 12.31.2002	Allowance 12.31.2002
AA	0	15,910,483	--	15,133,297	--
A	0.5	34,084,624	170,423	25,830,241	129,151
B	1	15,018,891	150,189	11,047,072	110,471
C	3	5,349,915	160,497	4,220,103	126,603
D	10	2,339,761	233,976	1,525,508	152,551
E	30	550,653	165,196	802,334	240,700
F	50	328,735	164,367	312,603	156,302
G	70	307,118	214,982	261,348	182,944
H	100	2,038,867	2,038,867	1,703,578	1,703,578
Subtotal		75,929,047	3,298,497	60,836,084	2,802,300
Additional Allowance Foreign *		--	44,669	--	73,098
Additional Allowance Domestic **		--	491,805	--	259,844
Total		75,929,047	3,834,971	60,836,084	3,135,242

BB-Consolidated

Risk level	%	Balance 12.31.2003	Allowance 12.31.2003	Balance 12.31.2002	Allowance 12.31.2002
AA	0	16,047,001	--	15,693,190	--
A	0.5	34,538,746	172,694	26,269,067	131,345
B	1	15,555,533	155,555	11,390,057	113,901
C	3	5,384,921	161,548	4,500,079	135,002
D	10	2,567,030	256,703	1,578,467	157,847
E	30	554,516	166,355	899,077	269,723
F	50	329,915	164,957	313,772	156,886
G	70	330,717	231,502	262,462	183,723
H	100	2,327,983	2,327,983	1,993,348	1,993,348
Subtotal		77,636,362	3,637,297	62,899,519	3,141,775
Additional Allowance Foreign*		--	66,323	--	104,653
Additional Allowance Domestic **		--	491,827	--	259,153
Total		77,636,362	4,195,447	62,899,519	3,505,581

* Additional provision in compliance with local legislation.
** Includes R$ 413,009 at 12.31.2003 (R$ 203,087 at 12.31.2002) related to the adjustment to present value of the Bank's PESA risk operations, in compliance with the recommendation of the Brazilian Central Bank.

6.e) Movement on the allowances for loan and leasing losses and for operations with credit concession characteristics classified in Other Receivables:

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Opening Balance	3,476,037	3,135,242	2,420,904	3,822,895	3,505,581	2,521,681
Recognition	1,561,797	2,996,016	2,629,889	1,572,223	3,069,829	2,882,619
Exchange variation on allowances – foreign	1,856	(22,886)	41,053	6,844	(83,311)	92,501
Charged off	(1,204,719)	(2,273,401)	(1,956,605)	(1,206,515)	(2,296,652)	(1,991,220)
Closing Balance	3,834,971	3,834,971	3,135,242	4,195,447	4,195,447	3,505,581

6.f) Supplementary information:

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Renegotiated loans	1,735,433	2,895,320	2,205,897	1,735,781	2,895,320	2,205,897
Amount recovered of loans written off as losses*	645,002	1,019,046	717,605	658,390	1,034,120	721,514

* Includes R$ 12,870 (R$ 14,070 at 12.31.2002) regarding loans to individuals and legal entities recorded in the statement of income in the account Revenue from lending operations, as permitted by CMN Resolution 2836/2001.

7 Provision for Vacation Pay, Leave of Absence, Judicial Demands and Other Receivables without Lending Characteristics:

Provisions set up changed as follows:

	Multiple Bank		
7.a) Vacation pay (Other liabilities – Sundry):	**2nd half 2003**	**2003**	**2002**
Opening balance	486,136	536,242	489,731
Increase/(Reversal)	313,860	526,125	465,796
Provision used	(182,676)	(445,047)	(419,285)
Closing balance	617,320	617,320	536,242

7.b) Leave of Absence (Other liabilities – Sundry):	**2nd half 2003**	**2003**	**2002**
Opening balance	525,463	551,963	549,256
Increase/(Reversal)	158,612	240,617	213,238
Provision used	(92,406)	(200,911)	(210,531)
Closing balance	591,669	591,669	551,963

7.c) Labor claims (Other liabilities – Sundry):	**2nd half 2003**	**2003**	**2002**
Opening balance	1,429,004	1,164,361	971,496
Increase/(Reversal)	353,371	618,014	198,926
Provision used	--	--	(6,061)
Closing balance	1,782,375	1,782,375	1,164,361

7.d) Tax claims (Other liabilities –Taxes and social security charges):	**2nd half 2003**	**2003**	**2002**
Opening balance	137,969	575,011	443,153
Reclassification *	--	(444,285)	--
Increase/(Reversal)	(16,839)	(9,596)	131,858
Closing balance	121,130	121,130	575,011

7.e) Other claims (Other liabilities – Sundry):	**2nd half 2003**	**2003**	**2002**
Opening balance	710,412	616,533	422,873
Increase/(Reversal)	(240,166)	(146,287)	193,660
Closing balance	470,246	470,246	616,533

	BB-Consolidated		
7.f) Other Receivables without Lending Characteristics:	**2nd half 2003**	**2003**	**2002**
Opening balance	1,011,662	220,220	133,281
Increase/(Reversal)	38,542	196,574	126,000
Reclassification *	--	444,285	--
Reclassification **	--	220,189	--
Foreign exchange variation on provisions abroad	574	1,769	--
Provision used	(3,817)	(36,076)	(39,061)
Closing balance	1,046,961	1,046,961	220,220

* Reclassification of the provision related the judicial deposits restatement recorded under "Provision for contingent tax liabilities" in the amount of R$ 444,285, in March 2003.
** This reclassification refers to provisions for transactions with several counterparties which are not predicted by CMN Resolution 2682/99.

8 Other receivables

8.a) Foreign Exchange Portfolio

	Current and long-term	
	BB-Domestic and Foreign Branches and BB-Consolidated	
	12.31.2003	**12.31.2002**
Foreign exchange purchased pending settlement	7,374,499	9,360,175
Bills of exchange and time drafts in foreign currency	120,403	138,822
Receivables from sale of foreign exchange	21,415,978	2,121,444
Advances received	(20,205,897)	(1,678,860)
Amounts in foreign currencies receivable	54,987	62,520
Income receivable on advances granted	99,488	156,459
Income receivable on financed imports	--	6
Total	8,859,458	10,160,566

8.b) Specific Credits

These credits comprise credits from the National Treasury in the amount of R$ 494,182, relating to the extension of terms of rural financing (R$ 433,718 at December 31, 2002), as determined by Law 9138/1995.

8.c) Sundry

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Salary advances and anticipations	262,396	300,377	262,422	300,784
Securities and receivables – Federal Treasury	254,473	373,373	254,473	373,373
Securities and receivables - Other	1,199,576	1,076,565	1,213,684	1,109,751
Tax credits (see Note 17)	9,271,324	11,686,421	9,406,188	11,846,947
Sundry debtors – foreign	27,677	161,527	27,890	161,669
Sundry debtors – domestic	446,241	604,690	447,580	609,275
Receivable on guarantee deposits	6,243,620	4,065,236	6,243,816	4,065,493
Income tax and social contribution to offset	43,925	38,211	56,374	46,315
Receivable on sale of assets and rights	545,070	554,084	564,785	577,129
Other	242,181	264,871	202,787	248,971
Total	18,536,483	19,125,355	18,679,999	19,339,707

9 Other Assets

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Non-operating assets	377,575	386,316	385,435	388,861
Material in inventory	26,531	21,232	26,531	21,232
Total	404,106	407,548	411,966	410,093

10 Deposits

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Demand deposits	27,017,936	24,303,771	27,140,084	24,342,264
Related companies	1,373,602	687,750	1,373,601	687,750
Individuals	9,064,356	8,437,184	9,066,350	8,438,917
Business entities	9,266,500	8,811,892	9,388,694	8,849,291
Financial institutions	123,090	270,611	121,141	270,182
Government	2,017,530	2,318,796	2,017,530	2,318,796
Federal Treasury	112,177	111,910	112,177	111,910
Domiciled abroad	28,859	50,250	28,769	50,040
Restricted	4,280,145	2,861,570	4,280,145	2,861,570
In foreign currency	727,341	739,283	727,341	739,283
Other	24,336	14,525	24,336	14,525
Savings deposits	27,425,394	26,917,763	27,425,394	26,917,763
Individuals	26,272,315	25,673,387	26,272,315	25,673,387
Business entities	942,839	1,033,555	942,839	1,033,555
Related companies	207,644	207,059	207,644	207,059
Financial institutions	2,596	3,762	2,596	3,762
Interbank deposits	26,258,196	5,376,452	7,275,446	3,875,878
Time deposits	48,091,360	41,989,424	48,172,747	42,117,414
Time deposits	27,409,229	25,030,116	27,490,616	25,158,106
Time deposits in foreign currency	1,054	730	1,054	730
Time deposits with automatic renewal	190,456	205,123	190,456	205,123
Remunerated judicial deposits	13,792,573	12,045,318	13,792,573	12,045,318
Obligations for special deposits and funds and Programs (see Note 13.c)	6,698,048	4,708,137	6,698,048	4,708,137
Total	128,792,886	98,587,410	110,013,671	97,253,319

11 Borrowings - International Borrowing

	BB-Domestic and Foreign Branches							
	No Maturity	**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. 2003**	**Total 12.31. 2002**
Exports	--	76,922	76,907	--	--	--	153,829	333,373
Imports	--	131,385	148,305	55,584	48,055	8,370	391,699	627,471
Foreign Exchange	5,440,315	--	--	--	--	--	5,440,315	7,633,387
Specific Credit Lines	--	8	141,023	--	400,576	3,115,472	3,657,079	4,377,190
Other	--	2,427,971	1,008,279	299,292	--	7,196	3,742,738	2,828,322
Total	5,440,315	2,636,286	1,374,514	354,876	448,631	3,131,038	13,385,660	15,799,743

	BB-Consolidated							
	No Maturity	**Up to 90 days**	**From 90 to 360 days**	**From 1 to 3 years**	**From 3 to 5 years**	**From 5 to 15 years**	**Total 12.31. 2003**	**Total 12.31. 2002**
Exports	--	22,545	24,664	--	--	--	47,209	56,858
Imports	--	75,189	115,469	55,584	48,055	8,370	302,667	623,975
Foreign Exchange	5,440,315	--	--	--	--	--	5,440,315	7,633,387
Specific Credit Lines	--	8	136,705	--	400,576	3,119,790	3,657,079	4,377,190
Other	--	353,938	152,731	25,064	--	2,905	534,638	740,630
Total	5,440,315	451,680	429,569	80,648	448,631	3,131,065	9,981,908	13,432,040

It is the policy of Banco do Brasil S.A to borrow internationally pursuing the lowest possible cost in relation to the respective maturity, the type of instrument, and the profile of its balance sheet. The Bank uses Libor and US Treasury rates as reference parameters for financial and capital markets, constantly monitoring rates in use in the various markets.

12 Local Onlendings – Official Institutions

Programs	Financial charges	BB-Domestic and Foreign Branches		BB-Consolidated	
		12.31.2003	12.31.2002	12.31.2003	12.31.2002
Federal Treasury		1,829,343	1,181,151	1,829,343	1,181,151
Rural Credit		1,693,086	1,056,491	1,693,086	1,056,491
FARMING COSTING	TR or 9% p.a.	36,704	35,064	36,704	35,064
PGPM-EGF	TR or 5.75% p.a. to 9.0% p.a.	--	4,254	--	4,254
PNDR	TJLP+9.95% p.a.	2,451	2,899	2,451	2,899
PROFIR	TJLP + 5% p.a.	5,073	9,122	5,073	9,122
PRODECER III	TJLP + 3% p.a. / TJLP + 4% p.a. or 7.75% p.a. to 8.75% p.a.	--	32,959	--	32,959
COCOA	TJLP + 0.6% p.a. or 6.35% p.a.	29,397	15,212	29,397	15,212
PRONAF	1.15% p.a. or 4% p.a.	1,292,390	606,998	1,292,390	606,998
RECOOP	5.75% to 8.25% p.a.	327,071	349,983	327,071	349,983
Other funds and programs		136,257	124,660	136,257	124,660
PNDA	Foreign exchange + 9.15% p.a. or TJLP + 9.95% p.a.	3,332	7,041	3,332	7,041
Alcohol storage	TMS	132,925	117,619	132,925	117,619
BNDES	*	2,931,961	2,570,656	2,931,961	2,570,656
CEF	--	--	16	--	16
FINAME	**	2,131,742	1,779,520	2,140,317	1,786,726
Other liabilities	--	556,572	381,807	556,676	382,523
PROHEMP	--	1,387	1,491	1,387	1,491
FBB – Fundec II	--	16,327	19,232	16,327	19,232
FUNCAFÉ	TR or TMS (Available) or TJLP + 3% p.a. or 4% p.a. (Invested)	538,559	358,395	538,559	358,395
Other	--	299	2,689	403	3,405
Total		7,449,618	5,913,150	7,458,297	5,921,072

* BNDES
- Programs with fixed interest rates: interest rates paid to the BNDES vary from 3% p.a. to 9% p.a.
- Programs with Long-Term Interest Rate (TJLP) or Foreign exchange variation: interest rates paid to the BNDES vary from 1% p.a. to 3% p.a.

** FINAME
- Programs with fixed interest rates: interest rates paid to the BNDES/FINAME vary from 5.75% p.a. to 9.8% p.a.
- Programs with TJLP or Foreign exchange variation: interest rates paid to the BNDES/FINAME vary from 1% p.a. to 3% p.a.

13 Other Liabilities

13.a) Foreign Exchange Portfolio

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	**12.31.2002**	**12.31.2003**	**12.31.2002**
Foreign exchange sold pending settlement	21,259,352	2,089,500	20,903,300	2,089,500
Advances in foreign currencies	--	(39,882)	--	(39,882)
Import financing	(3,192)	(5,524)	(3,192)	(5,524)
Foreign exchange purchase liabilities	7,532,181	8,546,511	7,532,181	8,546,511
Liabilities from Sales – floating rates	72,354	84,957	72,354	84,957
Advances on exchange contracts	(6,138,783)	(6,312,792)	(6,138,783)	(6,312,792)
Amounts in foreign currencies payable	38,959	46,198	38,959	46,198
Unearned income on advances granted	2,453	5,164	2,453	5,164
Total	22,763,324	4,414,132	22,407,272	4,414,132

13.b) Financial and Development Funds

	Current and long-term	
	BB-Domestic and Foreign Branches and BB-Consolidated	
	12.31.2003	**12.31.2002**
PIS/PASEP	1,189,687	1,193,623
Merchant Marine	7,678	6,642
Lands and Agrarian Reform - BB Banco da Terra	172,593	189,023
Special Lending Program for Agrarian Reform (Procera)	349,733	371,942
Other	24,029	15,218
Total	1,743,720	1,776,448

13.c) Fund for Workers' Assistance (FAT) and Fund to Guarantee Job and Income Generation (FUNPROGER):

FAT is a special accounting and financial fund, established by Law 7998/90, linked to the Ministry of Labor (MTE) and managed by the Executive Council of the Workers' Assistance Fund (CODEFAT). CODEFAT is a collective, tripartite and equal level system, composed of representatives of workers, employees and government, which act as the manager of FAT.

The main source of FAT is contributions to the Social Integration Program (PIS) and to the Public Service Employee Savings Program (PASEP).

The objective is to fund the Unemployment Insurance Program (for payments of the Unemployment Insurance benefit, professional qualification and requalification and orientation and intermediation of employment), the Wage Bonus, and finance programs for economic development as well as to promote employment.

The main actions to promote employment funded by FAT resources are via Employment and Income Growth Programs (PROGER), which resources are allocated by special deposits, established by Law 8352/91, in official federal financial institutions (including, among others, PROGER in the Urban and Rural modalities, and the National Program to Strengthen Family Farming - PRONAF).

The Bank acts as a partner of FAT to realize the employment and earnings programs, through special deposits to be invested in PROGER, Urban and Rural, and in PRONAF, offering credit lines to micro and small companies, cooperatives, workers of informal economic sectors, and rural workers.

Special deposits allocated to Banco do Brasil, while available, are remunerated on a pro rata basis by the TMS (Average SELIC Rate). When they are invested in financing to support PRONAF and PROGER they start to be remunerated by the TJLP (Long-term Interest Rate) during the period in which financing are in effect.

Remunerations on funds available in the Bank are paid to FAT in the month subsequent to the month of deposit. Remunerations on funds applied to finance final borrowers are paid as stipulated in each specific resolution.

The Employment and Income Growth Fund (FUNPROGER) is a special accounting fund, created on November 23, 1999, through Law 9872, changed by Law 10360/01, and regulated by CODEFAT Resolution 231/99, changed by CODEFAT Resolution 276/01, and is managed by the Bank with the supervision of CODEFAT/MTE, the balance of which amounts to R$ 131,098 on December 31, 2003.

The objective of FUNPROGER is to concede authorization to entrepreneurs who do not have the necessary guarantees to contract PROGER Urbano financing, through the payment of a commission to obtain concession of a guarantee.

In order to form the equity of FUNPROGER, funds were invested arising from the difference between the application of the average SELIC Rate and the Long-Term Interest Rate (TJLP) of the remuneration of special deposit balances available in the Fund for Workers' Assistance (FAT). Other sources of funds are the earnings from its operations and the remuneration of funds made available by Banco do Brasil, the Fund manager.

Program	Resolution	TMS Available (1)	TJLP Invested (2)	Total	Return of FAT funds Type (*)	Initial date	Final date
PROGER (Rural) and PRONAF		1,056,609	2,208,945	3,265,554			
Rural III	129/96 and 133/96	464,320	419,436	883,756	PU	--	11/2004
Rural IV	140/97	81,249	648,259	729,508	PU	--	06/2005
Pronaf I	173/98	97,377	202,622	299,999	PU	--	09/2006
Pronaf II	217/99	50,551	250,117	300,668	07 PAS	07/2004	07/2010
Rural V and Pronaf III	239/00	54,053	27,393	81,446	05 PAS	10/2004	10/2008
Rural VI	271/01	27,439	53,320	80,759	04 PAS	05/2004	05/2007
Pronaf IV	283/02	8,385	219,712	228,097	06 PAS	07/2005	07/2010
Rural VII	300/02	2,078	105,575	107,653	07 PAS	07/2005	07/2011
Pronaf V	303/02	255	152,662	152,917	07 PSS	07/2005	07/2008
Rural VIII	366/03	61,348	38,877	100,225	07 PAS	07/2006	07/2012
Pronaf VI	367/03	209,554	90,972	300,526	07 PAS	07/2006	07/2012
PROGER Urban		324,220	2,442,757	2,766,977			
Urbano V	228/99	11,022	113,350	124,372	13 PSS	02/2002	02/2008
Urbano VI	243/00	6,621	103,132	109,753	12 PSS	06/2003	12/2008
Urbano VII	260/01	5,016	165,456	170,472	12 PSS	12/2003	06/2009
Urbano VIII	280/02	955	227,555	228,510	12 PSS	02/2005	08/2010
Urbano IX – 1st tranche	294/02	214	110,758	110,972	09 PSS	11/2004	11/2008
Urbano IX – 2nd tranche	294/02	211	106,119	106,330	09 PSS	04/2005	04/2009
Urbano X	297/02	4,944	522,610	527,554	07 PSS	01/2005	01/2008
Urbano XI	307/02	3,238	162,704	165,942	12 PSS	06/2005	12/2010
Urbano XII	312/03	1,060	107,252	108,312	12 PSS	09/2005	03/2011
Urbano XIII	322/03	954	206,960	207,914	12 PSS	01/2006	07/2011
Urbano XIV	338/03	37,050	64,023	101,073	09 PSS	10/2005	10/2009
Urbano XV	357/03	101,643	200,540	302,183	12 PSS	05/2006	11/2011
Urbano XVI	331/03	151,292	352,298	503,590	09 PSS	11/2004	11/2008
Other		245,856	54,538	300,394			
Turismo I	323/03	47,914	2,102	50,016	16 PSS	02/2006	08/2013
Turismo II	324/03	50,000	-	50,000	09 PSS	08/2004	08/2008
Electric appliances	360/03	96,506	3,537	100,043	07 PSS	03/2004	03/2007
Residence I	349/03	51,436	48,899	100,335	09 PSS	11/2004	11/2008
Total		1,626,685	4,706,240	6,332,925			

(1) TMS: Average SELIC Rate
(2) TJLP: Long-term Interest Rate
(*) Type: PU (Sole installment at the end of the period), PAS (Annual and successive installments) and PSS (Semiannual and successive installments)

The resources of FAT and FUNPROGER comprise the balance of "Obligations for Special Deposits and Funds and Programs" (Note 10).

13.d) Sundry

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Provisions for payments*	4,988,764	6,266,092	4,990,428	6,276,185
Liabilities for payment services provided	1,216,882	1,279,220	648,396	32,106
Provisions for contingent liabilities	2,256,800	1,780,894	2,259,098	1,783,322
Sundry creditors – overseas	36,556	50,397	39,956	54,154
Sundry creditors – domestic	479,590	1,328,851	481,403	1,331,086
Credit card operations	880,994	769,200	880,994	769,200
Foreign funds – Bacen Circular no. 3.054/2001	121,080	97,287	1,094,973	680,821
Other	806,959	34,188	948,488	267,291
Total	10,787,625	11,606,129	11,343,736	11,194,165

* Includes R$ 3,175,052 (R$ 4,590,767 at December 31, 2002) related to retirement post-employment benefits (Note 24).

For comparative purposes, the amount of R$ 4,180,032 related to December/2002 was reclassified to Subordinated Debts.

13.e) Subordinated Debts

As from June 30, 2001, as determined by the CMN Vote No. 067/2001, and Bacen-Diret Official Letter 2001/1602, dated June 29, 2001, Banco do Brasil started to consider the funds arising from the Central-Western Constitutional Fund (FCO) as a subordinated debt and as Level II Reference Equity, due to the low payment and extended maturity term. At December 31, 2003, these payables amount to R$ 4,990,609 thousand (at December 31, 2002, R$ 4,180,032 thousand).

14 Analysis of Income Statement Items

14.a) Services rendered

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Investment funds management	--	--	--	434,117	784,032	700,092
Collection services	272,501	498,825	399,186	273,382	500,232	400,711
Services rendered to related companies	322,343	580,007	504,389	61,053	121,287	92,414
Funds transfers	64,520	123,036	92,019	64,703	123,446	92,551
Guarantees granted	43,354	77,959	62,246	43,393	78,158	62,497
Check clearing service and other	250,216	483,349	448,249	250,216	483,349	448,249
PASEP administration	29,765	72,695	86,590	29,765	72,695	86,590
Asset operations contracted	275,477	518,184	388,352	275,477	518,184	388,352
Deposit fees	92,504	180,947	125,289	92,504	180,947	125,289
Checking account fees	53,133	113,449	137,383	53,133	113,449	137,383
Document related fees	52,423	104,137	85,311	52,423	104,137	85,311
Ouro plan	453,753	830,364	561,868	453,753	830,364	561,868
Fees for official services	122,942	226,932	224,787	122,942	226,932	224,787
International trade services	8,271	17,108	19,407	8,271	17,108	19,407
Third party collection services	73,508	142,274	120,717	73,508	142,274	120,717
Commission for administration of public sector debts	23,579	47,036	45,447	23,579	47,036	45,447
Payments for third parties	66,129	118,480	101,366	66,129	118,480	101,366
Annuities - credit card	111,158	207,267	166,042	111,158	207,267	166,042
Commission of issuing bank - credit card	88,582	162,932	125,921	88,582	162,932	125,921
Tariff, 48-hour *Ouro* protection	10,764	52,849	66,382	10,764	52,849	66,382
Review of request for exclusion from CCF	31,925	59,352	49,038	31,925	59,352	49,038
Other	287,397	524,667	321,701	302,313	546,923	353,105
Total	2,734,244	5,141,849	4,131,690	2,923,090	5,491,433	4,453,519

14.b) Personnel expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Salaries	(1,712,082)	(3,105,647)	(2,751,925)	(1,731,149)	(3,141,749)	(2,781,614)
Benefits	(369,159)	(725,487)	(560,681)	(370,543)	(728,059)	(562,793)
Social charges	(613,268)	(1,141,647)	(1,031,565)	(620,002)	(1,154,665)	(1,041,533)
Training	(27,467)	(40,652)	(30,379)	(27,559)	(40,862)	(30,568)
Directors and board members	(2,525)	(5,225)	(5,704)	(2,739)	(5,632)	(6,074)
Labor claims	(515,319)	(880,994)	(372,520)	(515,319)	(880,994)	(372,520)
Provisions for vacation and leave of absence	(514,454)	(859,789)	(752,519)	(514,454)	(859,789)	(752,518)
Total	(3,754,274)	(6,759,441)	(5,505,293)	(3,781,765)	(6,811,750)	(5,547,620)

14.c) Other Administrative Expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Water, electricity and gas	(86,252)	(168,296)	(130,328)	(86,321)	(168,372)	(130,455)
Rent	(104,004)	(197,597)	(155,835)	(105,443)	(200,389)	(157,766)
Leasing	(101,177)	(229,303)	(254,250)	(101,177)	(229,303)	(254,250)
Communications	(323,074)	(633,996)	(556,978)	(324,915)	(637,739)	(560,606)
Maintenance and upkeep	(79,744)	(158,380)	(139,915)	(80,963)	(160,646)	(142,086)
Materials	(68,561)	(130,028)	(107,265)	(68,801)	(130,454)	(107,558)
Data processing	(252,082)	(471,155)	(419,021)	(256,271)	(479,820)	(427,503)
Promotion and public relations	(115,616)	(182,010)	(137,275)	(116,212)	(182,647)	(137,371)
Advertising and publicity	(115,411)	(153,465)	(151,330)	(115,454)	(153,641)	(151,820)
Financial system services	(134,367)	(249,237)	(214,684)	(135,052)	(250,574)	(215,746)
Third party services	(158,348)	(284,938)	(195,046)	(158,607)	(285,315)	(195,268)
Security services	(169,033)	(329,131)	(296,487)	(169,128)	(329,299)	(296,546)
Specialized technical services	(44,303)	(81,098)	(96,803)	(46,430)	(86,143)	(100,977)
Transportation	(161,032)	(312,920)	(292,552)	(161,685)	(314,031)	(293,403)
Domestic travel	(39,160)	(64,972)	(51,115)	(39,609)	(65,570)	(51,252)
Amortization	(41,778)	(94,515)	(102,329)	(42,556)	(96,259)	(104,721)
Depreciation	(195,293)	(379,728)	(340,142)	(195,828)	(380,932)	(342,616)
Other	(177,574)	(355,702)	(421,531)	(180,860)	(363,019)	(426,811)
Total	(2,366,809)	(4,476,471)	(4,062,886)	(2,385,312)	(4,514,153)	(4,096,755)

14.d) Other operating income

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Recovery of charges and expenses	215,303	399,811	332,639	213,971	398,607	333,247
Income from special operations	56,100	116,769	150,696	56,100	116,769	150,696
Income from specific credits	30,219	60,070	165,605	30,219	60,070	165,605
Income from other services	--	--	8,303	--	--	8,303
Resources from other credit operations	8,866	75,795	30,890	8,866	75,795	30,890
From payments of INSS benefits	28,731	54,705	46,294	28,731	54,705	46,294
Receivables on guarantee deposits	205,191	425,445	232,394	205,191	425,445	232,394
Income from securities and credits receivable from Federal Treasury	62,970	86,801	55,826	62,970	86,801	55,826
Dividends received	2,933	6,070	9,734	2,933	6,070	9,734
Equalization of rates – Law 8427	6,765	12,622	6,544	6,765	12,622	6,544
Commission on technical and financial cooperation agreements	--	--	43,595	--	--	43,595
PREVI – Benefit Plan 1	39,843	39,843	262,793	39,843	39,843	262,793
Income from receivables connected with rural credit	--	--	2,734	--	--	2,734
Exchange adjustment on profits from facilities abroad at the disposal of the head office	355	569	3,925	355	569	3,925
Exchange adjustments of card transactions	11,469	23,822	45,203	11,469	23,822	45,203
Overdue advances on exchange contracts	3,465	7,305	9,229	3,465	7,305	9,229
Contingent liabilities	240,177	240,177	--	240,177	240,177	--
Reversal of provisions	597,432	597,432	--	597,432	597,432	--
Negative foreign exchange adjustments	--	3,963,251	--	--	3,963,251	--
Income from clearances abroad	531	531	32,024	531	531	66,411
Other	94,075	374,329	199,558	105,722	443,265	205,754
Total	1,604,425	6,485,347	1,637,986	1,614,740	6,553,079	1,679,177

14.e) Other operating expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Arising from qualification for the use of Sisbacen	(4,347)	(8,495)	(7,485)	(4,347)	(8,495)	(7,485)
Expenses on Pasep funds	(4,707)	(6,373)	(5,161)	(4,707)	(6,373)	(5,161)
Arising from the collection of contributions and federal taxes	(2,003)	(4,790)	(1,996)	(2,003)	(4,790)	(1,996)
Exchange adjustment on profits from facilities abroad at the disposal of the head office	(322)	(1,787)	(1,631)	(322)	(1,787)	(1,631)
Expenses from discounts granted on renegotiations – credit operations	(40,106)	(60,973)	(89,393)	(40,106)	(60,973)	(89,393)
Expenses from discounts granted on renegotiations – other credits	(1,460)	(4,402)	(5,551)	(1,460)	(4,402)	(5,551)
Expenses from updating of pension liability	(830,178)	(1,520,147)	(1,390,830)	(830,178)	(1,520,147)	(1,390,830)
Monetary adjustment of dividends payable	--	(9,362)	(15,565)	--	(9,362)	(15,565)
Interest on funds allocated for payments of benefits	(14,275)	(30,218)	(24,675)	(14,275)	(30,218)	(24,675)
CASSI – Interest on actuarial liabilities	(115,127)	(230,254)	(192,348)	(115,127)	(230,254)	(192,348)
Losses from robberies and thefts	(17,583)	(34,374)	(32,090)	(17,583)	(34,374)	(32,090)
Errors and fraud	(12,884)	(51,669)	(43,067)	(12,884)	(51,669)	(43,067)
BB Personal Banking expenses	(59,958)	(94,444)	(49,114)	(59,958)	(94,444)	(49,114)
Expenses from credit card operations	(131,340)	(262,863)	(220,513)	(131,340)	(262,863)	(220,513)
Expenses of the Proagro funds	(1,583)	(3,050)	(2,049)	(1,583)	(3,050)	(2,049)
Expenses due to settlement abroad	(4,528)	(4,528)	(28,805)	(4,528)	(4,528)	(32,515)
Provision for adjustment of taxes and contributions	--	--	(113,981)	--	--	(113,981)
Provision for devaluation of securitized credits	(1,682)	(2,246)	(24,067)	(9,001)	(11,592)	(27,727)
Amortization of goodwill on shareholdings	--	--	--	(186,741)	(191,573)	(13,185)
Negative foreign exchange adjustments	(299)	(1,255,046)	(1)	(299)	(1,255,046)	(1)
Law 9138/95 – Restatement of funds to return to the National Treasury	(46,067)	(80,246)	(95,910)	(46,067)	(80,246)	(95,910)
Securitization of dekasseguis – liabilities with the SPE	(26,310)	(56,483)	(83,315)	(26,310)	(56,483)	(83,315)
Securitization of SWIFT MT100 – liabilities with the SPE	(99,769)	(191,605)	(158,123)	(99,769)	(191,605)	(158,123)
Other	(134,839)	(228,112)	(209,245)	(161,597)	(267,910)	(247,371)
Total	(1,549,367)	(4,141,467)	(2,794,915)	(1,770,185)	(4,382,184)	(2,853,596)

14.f) Non-operating results

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Non-operating income	93,482	203,796	289,546	123,461	250,142	320,130
Profit on sale of investments	35	35	2	639	7,751	12,807
Profit on sale of assets	18,713	37,175	45,649	18,811	37,330	45,964
Capital gains	7,252	13,366	12,227	29,288	35,435	15,547
Rental income	4,706	8,899	7,360	4,706	8,899	7,360
Valuation of other assets	21,184	35,004	77,966	21,564	35,635	78,224
Gains on investments in tax incentives	--	997	3,973	--	997	3,973
Gains on shares and quotas	--	--	--	1,998	9,712	12,996
Sale of properties	36,488	100,655	129,192	36,488	100,655	129,192
Other non-operating income	5,104	7,665	13,177	9,967	13,728	14,067
Non-operating expenses	(55,863)	(89,510)	(122,842)	(67,041)	(101,566)	(149,441)
Loss on sale of assets	(1,044)	(3,806)	(8,766)	(1,176)	(4,081)	(10,298)
Capital losses	(18,157)	(24,914)	(18,085)	(18,344)	(25,223)	(18,090)
Devaluation of other assets	(29,199)	(49,780)	(93,546)	(35,759)	(56,341)	(93,734)
Losses with shares and quotas	(313)	(357)	(218)	(2,156)	(2,764)	(25,093)
Other non operating expenses	(7,150)	(10,653)	(2,227)	(9,606)	(13,157)	(2,226)
Total	37,619	114,286	166,704	56,420	148,576	170,689

15 Stockholders' Equity

15.a) Stockholders' equity of R$ 12,171,798 (R$ 9,197,065 at December 31, 2002) including the net income up to December 2003, corresponds to a book value of R$ 16.63 (R$ 12.56 at December 31, 2002) per 1,000 shares, considering the total of 732,017,828,789 common shares (disregarding the treasury stock);

15.b) Capital

Capital comprises 743,275,506,498 common registered book-entry shares with no nominal value. The Federal Treasury is the controlling stockholder. The R$ 930,645 thousand increase resulted from the capitalization of the Reserves for expansion, approved by the Extraordinary General Meeting held on April 22, 2003.

The Extraordinary General Meeting held on November 12, 2003 approved the reverse split, on January 23, 2004, of the subscription shares and bonuses of the B and C series, in the proportion of one new share bonus for each lot of one thousand existing shares/bonuses.

15.c) Treasury stock

As reimbursement to dissident stockholders not in agreement with the conversion of preferred shares into common shares, approved at the Special Preferred Stockholders' Meeting held on June 7, 2002, the Bank purchased 10,234,252,464 preferred shares equivalent to 1.44% of total capital which, converted into 11,257,677,709 common shares, remain in treasury in accordance with article 45 of Law 6404/76.

The amount paid for reimbursement of the shares totaled R$ 125,778,962.78, representing R$ 0.01229 per share, considering the book value per share at December 31, 2001. The market value of a common share per thousand shares at the end of 2003 was R$ 24.00 (R$ 9.80 at the end of 2002).

15.d) Revaluation reserves

These refer to revaluation of fixed assets by the associated companies Visanet and Kepler Weber and by the subsidiary Cobra Tecnologia S.A. The realizations taking place in the period, totaling R$ 88 thousand (R$ 49 thousand at 31.12.2002), were transferred to the "Retained earnings (accumulated deficit)" account.

15.e) Appropriation of net income

	2nd half 2003	2003	2002
Net income	1,302,087	2,380,982	2,027,676
Retained earnings	59	1,217	246,801
Adjusted net income	1,302,146	2,382,199	2,274,477
Legal reserve	65,104	119,049	101,385
Statutory reserve	39,063	71,430	56,523
Dividends/Interest on own capital	423,794	745,710	579,505
Reserves for expansion	774,185	1,446,010	1,537,064

15.f) Dividends/Interest on own capital:

In compliance with Laws 9.249/95 and 9.430/96, and with the by-laws, the Board of Directors approved the payment of interest on own capital to stockholders, adding that to the payment of dividends, calculated as follows:

	2nd half 2003	2003	2002
1. Calculation basis:	1,440,898	2,535,413	2,317,968
a) Net income for the period	1,302,087	2,380,982	2,027,676
b) Legal reserve in the period	(65,104)	(119,049)	(101,385)
c) Retained earnings	--	1,129	246,716
d) Profit sharing	152,709	272,263	144,876
e) Profit sharing – complement of the first half/2003 computed in the results of the 2nd half/2003	51,147	--	--
f) Realization of revaluation reserve in associated and subsidiary companies	59	88	85
2. Dividends (25% of item 1)	--	--	579,505
3. Interest on own capital added to payment of dividends (25% of item 1)	360,225	633,853	--
4. Withholding income tax (item 3 / 0.85 x 0.15)	63,569	111,857	--
5. Interest on own capital destined for stockholders (item 3+ item 4)	423,794	745,710	--

In conformity with article 2 of Resolution 10 issued by the Council for Coordination and Control of State-Owned Companies (CCE), dividends were calculated on net income without deducting employee profit sharing. Accordingly, dividends comprise 34.26% of net income after adjustment for the legal reserve and retained earnings.

The interest on own capital will be paid with interest equivalent to the Selic rate calculated from the balance sheet date to the actual date of payment in compliance with Decree 2.673/98 as amended by Decree 3.381/00.

The interest recorded amounted to R$ 745,710 , which generated a tax benefit of R$ 253,542 .

15.g) Retained earnings

At the Stockholders' Meeting that will be called to approve the financial statements for 2003, management will submit a capital budget to support the appropriation to Reserves for Expansion.

15.h) Adjustment to Market Value – Marketable Securities and Derivatives

This represents, as stated in BACEN Circular Letters 3068/01 and 3082/02, the mark-to-market adjustment of securities available for sale, amounting to R$ 227,824, net of tax effects, as shown in changes in the stockholders' equity account "Adjustment of securities and derivatives to market value":

	December/2002	Net Changes in the period	December/2003
Securities available for sale	**Balance**		**Balance**
Multiple Bank	(1,402,521)	1,760,616	358,095
Subsidiary and Associated Companies	(185,140)	193,184	8,044
Tax effects	476,846	(615,161)	(138,315)
Total	(1,110,815)	1,338,639	227,824

	December/2001	Net Changes in the period	December/2002
Securities available for sale	**Balance**		**Balance**
Multiple Bank	(254,095)	(1,148,426)	(1,402,521)
Subsidiary and Associated Companies	(112,126)	(73,014)	(185,140)
Tax effects	(14,587)	491,433	476,846
Total	(380,815)	(730,007)	(1,110,815)

15.i) Shareholding positions

As prescribed in paragraphs IV, V, VI and VII of Article 40 of by-laws, the shareholding positions are as follows:

Paragraph IV: Shareholding position of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	**Total shares**	**% Total**
Federal Treasury	533,507,414,282	71.8
Banco do Brasil Employees' Retirement Fund (PREVI)	102,536,550,023	13.8
BNDES Participações S.A. – BNDESPAR	42,985,035,230	5.8

Paragraph V: Number and characteristics of the marketable securities issued by the Bank and directly or indirectly held by the controlling stockholder, managers and members of the fiscal council; and

Paragraph VI: Changes in the shareholding of the parties referred to in the prior paragraph in relation to respective securities during the prior twelve months:

Controlling stockholder – Federal Treasury	**2003**	**2002**
Common shares (ON)	533,507,414,282	533,507,414,282
B Bonds	155,276,743,847	155,276,608,094
C Bonds	258,794,573,092	258,794,346,834

Stockholders from the Administrative Council	**Position**	**ON Shares**		**B Bonds**		**C Bonds**	
		12.31.03	**12.31.02**	**12.31.03**	**12.31.02**	**12.31.03**	**12.31.02**
Bernard Appy	President	1,000	--	--	--	--	--
Cássio Casseb Lima	Vice-President	1,000	--	--	--	--	--
Carlos Augusto Vidotto	Counselor	1,001	01	--	--	--	--
Francisco Augusto da Costa e Silva	Counselor	1,002	01	--	--	--	--
João Carlos Ferraz	Counselor	1,001	01	--	--	--	--
José Carlos Rocha Miranda	Counselor	1,000	--	--	--	--	--

Stockholders from the Administrative Council	Position	ON Shares		B Bonds		C Bonds	
		12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Tarcísio José Massote de Godoy	Counselor	1,000	--	--	--	--	--

Stockholders from the Fiscal Council	Position	ON Shares		B Bonds		C Bonds	
		12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Marcus Pereira Aucélio	President	--	--	--	--	--	--
João Batista Nogueira	Member	4,233	--	1,238	--	2,065	2,065
Rodrigo Pirajá Wienskoski	Member	--	--	--	--	--	--
Satomi Iura	Member	88,713	--	25,729	--	42,883	--
Vicente de Paulo Barros Pegoraro	Member	1,232	1,232	336	336	560	560
Artemio Bertholini	Deputy	--	--	--	--	--	--
José Antônio Machado	Deputy	23,033	23,033	6,625	6,625	11,043	11,043
Lacy Dias da Silva	Deputy	6,438	6,438	1,806	1,806	3,010	3,010
Otávio Ladeira de Medeiros	Deputy	--	--	--	--	--	--
Pedro Paulo Bernardes Lobato	Deputy	--	--	--	--	--	--

Stockholders from the Board of Directors	Position	ON Shares		B Bonds		C Bonds	
		12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Cássio Casseb Lima	President	1,000	--	--	--	--	--
Adézio de Almeida Lima	Vice-President	2,464	2,464	769	769	1,233	1,233
Edson Machado Monteiro	Vice-President	57,876	57,876	17,362	17,362	28,939	28,939
José Luiz de Cerqueira César	Vice-President	--	--	--	--	--	--
Luiz Eduardo Franco de Abreu	Vice-President	1,000	--	--	--	--	--
Luiz Oswaldo Sant'Iago Moreira de Souza	Vice-President	2,544	2,544	748	748	1,249	1,249
Ricardo Alves da Conceição	Vice-President	371,463	371,463	111,253	111,253	185,424	185,424
Rossano Maranhão Pinto	Vice-President	--	--	--	--	--	--

		ON Shares		B Bonds		C Bonds	
Directors Stockholders	**Position**	**12.31.03**	**12.31.02**	**12.31.03**	**12.31.02**	**12.31.03**	**12.31.02**
Aldo Luiz Mendes	Director	--	--	--	--	--	--
Antônio Francisco de Lima Neto	Director	403	403	120	120	203	203
Augusto Braúna Pinheiro	Director	--	--	--	--	--	--
Derci Alcântara	Director	33,676	33,676	9,806	9,806	16,345	16,345
Fernando Barbosa de Oliveira	Director	67,848	67,848	20,177	20,177	33,631	33,631
Henrique Pizzolato	Director	26,537	26,537	7,714	7,714	12,858	12,858
João Carlos de Mattos	Director	--	--	--	--	--	--
José Gilberto Jaloretto	Director	--	--	--	--	--	--
Manoel Gimenes Ruy	Director	14,267	14,267	4,192	4,192	6,988	6,988
Miguel Oscar Viana Peixoto	Director	--	--	--	--	--	--
Paulo César Simplício da Silva	Director	29,044	29,044	8,568	8,568	14,281	14,281
Paulo Rogério Caffarelli	Director	898	--	245	--	409	--
Renato Donatello Ribeiro*	Director	84.9811*	84.9811*	2,438	2,438	4,064	4,064
Rosa Maria Said	Director	--	--	--	--	--	--
William Bezerra Cavalcanti Filho	Director	--	--	--	--	--	--

* Quotas of Investment Club of Employees of Banco do Brasil (CIN).

Statutory Agency– Audit		
José Luis Salinas	General Auditor	--

Paragraph VII – Number of outstanding shares and its percentage in relation to the total issued:

BB shares	**Number**	**Percentage**
Outstanding	52,988,829,256	7.1
Total issued	743,275,506,498	100.0

16 Income Tax and Social Contribution

16.a) Details of calculation basis

	BB – Consolidated					
	2nd half 2003		2003		2002	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Income before income tax and social contribution, interest on own capital expenses and after employees' profit sharing	2,541,478	2,541,478	4,770,301	4,770,301	3,461,448	3,461,448
- Result before taxes	2,476,232	2,476,232	4,721,394	4,721,394	3,360,610	3,360,610
- Result of external facilities	(14,928)	(14,928)	(35,701)	(35,701)	89,145	89,145
- Intercompany eliminations	283,735	283,735	356,206	356,206	155,797	155,797
- Employees' profit sharing	(203,561)	(203,561)	(271,598)	(271,598)	(144,104)	(144,104)
b) Permanent additions/(exclusions):	(1,187,162)	(1,038,250)	(617,068)	(488,885)	(2,644,178)	(2,629,099)
- Equity in the earnings of Subsidiary and Associated companies	(533,962)	(533,962)	449,798	449,798	(2,518,086)	(2,518,086)
- Interest on own capital	(423,794)	(423,794)	(745,710)	(745,710)	--	--
- Non deductible expenses and provisions	159,097	121,724	295,090	232,083	190,865	190,838
- Other additions/(exclusions)	(388,503)	(202,218)	(616,246)	(425,056)	(316,957)	(301,851)
c) Temporary additions/(exclusions):	1,809,924	1,902,028	2,551,612	3,644,717	2,935,972	4,802,115
- Allowance for losses	1,615,038	1,615,038	3,216,924	3,216,924	2,728,835	2,728,835
- Allowance for losses on securities and investments	(137,693)	(137,693)	(137,945)	(137,945)	(55,652)	(55,652)
- Provision for pension liabilities	(242,716)	(107,521)	(1,267,650)	(146,558)	(392,532)	1,390,830
- Provision for labor claims, tax contingencies, and contingent liabilities	161,532	305,091	496,961	659,460	401,190	492,966
- Amortization of goodwill on investments	186,741	--	191,573	--	13,185	--
- Other additions/(exclusions)	227,022	227,113	51,749	52,836	240,946	245,136
d) Other additions/(exclusions):	(344,129)	(333,269)	(821,073)	(803,246)	(1,178,329)	(1,160,345)
- Foreign profits	115,690	115,690	227,230	227,230	222,272	227,646
- Adjustment – Resolution CMN 2682/99 and Law 9430/99	(447,544)	(447,544)	(1,020,925)	(1,020,925)	(1,381,074)	(1,381,074)
- Other	(12,275)	(1,415)	(27,378)	(9,551)	(19,527)	(6,917)
e) Calculation basis of tax charges	2,820,111	3,071,987	5,883,772	7,122,887	2,574,913	4,474,119
f) Income tax/Social contribution:	666,480	269,092	1,396,537	628,709	630,918	407,336
- Rate of 15% / 9% (in 2002 – 15% / 8%)	423,017	276,479	882,566	641,060	406,025	368,483
- Additional 10% (in 2002 – additional 10% and 1% for Social Contribution)	281,963	--	588,281	--	270,587	46,085
- Tax incentives	(15,878)	--	(30,183)	--	(20,221)	--
- Income tax on profits of foreign operations	(22,622)	(7,387)	(44,127)	(12,351)	(25,473)	(7,232)

16.b) Details of income tax and social contribution expenses:

	BB – Consolidated					
	2nd half 2003		2003		2002	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution in the Statement of income	(692,416)	(271,008)	(1,433,454)	(623,802)	(729,550)	(423,569)
- Provision for income tax (IR) and social contribution (CSLL) – current values	(666,480)	(269,092)	(1,396,537)	(628,709)	(630,918)	(407,336)
- (Constitution)/reversal of deferred income tax on portfolio adjustment and depreciation (leasing operations)	8,802	--	15,088	--	(2,370)	--
- Foreign income tax	(31,619)	--	(62,963)	--	(48,738)	--
- (Constitution)/reversal of provision for deferred taxes – positive MTM	(1,662)	(1,416)	13,662	5,856	(45,544)	(15,950)
- (Constitution)/reversal of provision for deferred taxes – temporary differences	--	--	--	--	(1,737)	(195)
- (Constitution)/Reversal of the provision for deferred taxes – sale of investments in installments (BB-BI)	(126)	(45)	(1,373)	(494)	(243)	(88)
- IR and CSLL adjustments included in the tax declaration of the prior base year	(1,331)	(479)	(1,331)	(479)	--	--
b) Deferred tax asset	--	24	--	24	--	--
- Constitution/(reversal) of tax credit on non-temporary differences	(6,323)	547	(10,379)	624	(34,938)	(1)
- Constitution/(reversal) of tax credit on tax losses (income tax) and negative basis (social contribution)	1,733	547	1,665	624	3,152	(1)
- Reclassification (complementary write-off) of tax credits on tax losses(IR) and negative bases (CSLL)	(8,818)	--	(15,104)	--	2,370	--
- Constitution/(reversal) of tax credit – negative MTM	--	--	--	--	(39,590)	--
c) Total Income Tax and Social Contribution expenses (a + b)	762	--	3,060	--	(870)	--
	(698,739)	(270,461)	(1,443,833)	(623,178)	(764,488)	(423,570)

16.c) Reconciliation of Income Tax and Social Contribution charges:

	BB-Consolidated		
a) Income Tax	2nd half 2003	**2003**	**2002**
Income before taxation and profit sharing	2,476,232	4,721,394	3,360,610
- Total IR charges (rate of 25%)	(619,058)	(1,180,349)	(840,153)
- Charges on interest on own capital	105,948	186,427	--
- Charges on non-taxable income	613,605	1,037,018	867
- Charges on non-deductible expenses	(884,331)	(1,791,683)	240,962
- Charges on foreign profits	(34,886)	(74,832)	(78,833)
- Changes on employee's profit sharing	50,890	67,899	36,026
- Reclassification/(additional offset) of tax credits	--	--	(39,590)
- Deferred charges on mark-to-market	(138)	652	(43,431)
- Other	53,353	280,852	(60,557)
- Fiscal incentives (Workers' Meal Program, Culture and others)	15,878	30,183	20,221
Income tax expense	(698,739)	(1,443,833)	(764,488)
b) Social Contribution			
Income before taxation and profit sharing	2,476,232	4,721,394	3,360,610
- Total CSLL charges (rate of 9%)	(222,861)	(424,925)	(302,455)
- Charges on interest on own capital	38,141	67,114	--
- Charges on non-taxable income	195,524	257,640	318,746
- Charges on non-deductible expenses	(318,359)	(645,006)	(402,133)
- Charges on foreign profits	(3,025)	(8,100)	(13,256)
- Changes on employee's profit sharing	18,321	24,444	12,969
- Deferred charges on mark-to-market	(85)	363	28,621
- Other	21,883	105,292	(66,062)
Social Contribution expense	(270,461)	(623,178)	(423,570)

16.d. Tax contingencies: Income tax and social contribution

In February 1998, the Bank filed a lawsuit seeking an injunction to fully offset accumulated income tax losses and social contribution negative bases. Since then it has offset them against income tax and social contribution due and has made judicial deposits corresponding to 70% of the amounts offset.

The amounts related to this lawsuit are as follows:

	12.31.2003
a) Judicial deposits	3,769,074
- Original amounts	3,121,419
- Restatement	647,655
b) Receivables on guarantee deposits	3,769,074
- Original amounts	3,121,419
- Restatement	647,655
c) 70% thereof	3,222,939
- Income tax losses computed up to December 31, 1994	739,067
- Income tax losses computed after December 31, 1994	923,891
- Negative social contribution bases computed up to December 31, 1994	356,007
- Negative social contribution bases computed after December 31, 1994	560,880
- Social contribution to offset (timing differences by 1998)	643,094

d) The offset of income tax losses and negative social contribution bases results in the reduction of deferred tax assets.

e) Provision relating to a deposit in court, recorded in the provision for doubtful accounts without lending characteristics: R$ 647,655. Based on the situation of the lawsuit as of December 31, 2003, the management considered the provision sufficient.

f) In the event of an unfavorable outcome to the lawsuit, the extraordinary appeal of which was accepted by the President of the First Region of the Federal Regional Court on November 26, 2001 and will be reviewed by the Federal Supreme Court, the amount of the deposit made related to the taxes to be ruled upon will be converted in income to the Federal Revenue Secretariat and the deposit recorded in the assets of the Bank, net of provision, will be written off against income. The recording of the corresponding deferred tax credits will depend on the perspectives of realization.

17 Tax credits

17.a) Recognized tax credit:

	BB-Consolidated			
	12.31.2003		12.31.2002	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Income tax losses/negative CSLL bases	7,610,346	--	12,892,732	--
a.1) Rate (%)	25	9	25	9
a.2) Tax credits set up	1,902,586	--	3,223,183	--
b) Timing differences	14,144,446	11,519,724	14,137,784	11,512,789
b.1) Rate (%)	25	9	25	9
b.2) Tax credit set up	3,536,111	1,036,775	3,534,446	1,036,151
c) Negative adjustments of mark-to-market	71,782	63,234	1,464,652	1,288,211
c.1) Rate (%)	25	9	25	9
c.2) Tax credit set up	17,946	5,691	366,163	115,939
d) Social Contribution to offset	--	2,883,995	--	3,484,739
e) Tax Credits abroad	17,652	--	20,033	--
f) Total income tax and social contribution Credits recognized (a.2 + b.2 + c.2 + d + e) .	5,474,295	3,926,461	7,143,825	4,636,829
	PASEP	**COFINS**	**PASEP**	**COFINS**
g) Negative adjustments of mark-to-market	120,693	116,177	1,816,273	1,816,273
g.1) Rate (%)	0.65	4	0.65	3
g.2) Tax credit set up	785	4,647	11,806	54,487
h) Total PASEP and COFINS credits recognized (g.2)	785	4,647	11,806	54,487
i) Total tax credits recognized (f + h)	5,475,080	3,931,108	7,155,631	4,691,316

17.b) Tax credits not recognized:

	BB-Consolidated			
	12.31.2003		12.31.2002	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
a) Parcel of tax losses/negative bases	622,731	39,695	260,496	--
a.1) Rate (%)	25	9	25	--
a.2) Tax credits not recognized	155,683	3,573	65,124	--
b) Parcel of timing differences	2,070,911	4,486,017	1,087,212	2,185,156
b.1) Rate (%)	25	9	25	9
b.2) Tax credits not recognized	517,727	403,742	271,803	196,664
c) Parcel of negative adjustments of mark-to-market	58,776	55,547	296,708	458,189
c.1) Rate (%)	25	9	25	9
c.2) Tax credits not recognized	14,694	4,999	74,177	41,237
d) Total income tax and social contribution credits not recognized (a.2 + b.2 + c.2)	688,104	412,314	411,104	237,901
	PASEP	**COFINS**	**PASEP**	**COFINS**
e) Negative mark to market adjustments	2,584	7,100	--	--
e.1) Rate (%)	0.65	4	0.65	3
e.2) Tax credit	17	284	--	--
f) Total PASEP and COFINS tax credits not recognized (e.2)	17	284	--	--
g) Total tax credits not recognized (d + f)	688,121	412,598	411,104	237,901

17.c) Movement during the period

Movement during the period

	BB-Consolidated			
	2003		2002	
	Income tax	Social contribution	Income tax	Social contribution
a) Reclassifications of tax losses and negative bases	--	--	1,220	--
b) Reclassifications of timing differences	1,725	627	--	197
c) Recording of negative adjustments of mark-to-market	--	--	360,526	115,317
d) Total income tax and social Contribution credits (a + b + c)	1,725	627	361,746	115,514
	PASEP	COFINS	PASEP	COFINS
e) Recording of negative adjustment of mark-to-market	--	98	12,009	53,892
f) Total tax credits recognized (d + e)	1,725	725	373,755	169,406

Reduced during the period

	2003		2002	
	Income tax	Social contribution	Income tax	Social contribution
a) Tax losses/negative bases	1,320,596	--	524,690	--
a.1) On taxable income/positive bases	1,320,596	--	485,100	--
a.2) Complementary reduction	--	--	39,590	--
b) From timing differences	61	2	--	--
c) CSLL to offset (MP 1858/99)	--	600,744	--	375,104
d) Recording of negative adjustment of mark-to-market	348,218	110,247	--	--
e) Tax credits abroad	2,381	--	--	--
f) Total write-offs of income tax and social contribution tax credits (a + b + c + d + e)	1,671,256	710,993	524,690	375,104
g) Recording of negative adjustment of mark-to-market	11,021	49,939	--	--
h) Total tax credits written-off (f + g)	1,682,277	760,932	524,690	375,104

17.d) Deferred tax liabilities

	BB-Consolidated			
	12.31.2003		12.31.2002	
	Income tax	Social contribution	Income tax	Social contribution
a) Arising from write-off of investments	1,618	583	243	88
b) Arising from mark-to-market	127,571	45,926	64,743	23,307
c) Arising from portfolio adjustment	37,021	--	51,756	--
d) Arising from tax incentive depreciation	3	--	2	--
e) Facilities abroad	4,850	--	6,279	--
f) Arising from restatement of judicial deposits	1,331	479	--	--
g) Total deferred tax liabilities of income tax and social contribution (a + b + c + d + e + f)	172,394	46,988	123,023	23,395
	PASEP	**COFINS**	**PASEP**	**COFINS**
h) Arising from mark-to-market	3,479	21,406	1,747	8,063
i) Arising from restatement of judicial deposits	36	223	--	--
j) Total deferred tax liabilities (g + h + i)	175,909	68,617	124,770	31,458

17.e) Expectation of realization of tax credits recognized (tax losses, timing differences and social contribution available for offset)

	BB-Consolidated	
	12.31.2003	
	Nominal Value	Present Value
In 2004	1,078,941	1,008,030
In 2005	1,558,534	1,395,840
In 2006	1,633,395	1,391,089
In 2007	1,776,114	1,440,399
In 2008	1,682,199	1,312,752
From 2009 to 2012	1,613,779	1,168,075
From 2013 to 2016	16,599	5,681
Total tax credits recognized	9,359,561	7,721,866

In 2003, the tax credits of the Multiple Bank were reduced by R$ 1,900 million. This amount represents 162.11% of the amount expected to be realized (R$ 1,172 million, according to a technical study at December 31, 2002).

The amounts above are based on a technical study prepared on December 31, 2003, as regards the expectation of realization of tax credits.

17.f) Other information

f.1) Provisional Measure (MP) 1858/99 (currently MP 2158-35/01) reduced the social contribution rate from 18% to 8% as from January 1, 1999 and established a surtax of 4% from May 1, 1999 to January 31, 2000 and of 1% from February 1, 2000 to December 31, 2002. As from January 1, 2003, the rate is 9% in conformity with Law 10637/02.

In compliance with this Provisional Measure, the social contribution tax credits existing on December 31, 1998 of R$ 4,759,982, arising from negative bases and temporary differences calculated at the rate of 18%, was classified in Other receivables - sundry, with a balance of R$ 2,883,995 at December 31, 2003 (Social contribution to offset).

f.2) The tax credits were set up by applying the current rates on their respective bases.

f.3) As from January 2000, Multiple Bank adopted the practice of not recording further tax credits on timing differences and tax losses.

Since the 4th quarter of 2001, the Bank, in order to accelerate the reduction of the recorded tax credits, adopted the procedure of recording complementary reductions of tax credits when the charges for IRPJ and CSLL provisions, including those relating to deferred taxes, are lower than those calculated by the application of the sum of the rates in effect (currently 34%) on corporate net income of the year before taxation.

In 2003, the income tax and social contribution expenses were higher than 34% of income before taxation, and the complementary reduction mentioned above is not required. Projections of taxable income of Multiple Bank indicate that the tax credits will be realized in up to 8 years in the following proportions according to a technical study on December 31, 2003: 2004, 11.46%; 2005, 16.68%; 2006, 17.46%; 2007, 18.98%; 2008, 18.05%; and as of 2009, 17.37%.

f.4) Through Circulars 3068/01 and 3082/02, the Brazilian Central Bank determined the mark-to-market valuation of marketable securities and derivative financial instruments and the positive and negative adjustments must be recognized net of tax effects.

In conformity with these circulars, Banco Múltiplo started to recognize IRPJ, CSLL, PASEP and COFINS tax credits in the books in a separate account of Stockholders' equity - Securities available for sale – Adjustment to Market Value arising from the negative adjustments to marketable securities classified as available for sale.

With regard to the negative adjustments arising from the marking to market of trading securities and derivative financial instruments recorded in the results, Banco Múltiplo opted not to recognize the IRPJ and CSLL tax credits.

With regard to the positive adjustments arising from the marking to market of securities and derivative financial instruments recorded in the results and in the stockholders' equity accounts, the taxes incident (IRPJ, CSLL, PASEP and COFINS) were recorded as future tax liabilities.

f.5) As required by CMN Resolution 3059/02, the tax credit assets were classified based on their expectations of realization in up to five years and after five years, in conformity with technical studies prepared for this purpose.

f.6) For Multiple Bank technical study purposes, the respective tax credit assets were brought to present value based on the average rate of funds captured.

It is important to note that the tax credits based on temporary differences are formed with bases on the provisions recorded, the realizations of which are preponderantly long-term.

18 Equity in the Earnings of Subsidiary and Associated Companies

Significant investments in Brazil and abroad are valued on the equity method, based on the net book value of the subsidiary or associated company, in conformity with BACEN and CVM instructions, and are classified in permanent assets in the investments account.

The adjustments arising from equity accounting were included in “Equity in the earnings of subsidiary and associated companies" as follows:

18.a) BB – Domestic and foreign branches

Participation of BB-Banco Múltiplo

DESCRIPTION	Paid in capital	Adjusted stockholder's equity	Our ownership%	Dividends/ Interest on own capital	Equity in the results: Operational	Equity in the results: Forei exchan variatio
SUBSIDIARIES						
BAMB – Brazilian American Merchant Bank	1,227,570	1,355,164	100.00	--	49,080	(291,12
BB – Administração de Cartões de Crédito S.A.	9,300	49,682	100.00	16,569	10,271	
BB – Banco de Investimento S.A.	1,369,015	1,875,168	100.00	58,035	239,883	
BB – Corretora de Seguros e Admin. de Bens S.A.	17,805	34,707	100.00	40,650	39,838	
BB – Administradora de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A.	99,628	119,431	100.00	160,937	169,407	
BB – Leasing Company Ltd.	--	83,990	100.00	--	14,256	(68,18
BB – Leasing S.A. – Arrendamento Mercantil	61,860	47,377	100.00	--	(7,405)	
Banco do Brasil A.G. Vienna (Austria)	68,548	98,925	100.00	--	9,948	(7
Banco Popular do Brasil S.A.	24,500	24,518	100.00	--	--	
Cobra Tecnologia S.A.	17,183	8,622	99.35	2,258	(13,281)	
ASSOCIATED COMPANIES						
Central Clearing	--	--	--	--	--	
CADAM – Caulim da Amazônia S.A.	175,809	361,333	21.64	4,978	4859	
Others	--	--	--	100	--	
SUBTOTAL	--	--	--	283,527	516,856	(360,08
Abroad						
Foreign exchange gain/losses in branches	--	--	--	--	--	(527,08
Increase/decrease in stockholders' equity arising from other movements.	--	--	--	--	492	
TOTAL	--	--	--	283,527	517,348	(887,16

18.b) BB-Consolidated

DESCRIPTION	Paid in capital	Adjusted stockholder's equity	Our ownership%	Dividends/ Interest on own capital	Equity in the results: Operational	Equity in the results: Foreign exchange variations	Equity in the results: Prov
1) BB-Multiple Bank Holding							
SUBSIDIARIES							
BB – Administradora de Cartões de Crédito S.A.	9,300	49,682	100.00	16,569	10,271	--	
BB – Corretora de Seguros e Admin. de Bens S.A.	17,805	34,707	100.00	40,650	39,838	--	
Cobra Tecnologia S.A.	17,183	8,622	99.35	2,258	(13,281)	--	
ASSOCIATED COMPANIES							
Central Clearing	--	--	--	--	--	--	
CADAM – Caulim da Amazônia S.A.	175,809	361,333	21.64	4,978	4,859	--	
Others	--	--	--	100	--	--	
SUBTOTAL (1)	--	--	--	64,555	41,687	--	

2) BB-BI Banco de Investimento Holding							
ASSOCIATED COMPANIES							
Brasilseg Participações S.A.	84,290	225,394	70.00	7,700	22,012	--	
Cia. De Seguros Aliança do Brasil S.A.	129,861	221,400	70.00	70,544	80,836	--	
Brasilprev (1)	33,924	155,731	49.99	7,442	22,587	--	
Brasilcap	53,872	188,800	49.99	50,587	84,909	--	
Brasilsaúde (2)	49,562	38,541	49.92	--	159	--	
Cia. Brasileira de Meios de Pagamento (3)	74,534	75,129	32.03	29,505	10,704	--	
Seguradora Brasileira de Crédito à Exportação	9,165	12,664	12.088	37	107	--	
Cibrasec	60,003	56,386	10.00	2,086	1,203	--	
Multi-Rio Operações Portuárias	13,201	12,557	37.33	--	(32)	--	
Itapebi	150,000	160,478	19.00	--	1,991	--	
Kepler Weber	51,228	94,699	24.38	941	5,850	--	
Cia Bras. Soluções e Serviços	20	2,212	37.467	--	(2,519)	--	
Ativos S.A. **(A)**	4,577	13,886	74.50	620	7,555	--	
Maxblue Investimentos DTVM S.A. **(B)**	170,799	59,677	100.00	--	--	--	(53
Maxblue Americas Holdings **(B)**	153,002	74,939	49.90	--	(50,276)	(10,859)	7
SUBTOTAL (2)	--	--	--	169,462	185,086	(10,859)	2
3) BAMB – Brazilian American Merchant Bank Holding							
SUBSIDIARIES							
BBTUR - Viagens e Turismo Ltda.	25,595	14,721	99.99	--	2,092	(879)	
Ativos S.A.	4,577	13,886	25.50	--	2,541	234	
Other	--	--	--	--	(28)	--	
SUBTOTAL (3)	--	--	--	--	4,605	(645)	

4) BB-DTVM Distribuidora de Títulos e Valores Mobiliários Holding							
ASSOCIATED COMPANIES- (not valued on the equity method)							
PRONOR	--	--	12.02	--	--	--	
SUBTOTAL (4)	--	--	--	--	--	--	
Abroad							
Foreign exchange gain/losses in branches	--	--	--	--	--	(527,082)	
Foreign exchange gain/losses in subsidiaries	--	--	--	--	--	(360,685)	
Increase/decrease in stockholders' equity arising from other movements.	--	--	--	--	492	--	
TOTAL	--	--	--	234,017	231,870	(899,271)	2

(A) Ativos S.A., a private Securitization of Financial Credits company, was established in October 31, 2002. Its main purpose is management of credits arising from multiple banks, commercial banks, investment banks, real state institutions, leasing compan investment companies, savings loans associations, public saving bank and mortgaged companies operations, and it can participat S.A. capital is R$ 4,577.

(B) At December 19, 2003, the contracts of corporate dissolution of Maxblue Américas Holdings S.A were signed. In these con participation of 49.9% in the Holdings for 100% of Maxblue Investimentos DTVM S.A. The amount of the transfer of the balan Maxblue Américas Holdings S.A. to Maxblue Investimentos DTVM S.A. was R$ 37,394 thousand, and its book value is R$ 59, capital gain from the change in the ownership percentage in Maxblue Investimentos DTVM S.A. of R$ 421,992 thousand. Durin R$ 181,909 thousand was amortized and written off, due to the impossibility of achieving the projected earnings.

(C) The R$ 78,412 thousand difference refers to the provision of Maxblue DTVM.

(1) Goodwill in the amount of R$ 6,281 thousand;
(2) Includes negative goodwill in the amount of R$ 111 thousand;
(3) Goodwill in the amount of R$ 4,786 thousand;
Note: The goodwill recorded upon the acquisition of investments was based on the expectation of future income and negative go reasons.

19 Transactions with Related Parties

Transactions between Banco do Brasil and related parties are summarized below. Information on the investments accounted for on the equity method is given in Note 18 above:

Assets

	12.31.2003	12.31.2002
Short-term interbank investments	106,800	315,300
Loan operations	67,302	63,950
Derivative financial instruments – difference receivable	18,089	11,567
Other receivables	275,618	177,938
Total	467,809	568,755

Liabilities

	12.31.2003	12.31.2002
Demand deposits	5,162	3,064
Derivative financial instruments – difference payable	982	10,289
Funds obtained in the open market	756,659	642,254
Other	82	4,220
Total	762,885	659,827

Income	2nd half 2003	**2003**	**2002**
From loan operations	6,245	12,432	14,107
From rendering of services	396,522	717,732	635,222
From marketable securities	21,883	59,495	63,907
Other operating income	51,841	102,739	78,599
Total	476,491	892,398	791,835

Expenses	2nd half 2003	**2003**	**2002**
Funding	(44,764)	(94,972)	(90,516)
Borrowing and onlendings	(125)	(3,399)	(1,908)
Total	(44,889)	(98,371)	(92,424)

Other operating income refers to reimbursement of administrative expenses charged to related parties. Other receivables mainly comprise dividends receivable and amounts receivable from related parties.

20 Operating Limits – Basel Agreement

At December 31, 2003, the referential stockholders' equity exceeded the minimum required by R$ 3,390,720 and the coefficient of capital adequacy was 13.71% (12.24% as of December 31, 2002), while the minimum required by the Brazilian Central Bank is 11%.

Risk-weighted assets comprise the following:

	12.31.2003	12.31.2002
Cash and banks	2,103,812	2,550,465
Credits and securities issued or guaranteed by the Brazilian Government	67,796,953	78,906,069
Deposits with the Central Bank	18,476,910	17,970,515
Credits with related companies	48,387	58,940
Specific credits – rescheduling of rural credits	494,182	433,718
Foreign exchange portfolio	1,153,542	732,018
Other	879,824	453,225
Total subject to zero-risk	90,953,610	101,104,950
Foreign currency funds	5,472,569	7,514,461
Clearing services for checks and other papers	82,698	135,222
Foreign exchange portfolio	735,329	491,224
Deposits in other banks	3,199,836	1,502,670
Gold investments	13,033	14,488
Total subject to 20% risk	9,503,465	9,658,065
Weighted Amount	1,900,693	1,931,613
Funds applied in interbank deposits	27,937,897	7,580,303
Foreign exchange portfolio	6,363,029	8,558,892
Marketable securities abroad	8,311	57,703
Other	757,761	1,513,695
Total subject to 50% risk	35,066,998	17,710,593
Weighted Amount	17,533,499	8,855,297
Lending Operations	65,463,813	51,288,996
Property and equipment in use	2,886,378	2,539,215

Leased property and equipment	385,309	542,500
Investments	860,075	763,578
Securities	6,504,372	1,771,826
Foreign exchange portfolio	607,558	378,433
Memorandum accounts	(12,445,412)	(7,492,100)
Other	9,057,826	7,738,749
Total subject to 100% risk	73,319,919	57,531,197
Weighted Amount	73,319,919	57,531,197
Deferred tax assets – income tax and social contribution	9,406,188	11,846,947
Total subject to 300% risk	9,406,188	11,846,947
Weighted Amount	28,218,564	35,540,841
Total assets subject to risk weighting	218,250,180	197,851,752
Total Weighted Amount	120,972,675	103,858,948

The calculations of required stockholders' equity and adequacy coefficient are presented below:

	12.31.2003	12.31.2002
A) Assets subject to risk weighting	218,250,180	197,851,752
B) APR (assets weighted by risk)	120,972,675	103,858,948
C) SWAP credit risk	757,841	711,736
D) Requirement of stockholders' equity on APR (11% of B)	13,306,994	11,424,484
E) Requirement of stockholders' equity on SWAP (20% of C)	151,568	142,347
F) Requirement of stockholders' equity on interest rate exposure	313,125	457,031
G) Required stockholders' equity (PLE): D + E + F	13,771,687	12,023,862
H) Referential equity amount (PR): PL + income for the six-month period + Subordinated debts	17,162,407	13,377,097
Level I	12,147,431	9,172,303
- Capital	8,366,189	7,435,544
- Capital reserves	4,754	4,754
- Revenue reserves	3,674,443	2,968,599
- Adjustment to Market Value – TVM and Derivatives	227,824	(1,110,815)
- Treasury stock	(125,779)	(125,779)
Level II (Note 13.e)	5,014,976	4,204,794
Subordinated debts eligible to Capital (FCO)	4,990,609	4,180,032
Revaluation reserves	24,367	24,762
I) Ratio of Referential equity amount to required stockholders' equity: PR/PLE (H/G)	1.25	1.11
J) Surplus/(insufficiency) of stockholders' equity: PR - PLE (H-G)	3,390,720	1,353,235
L) Surplus/(insufficiency) of leverage: (Surplus/insufficiency of PL x 100)/11	30,824,732	12,302,141
M) Stockholders' equity adequacy coefficient	13.71	12.24

21 Employee's Profit Sharing

In the second half of 2003, the Bank recorded a provision of R$ 152,709 thousand (R$ 272,263 thousand in 2003), referring to the employees' and officers' profit sharing.

The result of the 2nd half of 2003 is impacted by R$ 51,147 relating to a complement of the profit sharing in the 1st half of 2003.

22 Assets and Liabilities in Foreign Currencies

Balance sheet amounts linked to foreign currencies are as follows:

	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2003	12.31.2002	12.31.2003	12.31.2002
Assets				
Assets in foreign currency registered in the country (except investments)	35,926,316	21,156,166	18,625,283	21,160,633
Investments in foreign currencies registered in the country	12,184	1,987,923	--	--
Assets in foreign currencies registered abroad	48,014,752	25,023,379	42,363,777	22,386,058
Total	83,953,252	48,167,468	60,989,060	43,546,691
Liabilities				
Liabilities in foreign currencies registered in the country	33,694,245	16,012,841	28,544,615	12,200,225
Liabilities in foreign currencies registered abroad	49,872,367	29,555,838	32,064,673	28,785,580
Total	83,566,612	45,568,679	60,609,288	40,985,805

23 Market Risk and Liquidity Management (Unaudited)

Market risk and liquidity management

Risk management at Banco do Brasil is centralized in the Global Risk Committee (CRG), which is responsible for the integrated view of the risks of the Bank, as well as the interdependence between the various risk categories. It is also responsible for deciding the exposure levels and limits to the various categories of market risks, as well as contingency plans.

For market risk management purposes, Banco do Brasil segregates the commercial and treasury operations from trading operations, both with their own limits and strategies.

Interest rate risk

In the last quarter of 2003, the volume of the fixed rate portfolio of the Bank increased. However, there was a decrease in the volatility of the internal interest rates, which highly contributed to the decrease in VaR and, consequently, to the decrease in the capital requirement.

The table below presents the behavior of the capital requirement and of VaR for prefixed operations during the period:

Capital requirement /VaR (in R$ million)

Interest rate (fixed rate)	06.30.03	09.30.03	12.31.03	Maximum *	Medium *	Minimum *
Capital requirement	528	529	313	598	423	295
VaR	138	162	77	371	163	77

* Jan/2003 to Dec/2003.

Currency risk

The Bank continues with the strategy not to allocate capital to foreign exchange positions, remaining within the limits established by CMN Resolution 2891/01.

Liquidity risk

Banco do Brasil keeps comfortable liquidity levels as a result of its wide and diversified depositor base, of the quality of its assets and strict control on liquidity management.

The liquidity risk is managed by the adoption of liquidity reserves and by the constant monitoring of the cash flow of the Institution, projected by considering the trend of the investment and capturing of funds. To assist in this process, the Global Risk Committee established a strategic indicator with a limit that assures a balance between the uses and sources of available funds, assuring the expected growth in assets with adequate liquidity levels.

Additionally, Banco do Brasil periodically reviews its liquidity contingency plan, which establishes the measures to be adopted in case the projection indicates liquidity levels lower than the reserves defined.

Trading risk

Periodically, Banco do Brasil reviews the structure of the VaR limits, stress, maximum monthly loss, maximum daily loss, and delta and twist of its domestic and foreign trading. The purpose of this practice is to adapt the limits established to the situation in the domestic and foreign markets.

The table below shows the VaR for domestic and international trading portfolios recorded in the period:

VaR (in R$ million)

Trading	06.30.03	09.30.03	12.31.03	Maximum *	Medium *	Minimum *
Domestic R$	122	177	169	458	134	13
International US$	275	442	201	1,363	500	171

(*) Jan/2003 to Dec/2003.

Derivatives

Banco do Brasil uses derivative instruments to minimize risks arising from trading and financial operations and to meet its client's needs.

24 Retirement and Pension Plans – Post-Employment Benefits

24.1) Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Official Government Plan. Plans offered through PREVI are either defined contribution (Previ Futuro Plan) or defined benefit (Plan 1), the latter having adopted the capitalization method for actuarial calculations. At December 31, 2003, the number of participants was 125,529, of which 74,608 active and 50,921 retirees.

24.1.1) The plans for funding vested and unvested benefits are summarized as follows:

a) Participants hired prior to April 14, 1967, contemplated in a contract signed on December 24, 1997 between the Bank and PREVI (Plan 1): The sponsor assumes all commitments for the payment of benefits for this group, and for the mathematical reserves which are not yet fully funded. The remaining amount of commitments assumed for this group is fully provisioned by Banco do Brasil and amounts to R$ 2,508,808 at December 31, 2003. Participants of this group are entitled to a retirement benefit which is characterized as a defined benefit;

b) Participants hired between April 15, 1967 and December 23, 1997 (Plan 1): active participants contribute 3% of the contribution salary plus 2% of the amount of such salary that exceeds half of the amount of the PREVI contribution (in December 2003 - R$ 1,905.59), plus 8% of the part of the salary which exceeds the PREVI contribution. Participants receiving benefits contribute 8% of the amount of the pension complement and the sponsor an amount equal to the contributions of the participants. Participants of this group are entitled to a retirement benefit which is characterized as a defined benefit.

c) Participants hired as from December 24, 1997 (Previ Futuro Plan): active participants contribute to PREVI an amount between 7% and 17% of the contribution salary, varying based on length of service and the level 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. Participants of this group are entitled to a retirement benefit which is characterized as a defined contribution.

24.1.2) The effects of the Benefits Plan 1 based on actuarial appraisals as of December 31, 2002 and December 31, 2003, prepared by an independent actuary and of the Previ Futuro Plan, as required by CVM Deliberation 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	12.31.2003	12.31.2002
	Plan 1	Plan 1
1) Present value of funded actuarial liabilities	46,567,548	42,088,217
2) Present value of unfunded actuarial liabilities	--	--
3) Present value of actuarial liabilities (1+2)	46,567,548	42,088,217
4) Fair value of plan assets	(55,714,690)	(42,529,571)
5) Present value of liabilities in excess of (less than) fair value of the assets (3 + 4)	(9,147,142)	(441,354)
6) Actuarial (gains) or losses not recognized	(6,877,027)	1,602,813
7) Net actuarial liability/(asset) to be provisioned (5 – 6)	2,270,115	(2,044,167)

An eventual actuarial asset is not required to be recorded for the Previ Futuro Plan, as it is a defined contribution plan.

b) Amounts transferred to PREVI:

	2003			2002		
Description	**Plan 1**	**Previ Futuro Plan**	**Total**	**Plan 1**	**Previ Futuro Plan**	**Total**
Sponsor Contributions	376,365	25,282	401,647	342,782	15,879	358,661
Amounts transferred to PREVI referring to the 1997 Contract	1,758,134	--	1,758,134	1,557,258	--	1,557,258
Total transferred to PREVI	2,134,499	25,282	2,159,781	1,900,040	15,879	1,915,919

c) Effect on net income:

Description	12.31.2003			12.31.2002		
	Plan 1	Previ Futuro Plan	Total	Plan 1	Previ Futuro Plan	Total
1) Cost of current service (with interest)	356,991	48,036	405,027	329,337	30,170	359,507
2) Interest on actuarial liabilities	5,089,485	--	5,089,485	4,508,579	--	4,508,579
3) Expected earnings on assets	5,185,108	--	5,185,108	4,771,372	--	4,771,372
4) Suspension of the net earnings of assets and liabilities – June to December/2003 (2 - 3)	(55,776)	--	(55,776)	--	--	--
5) Total gross expense/(income) (1 + 2 – 3 – 4)	317,144	48,036	365,180	66,544	30,170	96,714
6) Expected contributions from participants	199,327	24,018	223,345	155,182	15,085	170,267
7) Expense of the PREVI Liability referring to the 1997 contract	414,825	--	414,825	--	--	--
8) Others actuarial adjustments made	13,781	--	13,781	--	--	--
9) Subtotal of net expense/(income) (5 – 6 + 7 + 8)	546,423	24,018	570,441	(88,638)	15,085	(73,553)
10) Previ administration fee	18,818	1,264	20,082	--	794	794
11) Effect of net expenses (income) (9 + 10)	565,241	25,282	590,523	(88,638)	15,879	(72,759)

24.1.3) The main economic assumptions adopted for the actuarial calculations were the following:

- Real interest rate used for discounting actuarial liabilities to present value: 6.9% p.a.
- Real expected yield on plan assets: 6.9% p.a.
- Estimated real salary increase indices: 1.5987% p.a. for Plan 1 and 3.1409% p.a. for Previ Futuro Plan.

24.2) Benefits of the exclusive responsibility of the Bank

Banco do Brasil is also responsible for assistance and pension benefits for employees hired prior to April 14, 1967 not provided for in the PREVI Benefits Plan with characteristics of a defined benefit plan and the regime adopted for actuarial calculations is that of capitalization. There were 8,162 participants at December 31, 2003.

The main benefits are: (a) retirement pensions to founder participants and pension payments to participants deceased prior to April 14, 1967; (b) payment of retirement supplements to the other participants working for Banco do Brasil who retired up to April 14, 1967 or who, at this date, already had conditions to retire for length of service and who had at least 20 years of effective service at Banco do Brasil; and (c) increase in retirement payments and pension payments additional to those provided by the PREVI Benefit Plans, as a result of judicial and administrative decisions due to the restructuring of job and salary and incentive plans created by the Bank.

24.2.1) The cost of these benefits is totally funded by Banco do Brasil**.**

24.2.2) The effects on the financial statements, based on actuarial appraisals as of December 31, 2002 and December 31, 2003, by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	12.31.2003	12.31.2002
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	1,492,491	1,421,934
3) Present value of actuarial liabilities (1 + 2)	1,492,491	1,421,934
4) Fair value of plan assets	--	--
5) Present value of liabilities in excess of fair value of the assets (3 + 4)	1,492,491	1,421,934
6) Actuarial (gains) or losses not recognized	149,249	154,350
7) Net actuarial liability/ (Asset) to be provisioned (5 – 6)	1,343,242	1,267,584

b) Amounts transferred to PREVI:

Description	Year 2003	Year 2002
Total of benefits transferred to PREVI	246,934	226,103

c) Effect on net income:

Description	12.31.2003	12.31.2002
1) Cost of current service	-	-
2) Contributions from participants	-	-
3) Interest on actuarial liabilities	164,485	165,341
4) Actuarial (gains) or losses	158,108	57,403
5) Expected earnings on assets	-	-
6) Effect of the expenses recorded in the results (1–2 + 3 + 4-5)	322,593	222,744

24.2.3) The economic assumptions adopted for the actuarial were the same adopted for Plan 1 of Previ (item 24.1.3).

24.3) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses with the promotion, protection, recovery and rehabilitation of a member's health and inscribed beneficiaries. At December 31, 2003, there were 146,771 participants, of which 80,750 active and 66,021 retired participants and pensioners.

The Bank contributes monthly an amount equivalent to 1.5 times the total contributions from members (active and retired) and the beneficiaries of pension plans of employees hired prior to December 23, 1997 and 1 time the total contributions from employees hired after that date. Monthly contributions from members and beneficiaries of pension plans correspond to 3% of overall pension amounts or the total retirement or pension plan benefits.

24.3.1) Effects of the CASSI Plan based on actuarial appraisals as of December 31, 2002 and December 31, 2003, by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	12.31.2003	12.31.2002
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of actuarial liabilities not covered (Plans without financial assets)	2,389,460	1,831,412
3) Present value of actuarial liabilities (1 + 2)	2,389,460	1,831,412
4) Fair value of plan assets	--	--
5) Present value of liabilities in excess of fair value of assets (3 + 4)	2,389,460	1,831,412
6) Actuarial (gains) or losses not recognized	796,343	316,179
7) Net actuarial liability/ (Asset) to be provisioned (5 – 6)	1,593,117	1,515,233

b) Amounts transferred to CASSI:

Description	Year 2003	Year 2002
Sponsor Contributions	295,012	262,263

c) Effect on net income:

Description	12.31.2003	12.31.2002
1) Cost of current service (with interest)	21,022	17,353
2) Expected contributions from participants	-	-
3) Interest on actuarial liabilities	221,712	192,348
4) Actuarial losses or (gains)	8,541	-
5) Expected gain on assets	-	-
6) Effect of the expenses recorded in the results (1 – 2 + 3 + 4 – 5)	251,275	209,701

24.3.2) The economic assumptions adopted for the actuarial calculations were the same as those adopted for the Previ Plan (item 24.1.3).

24.4) Policy to recognize actuarial gains and losses

In accordance with CVM Deliberation 371, the part of actuarial gains or losses to be recognized as income or expense in a defined benefit plan is the amount of unrecognized gains and losses that exceeds, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; and
- 10% of the fair value of plan assets.

This part is being amortized annually, dividing the average time of service remaining estimated for the participant employees.

24.5) Summary of Provisions and Liabilities of PREVI and CASSI

2003				
Description	**Net actuarial liability/ (asset) on 01.01.2003**	**Expense/(income) recognized in the results considering actuarial adjustments**	**Contributions of sponsor conveyed in the year**	**Net actuarial liability (asset) on 12.31.2003**
Actuarial liability of PREVI referring to the 1997 contract	3,852,117	414,825	(1,758,134)	2,508,808
Adjustment account of Actuarial liability of PREVI	(2,044,167)	131,599	(357,547)	(2,270,115)
Actuarial liability of PREVI Informal Plan (exclusive responsibility of the Bank)	1,267,584	322,593	(246,935)	1,343,242
Actuarial liability of CASSI	1,515,233	251,274	(173,390)	1,593,117
Total	4,590,767	1,120,291	2,536,006)	3,175,052

2002				
Description	**Net actuarial liability/ (asset) on 01.01.2002**	**Expense (income) recognized in the results**	**Contributions of sponsor conveyed in the year**	**Net actuarial liability (asset) on 12.31.2002**
Actuarial liability of PREVI referring to the 1997 contract	4,241,289	1,168,086	(1,557,258)	3,852,117
Adjustment account of Actuarial liability of PREVI	(1,612,747)	(88,638)	(342,782)	(2,044,167)
Actuarial liability of PREVI Informal Plan (exclusive responsibility of the Bank)	1,270,943	222,744	(226,103)	1,267,584
Actuarial liability of CASSI	1,454,944	209,701	(149,412)	1,515,233
Total	5,354,429	1,511,893	(2,275,555)	4,590,767

24.6) PREVI contributions parity

In order to comply with the Federal Constitution, the parity between the contributions from the Bank and from participants was implemented as from April 6, 2001.

On April 12, 2001, the Judge of the Seventh Federal Court of the Federal District granted a partial injunction for a collective writ of mandamus filed by the São Paulo Bank Workers' Union against the Complementary Pension Secretariat and against the Fiscal Director nominated by the Secretariat for PREVI.

The injunction suspends the April 6, 2001 determination of PREVI's Fiscal Director which authorizes the use of the R$ 2.2 billion attributable to Banco do Brasil' share in PREVI's remaining reserve balances, after the implementation of parity, to amortize pension liabilities with the entity that are the Bank's responsibility, retroactive to December 15, 2000.

While the injunction remains in force, the decisions of the Fiscal Director cannot be complied with.

The amount of R$ 2.2 billion readjusted value totaled R$ 4.0 billion at December 31, 2003.

25 Remuneration Paid to Employees and Management

In the form required by item 4, Section C of Ministry of Finance Statement of Justification 139/88, the monthly remuneration of employees and management of the Bank in Brazil is presented as follows (in reais):

	2003	2002
Lowest salary:		
Standard remuneration	719.10	638.40
Semi-annual bonus	179.77	159.60
Total	898.87	798.00
Highest salary:		
Standard remuneration	995.10	883.50
Amount per individual/Additional for length of service – I	345.45	464.00
Amount per individual – Standard remuneration	1,054.71	1,389.51
Variable temporary complement – position involving deputation	9,609.83	7,772.35
Additional per function	2,393.70	2,125.80
Additional for temporary work revitalized	1,485.90	1,319.40
Semiannual bonus	1,568.71	1,545.55
Total	17,453.40	15,500.11
Average salary	2,901.83	2,593.35
Managers		
President	22,745.70	20,200.20
Vice-President	20,493.60	18,200.10
Director	17,453.40	15,500.10

26 Assignment of Employees to External Organs

26.a) Costs Assumed by the Bank:

a) Federal Government

Assignments are regulated by article 93 of Law 8112/90 (amended by Law 9257/97), Decree 925/93, and by PGFN/CJN Note 088/96 issued by the General Counsel of the National Treasury.

	2003	2002
Number of employees assigned	9	8
Cost in the period	886	856

b) Labor Unions

Assignment occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

	2003	2002
Number of employees assigned	90	90
Cost in the period	5,256	4,772

c) Other Organs/Entities

Assignments occur as a result of reciprocal agreements of strategic business interests of the Bank:

	2003	2002
Number of employees assigned	3	3
Cost in the period	792	512

26.b) Without Cost to the Bank

	2003	2002
a) Federal, Estate and Municipal Governments	329	355
b) External Organizations	668	621
c) Labor Unions	1	2
d) Employees Entities	32	32
e) Affiliated Entities	23	23
Total employees assigned	1,155	1,134

27 Commitments, Responsibilities and Contingencies

27.1) Contingent liabilities

The Bank and its subsidiaries are parties in lawsuits involving labor, civil, tax and social security contingencies.

In September 2003, the Bank completed the implementation of the criteria to classify contingencies as remote, possible and probable, considering the losses possibilities, based on the legal restatement of each claim. The new criteria attempt to be in compliance with the XXII Announcement - Contingencies of the Institute of Independent Auditors of Brazil – IBRACON, which recommends the constitution of a provision for the total amount of the contingencies classified as probable, considering unnecessary the constitution of a provision for the contingencies classified as possible and remote.

The provisions for claims are recorded taking into consideration whether a decision in favor of the plaintiff of the lawsuit against the Bank/Subsidiary is probable.

The provision for labor claims is constituted considering the jurisprudence applicable each request of the claimant.

The position of the contingent liabilities on December 31, 2003, segregated by nature of the claim and classification of the loss, as well as the provisions set up, the changes in which are evidenced in Note 7, are the following:

	BB-Domestic and Foreign Branches		BB-Consolidated	
	Amount	**Provision**	**Amount**	**Provision**
Labor claims	2,032,624	1,785,512	2,032,687	1,785,575
Probable loss	1,785,512	1,785,512	1,785,575	1,785,575
Possible loss	247,112	--	247,112	--
Civil claims	1,252,496	471,234	1,259,014	473,470
Probable loss	471,234	471,234	473,470	473,470
Possible loss	781,262	--	785,544	--
Special claims	166,687	121,964	174,166	129,054
Probable loss	121,964	121,964	129,054	129,054
Possible loss	44,723	--	45,112	--
Social security claims	54	53	54	53
Probable loss	53	53	53	53
Possible loss	1	--	1	--

27.2) Other commitments

a) The Bank is the sponsor of Fundação Banco do Brasil. Its purpose is the promotion, support, advancement, and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as research activities of a technological and scientific nature, and rural and urban community assistance services. The Bank contributed R$ 25,000 to the Foundation.

b) Guarantees conceded in favor of third parties for a fee and which involve counter-guarantees from the beneficiaries – guarantees, collateral signatures and letters of guarantee - amounted to R$ 3,265,797 as of December 31, 2003 (R$ 3,606,270 at December 31, 2002).

c) The credit lines that were not used relating to credit and commercial leasing operations contracted amount to R$ 18,805,815 at December 31, 2003 (R$ 13,545,421 at December 31, 2002).

d) The confirmed import and export letters of credit total R$ 1,252,750 at December 31, 2003 (R$ 2,134,139 at December 31, 2002).

e) The Bank is the operator of the Fund for Sectorial Investments (FISET) which has net assets of R$ 2,314 (R$ 2,282 at December 31,2002) and the Public Service Employee Savings Program (PASEP) which has net assets of R$ 1,189,687 (R$ 1,193,623 at December 31, 2002). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

f) Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance for its assets at levels considered sufficient to cover any losses.

28 Funds Obtained in Foreign Capital Markets

The operations for obtaining funds in the foreign capital markets are listed below and presented in millions:

Operations	Coupon	Amount	Date of the funding	Maturity
"Global Medium-Term Notes" Program**	9.375% p.a.	US$ 200	Jun/97	Jun/07
Securitization of the Flow of Remittance of Funds –Dekasseguis*	7.875% p.a.	US$ 300	Aug/01	Aug/06
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 450	Dec/01	Dec/08
Securitization of the Flow of Electronic Remittances (MT - 100)*	Libor 3m+0.60% p.a.	US$ 300	Jul/02	Jun/09
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.890% p.a.	US$ 40	Sep/02	Sep/09
"Global Medium-Term Notes" Program**	6.250% p.a.	US$ 100	Jan/03	Jan/04
Securitization of the Flow of Electronic Remittances (MT - 100)*	7.26% p.a.	US$ 120	Mar/03	Mar/10
"Global Medium-Term Notes" Program**	6.375% p.a.	US$ 75	Apr/03	Apr/05
"Global Medium-Term Notes" Program**	4.5% p.a.	EUR 150	Jul/03	Jul/04
Securitization of Credit Card Receivables – Visanet*	5.911% p.a.	US$ 178	Jul/03	Jun/11
Securitization of Credit Card Receivables – Visanet*	4.777% p.a.	US$ 45	Jul/03	Jun/11
Securitization of the Flow of Electronic Remittances (MT - 100)*	6.55% p.a.	US$ 250	Dec/03	Dec/13

Total issued per program:

	Foreign Currency	Reais
"Global Medium-Term Notes" Program – GMTN	US$ 375 + EUR 150	1,630
Securitization of the Flow of Electronic Remittances (MT - 100)	US$ 1,160	3,352
Securitization of Credit Card Receivables – Visanet	US$ 223	645
Securitization of the Flow of Remittance of Funds – Dekasseguis	US$ 300	867
Total		6,494

* Recorded under Other liabilities – Negotiation and intermediation of securities
** Recorded under Foreign marketable securities

29 Statement of Value Added

	BB-Domestic and Foreign Branches					
	2nd half 2003		**Year 2003**		Year 2002	
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**
Value Added Calculation						
Gross profit from financial intermediation	5,778,415		9,667,238		7,999,700	
Income from services rendered	2,734,244		5,141,849		4,131,690	
Other operating income/(expenses)	(2,074,680)		(1,658,348)		(4,777,344)	
Non-operating results	37,619		114,286		166,704	
Retained earnings	--		--		246,722	
Value Added	6,475,598		13,265,025		7,767,472	
Equity in the earnings of subsidiary and associated companies	505,866		(369,821)		2,471,970	
Gross Value Added	6,981,464		12,895,204		10,239,442	
Amortization/Depreciation Expenses	(237,071)		(474,243)		(442,471)	
Value Added to Be Distributed	6,744,393	100.00	12,420,961	100.00	9,796,971	100.00
Distribution of Value Added						
Work remuneration	3,569,785	52.93	6,332,736	50.98	5,026,459	51.31
Salaries and fees	2,480,750		4,393,650		3,609,276	
Benefits, social charges, and training	885,179		1,666,823		1,272,307	
Employees profit sharing	203,856		272,263		144,876	
Government remuneration	1,872,521	27.76	3,707,243	29.85	2,496,114	25.48
In Brazil	1,848,142	27.40	3,649,009	29.38	2,437,494	24.88
Social security (INSS) on salaries	388,345		698,968		623,709	
Tax expenses (except income tax and social contribution)	559,092		1,063,108		769,224	
Income tax/social contribution	900,705		1,886,933		1,044,561	
Foreign	24,379	0.36	58,234	0.47	58,620	0.60
Tax expenses (except income tax and social contribution)	3,516		8,204		10,342	
Income tax/social contribution	20,863		50,030		48,278	

	BB-Domestic and Foreign Branches					
	2nd half 2003		**Year 2003**		Year 2002	
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**
Stockholders remuneration	1,302,087	19.31	2,380,982	19.17	2,274,398	23.21
Dividends / Interest on own capital of the Federal Government	308,869		543,487		422,353	
Dividends / Interest on own capital of other stockholders	114,925		202,223		157,152	
Retained Earnings	878,293		1,635,272		1,694,893	
Value Added Distributed	6,744,393	100.00	12,420,961		9,796,971	100.00

	BB-Consolidated					
	2nd half 2003		**Year 2003**		Year 2002	
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**
Value Added Calculation						
Gross profit from financial intermediation	6,017,867		10,006,289		8,071,230	
Income from services rendered	2,923,090		5,491,433		4,453,519	
Other operating income/(expenses)	(2,302,373)		(1,866,068)		(4,823,837)	
Non-operating results	56,420		148,576		170,689	
Retained earnings	--		--		246,722	
Value Added	6,695,004		13,780,230		8,118,323	
Equity in the earnings of subsidiary and associated companies	396,881		(642,379)		2,303,634	
Gross Value Added	7,091,885		13,137,851		10,421,957	
Amortization/Depreciation Expenses	(238,384)		(477,191)		(447,337)	
Value Added to Be Distributed	6,853,501	100.00	12,660,660	100.00	9,974,620	100.00
Distribution of Value Added						
Work remuneration	3,595,611	52.46	6,380,988	50.40	5,065,053	50.78
Salaries and fees	2,500,031		4,430,160		3,639,335	
Benefits, social charges, and training	890,635		1,677,427		1,280,842	
Employees profit sharing	204,945		273,401		144,876	

	2nd half 2003		BB-Consolidated Year 2003		Year 2002	
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**
Government remuneration	1,955,803	28.54	3,898,690	30.79	2,635,169	26.42
In Brazil	1,923,550	28.07	3,828,031	30.24	2,575,851	
Social security (INSS) on salaries	391,099		704,163		627,444	
Tax expenses (except income tax and social contribution)	591,837		1,119,009		809,087	
Income tax/social contribution	940,614		2,004,859		1,139,320	
Foreign	32,253	0.47	70,659	0.56	59,318	
Tax expenses (except income tax and social contribution)	3,667		8,507		10,580	
Income tax/social contribution	28,586		62,152		48,738	
Stockholders remuneration	1,302,087	19.00	2,380,982	18.81	2,274,398	22.80
Dividends / Interest on own capital of the Union	308,869		543,487		422,353	
Dividends / Interest on own capital of other stockholders	114,925		202,223		157,152	
Retained Earnings	878,293		1,635,272		1,694,893	
Value Added Distributed	6,853,501	100.00	12,660,660	100.00	9,974,620	100.00

30 Statement of Cash Flow

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Cash flows from operating activities						
Net income	1,302,087	2,380,982	2,027,676	1,302,087	2,380,982	2,027,676
Expenses (income) not affecting cash:						
Depreciation and amortization	237,071	474,243	442,471	238,384	477,191	447,337
Depreciation of leased assets	--	--	--	66,057	149,507	215,986
Amortization of losses	--	--	--	1,395	2,506	1,935
Earnings / (losses) from equity accounting	(505,866)	369,821	(2,471,970)	(396,881)	642,379	(2,303,634)
(Profit)/loss on sale of assets and investments	3,186	3,205	(20)	828	(6,993)	(12,794)
Surplus depreciation	--	--	--	35,223	59,005	(4,885)
Variation in currency conversion rates	126,146	(524,620)	1,370,695	146,422	(884,707)	2,112,119
Gain/losses on changes in ownership percentage	--	--	--	(21,992)	(21,923)	(3,299)
(Gain)/losses on investments	(3)	122	(230)	(3)	122	(229)
Amortization of share premiums	--	--	--	186,741	191,573	13,184
Increase (decrease) in provision for devaluation of other assets	--	--	--	(344)	(596)	(69)
Increase (decrease) in provision for losses on fiscal incentives	--	--	--	(522)	(591)	--
Provision for losses on investments	(114)	3,133	(7,827)	(269)	(4,128)	32,884
Write-off of fixed assets	78,903	94,413	26,954	78,903	94,413	26,954
Write-off of investments	1	7	13,821	1	7	13,821
Write-off of other assets	8,458	10,661	--	8,458	10,661	--
Other adjustments	3,124	(1,695)	3,455	2,212	806	(8,305)
Remittance of profits by agencies/subsidiaries abroad	229,880	229,880	26,340	--	--	--
Variation on deferred income	29,134	24,362	12,785	28,978	23,902	12,796
Prior years adjustments to market value	--	--	246,716	--	--	246,716
Adjustments to market value – TVM and derivative financial instruments	421,927	1,338,639	(1,110,815)	421,927	1,338,639	(1,110,815)
Revaluation reserve recognized by equity accounting	(59)	(59)	(1,619)	(59)	(59)	(1,619)
Fiscal incentives	--	--	--	--	--	2,496
Lending operations	(8,700,597)	(14,406,243)	(11,691,542)	(8,937,346)	(14,184,137)	(11,181,979)
Leasing operations	(1,833)	(1,833)	--	19,589	49,746	9,953
Interbank and interdepartmental transactions	2,097,817	151,013	(9,260,180)	2,081,047	159,356	(9,270,365)
Other receivables	5,243,747	2,419,679	1,147,874	3,291,300	2,475,247	1,002,075
Cash used in operating activities	**573,009**	**(7,434,290)**	**(19,225,416)**	**(1,447,864)**	**(7,047,092)**	**(17,732,061)**
Cash provided by financing activities						
Deposits	25,854,181	30,205,476	24,635,532	10,132,964	12,760,352	23,817,363
Borrowings and onlendings	3,344,210	(313,319)	6,922,651	2,591,825	(1,913,493)	5,658,028
Purchase and sale transactions	(1,152,376)	(8,146,017)	4,686,844	(1,404,496)	(8,264,008)	4,574,335
Derivative financial instruments	(168,132)	(194,629)	726,417	(169,027)	(209,969)	742,845
Other liabilities	10,385,056	18,480,498	4,067,035	12,973,378	19,183,647	3,794,419
Funds from acceptances and issue securities	562,630	577,895	(96,918)	565,331	583,397	(108,098)
Interest on own capital	(423,794)	(745,710)	--	(423,794)	(745,710)	--

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2003	2003	2002	2nd half 2003	2003	2002
Dividends and bonuses	--	--	(579,505)	--	--	(579,505)
Total funds inflow	**38,401,775**	**39,864,194**	**40,362,056**	**24,266,181**	**21,394,216**	**37,899,387**
Cash flows from investing activities						
Dividends received from Subsidiary and Associated companies	183,158	252,879	186,917	122,410	189,742	169,880
Interests on own capital receivable	12,760	30,648	86,904	26,929	44,275	41,449
Disposal of assets not in use	17,662	48,860	123,309	18,284	51,823	125,272
Disposal of assets for use	28,315	58,038	1,454	28,315	58,459	1,454
Disposal of leased assets	--	--	--	30,533	67,411	83,355
Disposal of investments	323	941	643	32,046	49,306	452,225
Investments in assets not in use	(26,866)	(49,495)	(66,837)	(27,018)	(50,206)	(68,629)
Investment in assets for use	(789,128)	(884,181)	(616,051)	(789,783)	(884,837)	(617,881)
Investments in leased assets	--	--	--	(81,594)	(122,329)	(178,191)
Adjustment to market value of associated companies	(74,725)	(143,240)	46,327	(24,752)	(44,713)	(22,368)
Investments	(24,997)	(33,859)	(7,642)	(45,468)	(59,769)	(321,260)
Purchase of own shares	--	--	(125,779)	--	--	(125,779)
Investments in deferred charges	(99,613)	(158,115)	(123,868)	(99,621)	(157,620)	(125,375)
Short-term interbank investments	(37,436,665)	(33,926,663)	(6,658,473)	(21,059,474)	(15,643,309)	(5,149,789)
Marketable securities and derivative financial instruments	3,329,243	1,534,275	(8,033,251)	3,155,767	1,352,617	(8,478,537)
Other assets	743	11,855	(37,306)	1,590	9,207	(37,817)
Cash provided by (used in) investing activities	**(34,879,790)**	**(33,258,057)**	**(15,223,653)**	**(18,711,836)**	**(15,139,943)**	**(14,251,991)**
Net change in cash	**4,094,994**	**(828,153)**	**5,912,987**	**4,106,481**	**(792,819)**	**5,915,335**
Statement of change in cash:						
At the beginning of the period	6,646,673	11,569,820	5,656,833	6,682,761	11,582,061	5,666,726
At the end of the period	10,741,667	10,741,667	11,569,820	10,789,242	10,789,242	11,582,061
Net change in cash	**4,094,994**	**(828,153)**	**5,912,987**	**4,106,481**	**(792,819)**	**5,915,335**

31 Other information

Banco do Brasil was authorized through Provisional Measures 121 and 122/03, under the terms of Article 251 of Law 6.404/1976 and Article 19 of Law 4.595/1964, to create two wholly-owned subsidiaries, which are still in the pre-operating phase:

- a multiple bank, with the purpose to operate specifically in microfinance, consisting of financial products and services destined for the low-income population, received an authorization by the Central Bank on December 5, 2003, and the Bank shall start its activities in the beginning of 2004; and

- a consortium manager, with the purpose to manage consortium groups to expedite access to durable and consumer goods.

The creation of a multiple bank, with a specific purpose, aims at setting the cost structure to the reality of the informal and low income market and also shows transparency as this new activity will be accounted separately from the other Bank activities.

* * *

Capa azul 19.03.04 Oκ

(A free translation of the original report in Portuguese
on financial statements prepared in conformity with
accounting practices adopted in Brazil)

Banco do Brasil S.A.
Financial Statements at
December 31, 2002 and 2001
and Report of Independent Accountants

(A free translation of the original opinion in Portuguese
expressed on financial statements prepared in conformity with
accounting practices adopted in Brazil)

Report of Independent Accountants

February 7, 2003

To the Board of Directors and Stockholders
Banco do Brasil S.A.

1 We have audited the financial statements of Banco do Brasil S.A. (the Bank) and of Banco do Brasil S.A. and subsidiary companies (consolidated) as of December 31, 2002 and 2001. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements. The liabilities for complementary post-employment benefits regarding retirement, pension and medical assistance plans were recorded by Banco do Brasil based on actuarial calculations prepared by independent actuaries and information regarding assets maintained by Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI, which was audited by other independent accountants. Our report, insofar as it relates to the appropriateness of the post-employment benefit liabilities, is based exclusively on the reports of the other independent accountants and on the calculations of these actuaries.

2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank and its subsidiary companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and the significant estimates made by the Bank's management, as well as evaluating the overall financial statement presentation.

3 Based on our audits, the reports of other independent accountants and the actuarial calculations prepared by independent actuaries, as mentioned in paragraph 1, in our opinion, the financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. and of Banco do Brasil S.A. and its subsidiary companies at December 31, 2002 and 2001, and the results of operations, the changes in stockholders' equity and the changes in financial position of the Bank, as well as the consolidated results of operations and consolidated changes in financial position for the years then ended and for the six-month period ended December 31, 2002, in conformity with accounting practices adopted in Brazil.

4 The statements of added value and cash flow, which are presented in Notes 22 and 23 to provide supplementary information regarding Banco do Brasil S.A. and Banco do Brasil S.A. and its subsidiary companies, are not required as an integral part of these financial statements. These statements have been submitted to the audit procedures described in paragraph 2 and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

5 As described in Note 17, to comply with the requirements of Constitutional Amendment 20/98, which regulates the parity between sponsors and participants of closed private pension entities sponsored by public entities, the Bank reduced its contribution level to an amount equivalent to the contributions made by the participants of Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI. Furthermore, the Bank is awaiting the ruling of a judicial action against the decision of the Fiscal Director nominated by the Secretariat of Complementary Benefits, which confirmed the parity of the contribution and determined the use of part of the surplus of the entity to amortize the pension liability. Confirmation of the decision of

the Fiscal Director may result in significant and positive impacts on the financial statements of Banco do Brasil S.A.

6 The Brazilian Central Bank, through Circular Letters 3068/2001 and 3082/2002, established new accounting practices for the valuation of marketable securities and derivative financial instruments of financial institutions, which started to be classified according to management intention and the financial capacity of the institution. As described in Notes 5 and 9, on April 30, 2002, the Bank made the adjustments necessary to comply with these circular letters. The new classification and valuation basis of marketable securities and derivative financial instruments represented an increase of R$ 247 million in retained earnings, recorded as prior-year adjustments, and an adjustment to market value of the securities available for sale, classified in a separate account of stockholders' equity, which, at December 31, 2002, represented a decrease in stockholders' equity of R$ 1,110 million.

7 As described in Note 10, the Bank has recorded deferred income tax and social contribution assets based on tax losses, temporary differences and social contribution available for offset, which amount to R$ 11,781 million in the Bank, and R$ 11,847 million consolidated at December 31, 2002 (2001 – R$ 12,045 million in the Bank and R$ 12,206 consolidated). These tax benefits may be used to offset future taxable income, subject to the generation of sufficient income to assure their realization. Due to the significance of the amounts involved, the Bank has adopted the accounting practice of writing down the deferred income tax and social contribution assets such that the charge for income tax and social contribution of the year is at least equal to the amount determined using the current tax rates (currently 34%) of income before taxes, regardless of the generation of taxable income.

8 As mentioned in Note 10 (iv), the Bank has obtained an injunction to offset the full amount of tax losses with income tax and social contribution loss carryforwards. The injunction is currently under discussion in court and, if the Bank obtains an unfavorable decision, the recorded provision should be complemented to equal the total amount of the taxes due, which would represent, at December 31, 2002, approximately R$1,744 million (2001 – R$ 1,074 million). In the event of an unfavorable decision, the deferred tax asset would also be increased by the same amount of additional tax payable, subject to the analysis of the expected future realization of the deferred tax asset at the time it is recorded.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "S" DF

Paulo Sérgio Miron
Partner
Contador CRC 1SP173647/O-5 "S" DF

Banco do Brasil S.A.
Financial statements
(in thousands of reais)

BALANCE SHEET

ASSETS	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
Current	109,464,913	70,675,032	106,205,493	69,533,217
Available funds	11,569,820	5,656,833	11,582,061	5,666,726
Short-term interbank investments (Note 4)	22,192,378	15,477,238	17,758,957	12,592,216
Open market investments	10,190,151	6,956,761	10,124,855	6,898,730
Interbank deposits	12,002,227	8,520,477	7,634,102	5,693,486
Marketable securities and derivative financial instruments (Note 5)	14,824,522	7,487,278	15,376,280	8,135,530
Own portfolio	4,377,733	4,185,663	4,918,501	4,944,572
Subject to repurchase commitments	9,794,716	2,653,071	9,810,837	2,653,071
Subject to negotiation and intermediation of securities - Contracts and premiums to be placed	—	—	—	390
Restricted deposits - Central Bank	22	366,568	22	366,568
Restricted to guarantees provided	363,207	—	366,707	—
Derivative financial instruments	288,844	390,656	280,213	396,540
(Allowance for losses)	—	(108,680)	—	(225,611)
Interbank accounts	18,155,919	8,600,330	18,177,517	8,609,659
Payments and receipts pending settlement	113,624	46,600	135,222	55,929
Restricted deposits				
Central Bank deposits	17,970,515	8,480,272	17,970,515	8,480,272
National Treasury - rural credits receivable	15,224	25,719	15,224	25,719
SFH - National Housing Financing System	1,363	1,594	1,363	1,594
Interbank onlendings	10,231	14,974	10,231	14,974
Correspondent banks	44,962	31,171	44,962	31,171
Interdepartmental accounts	270,189	34,499	270,189	34,499
Internal transfers of funds	270,189	34,499	270,189	34,499
Lending operations	26,947,330	21,816,077	27,531,385	23,094,093
Lending operations				
Public sector (Note 6a)	624,703	347,457	986,636	1,111,224
Private sector (Note 6a)	27,826,672	22,781,254	28,083,318	23,379,183
(Allowance for loan losses) (Note 6e)	(1,504,045)	(1,312,634)	(1,538,569)	(1,396,314)
Leasing operations	—	—	44,788	4,173
Leases and subleases receivable				
Public sector	—	—	20,757	—
Private sector	—	—	213,663	209,748
(Unearned income from leasing	—	—	(179,530)	(200,706)

Banco do Brasil S.A.
Financial statements
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ASSETS	BALANCE SHEET BB-Domestic and Foreign Branches 12.31.2002	BB-Domestic and Foreign Branches 12.31.2001	BB-Consolidated 12.31.2002	BB-Consolidated 12.31.2001
operations)				
(Allowance for leasing losses) (Note 6e)	—	—	(10,102)	(4,869)
Other receivables	15,253,124	11,331,980	15,209,996	11,123,764
Receivables on guarantees honored	20,184	27,857	20,184	27,857
Foreign exchange portfolio (Note 8a1)	10,160,566	6,037,005	10,160,566	6,037,005
Income receivable	279,567	358,140	217,615	162,308
Negotiation and intermediation of securities	4,054	17,463	16,568	29,159
Specific credits (Note 8a2)	216,859	2,339,266	216,859	2,339,266
Special operations	1,366	1,352	1,366	1,352
Sundry (Note 8a3)	4,913,638	2,712,248	4,943,672	2,692,209
(Allowance for other losses)(Note 6e)	(343,110)	(161,351)	(366,834)	(165,392)
Other assets	251,631	270,797	254,320	272,557
Other assets (Note 8b)	407,548	506,337	410,093	509,020
(Allowance for losses)	(198,521)	(244,955)	(200,105)	(246,608)
Prepaid expenses	42,604	9,415	44,332	10,145
LONG-TERM RECEIVABLES	92,685,599	90,554,988	94,039,019	91,212,961
Interbank investments (Note 4)	277,785	334,452	5,164	22,116
Open market investments	—	39,122	—	21,883
Interbank deposits	277,785	295,330	5,164	233
Marketable securities and derivative financial instruments (Note 5)	54,831,762	54,526,411	55,566,477	54,725,230
Own portfolio	14,567,033	7,361,892	15,225,416	7,443,571
Subject to repurchase commitments	30,243,750	40,308,515	30,318,263	40,425,655
Subject to negotiation and intermediation of securities	—	82	—	82
Restricted deposits - Central Bank	9,642,917	6,502,133	9,642,917	6,502,133
Restricted to guarantees provided	368,260	615,826	368,260	615,826
Derivative financial instruments	9,802	—	11,621	—
(Allowance for losses)	—	(262,037)	—	(262,037)
Lending operations	23,176,515	16,616,226	23,875,931	17,131,244
Lending operations				
Public sector	4,610,798	2,602,311	4,630,621	2,867,065
Private sector	19,927,833	14,802,472	20,909,205	15,052,736
(Allowance for loan losses) (Note 6e)	(1,362,116)	(788,557)	(1,663,895)	(788,557)
Leasing operations	—	—	17,473	68,041
Leases and subleases receivable				
Public sector	—	—	—	29,420
Private sector	—	—	203,782	256,559

Banco do Brasil S.A.
Financial statements
(in thousands of reais)

BALANCE SHEET

ASSETS	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
(Unearned income from leasing operations)	—	—	(181,480)	(205,948)
(Allowance for leasing losses) (Note 6e)	—	—	(4,829)	(11,990)
Other receivables	14,399,537	19,077,899	14,573,974	19,265,741
Receivables on guarantees honored	17,872	17	17,872	17
Income receivable	81,450	83,353	81,559	83,461
Negotiation and intermediation of securities	—	263	—	1,015
Specific credits (Note 8a2)	216,859	4,312,937	216,859	4,322,844
Special operations	3,221	2,742	3,221	2,742
Sundry (Note 8a3)	14,211,717	14,957,771	14,396,035	15,143,502
(Allowance for other losses) (Note 6e)	(131,582)	(279,184)	(141,572)	(287,840)
Other assets	—	—	—	589
Prepaid expenses	—	—	—	589
PERMANENT ASSETS	6,825,928	5,811,263	4,350,096	4,373,846
Investments	3,998,968	3,250,484	970,394	1,141,112
Investments in associated and subsidiary companies (Note 11)				
Local	1,999,989	1,840,915	728,204	739,465
Foreign	1,968,046	1,389,108	280,728	440
Other investments	186,524	183,879	229,684	636,545
(Provision for losses)	(155,591)	(163,418)	(268,222)	(235,338)
Property and equipment in use	2,536,453	2,292,527	2,539,215	2,295,621
Land and buildings in use	2,219,830	2,093,647	2,221,655	2,094,844
Other property and equipment in use	3,066,594	2,997,565	3,076,324	3,004,145
(Accumulated depreciation)	(2,749,971)	(2,798,685)	(2,758,764)	(2,803,368)
Leased assets	—	—	547,298	665,529
Leased assets	—	—	668,071	770,368
(Accumulated depreciation)	—	—	(120,773)	(104,839)
Deferred charges	290,507	268,252	293,189	271,584
Organization and expansion costs	562,064	471,447	574,150	479,384
(Accumulated amortization)	(271,557)	(203,195)	(280,961)	(207,800)
TOTAL	208,976,440	167,041,283	204,594,608	165,120,024

Banco do Brasil S.A.
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BALANCE SHEET

LIABILITIES/STOCKHOLDERS' EQUITY	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
CURRENT LIABILITIES	**156,731,515**	**121,824,670**	**152,613,071**	**121,971,839**
Deposits *(Note 8c)*	89,143,119	64,961,683	88,054,124	64,446,804
Demand deposits	24,303,771	18,811,825	24,342,264	18,831,327
Savings deposits	26,917,763	21,242,075	26,917,763	21,242,075
Interbank deposits	4,915,730	4,912,384	3,660,252	4,162,609
Time deposits	33,005,855	19,995,399	33,133,845	20,210,793
Funds obtained in the open market	44,289,465	39,049,543	44,018,055	38,890,642
Own portfolio	33,864,133	37,325,444	33,598,399	37,166,543
Third-party portfolio	10,425,332	1,724,099	10,419,656	1,724,099
Notes and securities	367,858	475,396	367,507	465,540
Debentures	—	11,476	—	1,620
Foreign marketable securities	367,858	463,920	367,507	463,920
Interbank accounts	60,804	16,382	74,075	27,569
Receipts and payments pending settlement	55,614	12,993	68,885	24,180
Correspondent banks	5,190	3,389	5,190	3,389
Interdepartmental accounts	1,366,391	879,714	1,366,391	879,714
Third-party funds in transit	1,365,584	861,792	1,365,584	861,792
Internal transfers of funds	807	17,922	807	17,922
Borrowings	5,798,736	3,434,569	3,422,040	4,189,605
Foreign borrowings	5,798,736	3,434,569	3,422,040	4,189,605
Local onlendings - official institutions (Note 8d)	820,998	606,844	828,920	610,619
National Treasury	779,148	414,809	779,148	414,809
BNDES - National Economic Development Bank	1,155	1,238	1,155	1,238
CEF - Federal Savings and Loan Bank	2	12	2	12
FINAME - National Industrial Financing Authority	39,587	189,683	46,793	192,846
Other institutions	1,106	1,102	1,822	1,714
Derivative financial instruments (Note 5)	722,946	372,834	730,315	363,887
Derivative financial instruments	722,946	372,834	730,315	363,887
Other liabilities	14,161,198	12,027,705	13,751,644	12,097,459
Collection of taxes and social contributions	186,684	357,482	187,004	357,647
Foreign exchange portfolio *(Note 8e1)*	4,414,132	2,238,472	4,414,132	2,238,472
Social and statutory	346,639	239,967	346,639	239,967

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BALANCE SHEET

LIABILITIES/STOCKHOLDERS' EQUITY	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
Taxes and social security charges	952,443	669,483	1,189,809	847,743
Negotiation and intermediation of securities (Note 21)	255,879	314,020	280,356	56,778
Financial and development funds *(Note 8e2)*	21,526	113,626	21,526	113,626
Special operations	2,365	2,348	2,365	2,348
Sundry *(Note 8e4)*	7,981,530	8,092,307	7,309,813	8,240,878
LONG-TERM LIABILITIES	42,946,256	36,380,441	42,682,091	34,311,247
Deposits *(Note 8c)*	9,444,291	8,990,195	9,199,195	8,989,152
Interbank deposits	460,722	67,287	215,626	57,659
Time deposits	8,983,569	8,922,908	8,983,569	8,931,493
Funds obtained in the open market	4,309,198	4,862,276	4,309,198	4,862,276
Own portfolio	4,253,888	4,825,922	4,253,888	4,825,922
Third-party portfolio	55,310	36,354	55,310	36,354
Notes and securities	706,500	695,880	685,816	695,880
Foreign marketable securities	706,500	695,880	685,816	695,880
Borrowings	10,001,007	6,841,059	10,010,000	4,843,697
Foreign Borrowings	10,001,007	6,841,059	10,010,000	4,843,697
Local onlendings - official institutions (Note 8d)	5,092,152	4,051,885	5,092,152	4,051,885
National Treasury	402,003	311,812	402,003	311,812
BNDES - National Economic Development Bank	2,569,501	2,229,216	2,569,501	2,229,216
CEF - Federal Savings and Loan Bank	14	67	14	67
FINAME - National Industrial Financing Authority	1,739,933	1,400,146	1,739,933	1,400,146
Other institutions	380,701	110,644	380,701	110,644
Foreign onlendings	278,429	134,314	2,239	1,517
Foreign onlendings	278,429	134,314	2,239	1,517
Derivative financial instruments (Note 5)	3,471	—	12,530	—
Derivative financial instruments	3,471	—	12,530	—
Other liabilities	13,111,208	10,804,832	13,370,961	10,866,840
Taxes and social security charges	35	35	35	35
Negotiation and intermediation of securities (Note 21)	3,551,620	1,429,482	3,551,620	1,702,266
Financial and development funds *(Note 8e2)*	1,754,922	1,758,228	1,754,922	1,758,228
Sundry (Note 8e4)	7,804,631	7,617,087	8,064,384	7,406,311

Banco do Brasil S.A.
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BALANCE SHEET

LIABILITIES/STOCKHOLDERS' EQUITY	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
DEFERRED INCOME	101,604	88,819	102,381	89,585
Deferred income	101,604	88,819	102,381	89,585
STOCKHOLDERS' EQUITY ***(Note 9)***	9,197,065	8,747,353	9,197,065	8,747,353
Capital	7,435,544	7,435,544	7,435,544	7,435,544
Local residents	7,433,152	7,433,152	7,433,152	7,433,152
Foreign residents	2,392	2,392	2,392	2,392
Capital reserves	4,754	4,754	4,754	4,754
Revaluation reserves	24,762	33,428	24,762	33,428
Revenue reserves	2,968,599	1,273,627	2,968,599	1,273,627
Adjustment to market value - marketable securities and derivatives	(1,110,815)	—	(1,110,815)	—
Treasury stock	(125,779)	—	(125,779)	—
TOTAL	208,976,440	167,041,283	204,594,608	165,120,024

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
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STATEMENT OF INCOME

	BB-Domestic and foreign branches			BB-Consolidated		
	2nd half 2002	Year 2002	Year 2001	2nd half 2002	Year 2002	Year 2001
REVENUE FROM FINANCIAL INTERMEDIATION	21,038,994	36,235,125	18,530,243	21,290,208	36,726,598	19,416,653
Lending operations	7,142,569	13,558,714	9,554,254	7,268,374	13,827,503	10,625,411
Commercial leasing	—	—	—	50,669	106,072	109,181
Marketable securities	8,140,856	13,849,185	5,797,869	8,201,634	13,940,128	5,558,039
Derivative financial instruments	(946,085)	(1,622,182)	—	(945,092)	(1,663,620)	—
Foreign exchange	5,237,827	8,215,036	2,075,346	5,250,795	8,282,143	2,021,248
Compulsory investments	1,463,827	2,234,372	1,102,774	1,463,828	2,234,372	1,102,774
Expenses from financial intermediation	(16,190,882)	(28,235,425)	(14,367,636)	(16,515,353)	(28,655,368)	(14,548,025)
Deposits and funds obtained in the open market	(7,575,423)	(13,483,916)	(9,598,931)	(7,644,598)	(13,616,658)	(9,546,766)
Borrowings and onlendings	(7,166,513)	(11,997,637)	(3,418,723)	(7,182,047)	(12,030,091)	(3,462,395)
Allowance for losses *(Note 6e)*	(1,448,946)	(2,753,872)	(1,349,982)	(1,688,708)	(3,008,619)	(1,538,864)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION	4,848,112	7,999,700	4,162,607	4,774,855	8,071,230	4,868,628
OTHER OPERATING INCOME/EXPENSES	(3,085,987)	(4,901,013)	(2,829,545)	(2,980,403)	(4,881,309)	(3,498,802)
Services rendered *(Note 8f)*	2,123,925	4,131,690	3,637,779	2,276,842	4,453,519	3,759,685
Personnel expenses *(Note 8g)*	(2,891,080)	(5,505,293)	(5,544,794)	(2,913,416)	(5,547,620)	(5,574,665)
Other administrative expenses *(Note 8h)*	(2,240,710)	(4,062,886)	(3,514,630)	(2,257,635)	(4,096,755)	(3,585,742)
Taxes	(426,372)	(779,565)	(608,074)	(444,701)	(819,668)	(685,617)
Equity in the earnings of subsidiary and associated companies (Note 11)	1,306,055	2,471,970	2,071,097	1,315,760	2,303,634	1,600,589
Other operating income *(Note 8i)*	851,095	1,637,986	4,284,138	885,947	1,679,177	4,307,301
Other operating expenses *(Note 8j)*	(1,808,900)	(2,794,915)	(3,155,061)	(1,843,200)	(2,853,596)	(3,320,353)
OPERATING PROFIT	1,762,125	3,098,687	1,333,062	1,794,452	3,189,921	1,369,826
NON-OPERATING RESULTS *(Note 8l)*	116,027	166,704	10,651	129,963	170,689	79,263
Non-operating income	161,878	289,546	200,159	189,924	320,130	294,347
Non-operating expenses	(45,851)	(122,842)	(189,508)	(59,961)	(149,441)	(215,084)
NET INCOME BEFORE TAXES AND PROFIT SHARING	1,878,152	3,265,391	1,343,713	1,924,415	3,360,610	1,449,089
INCOME TAX AND SOCIAL CONTRIBUTION *(Note 10)*	(605,579)	(1,092,839)	(195,415)	(651,842)	(1,188,058)	(300,791)
Provision for income tax	(517,922)	(655,171)	(26,688)	(551,013)	(729,550)	(128,033)
Provision for social contribution	(270,889)	(398,078)	(157,494)	(283,066)	(423,569)	(199,236)
Deferred tax asset	183,232	(39,590)	(11,233)	182,237	(34,939)	26,478
PROFIT SHARING *(Note 14)*	(68,018)	(144,876)	(66,346)	(68,018)	(144,876)	(66,346)
NET INCOME	1,204,555	2,027,676	1,081,952	1,204,555	2,027,676	1,081,952
Number of shares	743,275,506,498	743,275,506,498	711,995,705,713	743,275,506,498	743,275,506,498	711,995,705,713
(Treasury stock)	(11,257,677,709)	(11,257,677,709)	—	(11,257,677,709)	(11,257,677,709)	—
Total of shares used in profit per share	732,017,828,789	732,017,828,789	711,995,705,713	732,017,828,789	732,017,828,789	711,995,705,713
Income per 1,000 shares	1.65	2.77	1.52	1.65	2.77	1.52

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	Capital reserves			Revaluation reserves of associated and subsidiary companies	Revenue reserves			Adjustment to Value - Mark Securities Derivativ	
		Fiscal incentive investments	Income from the sale of treasury stock	Share premium		Legal	Statutory	Reserves for expansion	Multiple Bank	As su co
Balances at 12.31.2000	5,587,146	20	140	4,594	33,263	161,989	97,193	2,080,428	—	
OTHER EVENTS:										
Capitalization of reserves	1,848,093	—	—	—	—	—	—	(1,848,093)	—	
Capitalization (Bond subscription)	305	—	—	—	—	—	—	—	—	
Realization of revaluation reserves	—	—	—	—	-75	—	—	—	—	
Revaluation of associated and subsidiary companies	—	—	—	—	240	—	—	—	—	
Prior year adjustments net of taxes	—	—	—	—	—	—	—	—	—	
NET INCOME FOR THE YEAR	—	—	—	—	—	—	—	—	—	
APPROPRIATIONS:										
Reserves	—	—	—	—	—	52,374	31,425	698,311	—	
Dividends (Note 9f)	—	—	—	—	—	—	—	—	—	
Balances at 12.31.2001	7,435,544	20	140	4,594	33,428	214,363	128,618	930,646	—	
CHANGES IN THE YEAR	1,848,398	—	—	—	165	52,374	31,425	(1,149,782)	—	
Balances at 06.30.2002	7,435,544	20	140	4,594	34,997	275,039	165,023	1,739,631	(1,441,010)	-2
OTHER EVENTS:										
Treasury stocks (Note 9c)	—	—	—	—	—	—	—	—	—	
Adjustment of investments in associated/subsidiary companies	—	—	—	—	-10,200	—	—	—	—	
Realization of revaluation reserves	—	—	—	—	-35	—	—	—	—	
Prior year adjustments (BACEN Circular Letters 3068 and 3082): Securities available for sale (Note 5)	—	—	—	—	—	—	—	—	115,954	
Adjustment to market value - Marketable securities and derivatives	—	—	—	—	—	—	—	—	419,07	
NET INCOME FOR THE PERIOD	—	—	—	—	—	—	—	—	—	
APPROPRIATIONS:										
Reserves	—	—	—	—	—	40,709	20,118	728,079	—	
Dividends (Note 9f)	—	—	—	—	—	—	—	—	—	
Balances at 12.31.2002	7,435,544	20	140	4,594	24,762	315,748	185,141	2,467,710	-905,986	-2
CHANGES IN THE PERIOD	—	—	—	—	-10,235	40,709	20,118	728,079	535,024	

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STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

EVENTS	Capital	Capital reserves			Revaluation reserves of associated and subsidiary companies	Revenue reserves			Adjustment to Value - Mark Securities Derivativ	
		Fiscal incentive investments	Income from the sale of treasury stock	Share premium		Legal	Statutory	Reserves for expansion	Multiple Bank	As su co
Balances at 12.31.2001	7,435,544	20	140	4,594	33,428	214,363	128,618	930,646	—	
OTHER EVENTS:										
Treasury stocks (Note 9c)	—	—	—	—	—	—	—	—	—	
Adjustment of investments in associated/subsidiary companies	—	—	—	—	-10,2	—	—	—	—	
Realization of revaluation reserve	—	—	—	—	-85	—	—	—	—	
Revaluation of associated and subsidiary companies	—	—	—	—	1,619	—	—	—	—	
Prior year adjustments (BACEN Circular Letters 3068 and 3082):										
Securities available for sale (Note 5)	—	—	—	—	—	—	—	—	-254,095	
Securities for negotiation	—	—	—	—	—	—	—	—	—	
Derivatives	—	—	—	—	—	—	—	—	—	
Adjustment to market value - Marketable securities and derivatives	—	—	—	—	—	—	—	—	-651,891	
NET INCOME FOR THE YEAR	—	—	—	—	—	—	—	—	—	
APPROPRIATIONS:										
Reserves	—	—	—	—	—	101,385	56,523	1,537,064	—	
Dividends (Note 9f)	—	—	—	—	—	—	—	—	—	
Balances at 12.31.2002	7,435,544	20	140	4,594	24,762	315,748	185,141	2,467,710	-905,986	
CHANGES IN THE YEAR	—	—	—	—	-8,666	101,385	56,523	1,537,064	-905,986	

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 FINANCIAL POSITION

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	Year 2002	Year 2001	2nd half 2002	Year 2002	Year 2001
FINANCIAL RESOURCES WERE PROVIDED BY:	**36,790,221**	**43,743,057**	**30,783,458**	**38,234,400**	**42,715,710**	**29,754,853**
Net income	**1,204,555**	**2,027,676**	**1,081,952**	**1,204,555**	**2,027,676**	**1,081,952**
Adjustments to net income/(loss)	**(283,789)**	**(622,651)**	**(345,354)**	**237,476**	**531,005**	**572,889**
Depreciation and amortization	224,091	442,471	514,468	226,240	447,337	517,978
Depreciation of leased assets	—	—	—	102,249	215,986	239,024
Amortization of losses	—	—	—	981	1,935	2,167
Equity in the earnings of associated and subsidiary companies	(1,306,055)	(2,471,970)	(2,071,097)	(1,315,760)	(2,303,634)	(1,600,589)
Profit/loss on sale of assets and investments	—	(20)	37,765	(12,765)	(12,794)	37,765
Excess depreciation	1	—	—	8,251	(4,885)	(44,745)
Changes in the currency conversion rate	783,950	1,370,695	1,195,659	1,212,142	2,112,119	1,446,882
Gains/losses from changes in ownership in investments	—	—	—	(3,259)	(3,299)	—
Gain/Loss on investments	(130)	(230)	(12)	(130)	(229)	(2,237)
Amortization of share premium	—	—	—	6,592	13,184	13,024
Provision for devaluation of other assets and rights	—	—	—	(107)	(69)	1,110
Provision for loss on tax incentives	—	—	—	—	—	(76)
Provision for loss on investments	(6,662)	(7,827)	(37,418)	(7,262)	32,884	(51,685)
Write-off of fixed assets	13,210	26,954	41,742	13,210	26,954	41,742
Write-off of investments	13,803	13,821	7	13,803	13,821	7
Prior year adjustments net of taxation - Instruction CVM 371/2000	—	—	(34,760)	—	—	(34,760)
Other adjustments	(5,997)	3,455	8,292	(6,709)	(8,305)	7,282
Change in deferred income	15,228	12,785	**59,035**	**15,223**	**12,796**	**58,940**
Prior years adjustment to market value	(143,612)	246,716	—	(143,612)	246,716	—
Adjustment to market value - Marketable Securities and Derivative Financial Instruments	559,679	(1,110,815)	**—**	**559,679**	**(1,110,815)**	**—**
Donations and subsidies for investments	—	—	**—**	**—**	**—**	**5,333**
Capital increase	—	—	**290**	**—**	**—**	**290**
Receipt of profits from overseas subsidiaries	—	26,340	**387,726**	**—**	**2,496**	**—**
Merger of associated companies	—	—	**264,588**	**—**	**—**	**80,685**
Stockholders' funds - Realization of capital	—	—	**16**	**—**	**—**	**16**
Third party funds:						
Increase in liabilities	**35,279,386**	**41,569,578**	**26,940,449**	**35,732,670**	**39,120,173**	**25,915,326**
Deposits	17,233,022	24,635,532	4,451,289	17,543,127	23,817,363	4,365,630
Funds obtained in the open market	10,762,736	4,686,844	15,711,222	10,818,797	4,574,335	15,685,367
Interbank and interdepartmental accounts	—	**531,099**	75,681	—	533,183	82,456
Funds from acceptances and issue of securities	209,519	**—**	351,647	222,101	—	345,846
Borrowings and onlendings	3,863,071	6,922,651	3,098,017	3,723,273	5,658,028	2,537,695
Derivative financial instruments	48,928	726,417	363,371	39,322	742,845	363,371
Other liabilities	3,162,110	4,067,035	2,889,222	3,386,050	3,794,419	2,534,961
Decrease in assets	—	1,147,874	**1,820,271**	**9,641**	**1,012,028**	**1,624,357**

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STATEMENT OF CHANGES IN FINANCIAL POSITION

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	Year 2002	Year 2001	2nd half 2002	Year 2002	Year 2001
Leasing operations	—	—	—	7,309	9,953	23,888
Other assets	—	—	57,741	2,332	—	59,006
Other receivables	—	1,147,874	1,762,530	—	1,002,075	1,541,463
Sale of assets and investments	**44,883**	**171,733**	**153,529**	**532,585**	**662,306**	**322,844**
Non-operating assets	41,886	123,309	150,395	42,563	125,272	151,615
Property and equipment in use	—	1,454	1,959	—	1,454	1,959
Leased assets	—	—	—	41,090	83,355	96,510
Investments	—	643	1,175	448,932	452,225	72,760
Adjustment to market value of associated companies	2,997	46,327	—	—	—	—
Dividends received from associated/subsidiary companies	**79,197**	**186,917**	**279,388**	**72,529**	**169,880**	**78,048**
Interest on own capital receivable	**34,694**	**86,904**	**141,568**	**13,654**	**41,449**	**14,173**
FINANCIAL RESOURCES WERE USED FOR:	**32,562,026**	**37,830,070**	**28,020,964**	**34,005,199**	**36,800,375**	**26,994,332**
Dividends and bonuses proposed	**272,072**	**579,505**	**265,385**	**272,072**	**579,505**	**265,385**
Revaluation reserve recognized by equity accounting	**—**	**1,619**	**—**	**—**	**1,619**	**—**
Increase of subsidiaries' share capital	**—**	**—**	**19,204**	**—**	**—**	**14,385**
Funding provided to subsidiaries	**—**	**—**	**18,739**	**—**	**—**	**—**
Purchase of own shares	**125,779**	**125,779**	**—**	**125,779**	**125,779**	**—**
Investments	**538,177**	**690,530**	**569,496**	**660,447**	**1,208,329**	**970,766**
Non-operating assets	37,853	66,837	63,647	38,296	68,629	64,228
Property and equipment in use	497,017	616,051	500,199	497,931	617,881	501,298
Leased assets	—	—	—	76,513	178,191	363,766
Investments	3,307	7,642	5,650	34,960	321,260	41,474
Adjustment to market value of associated companies	—	—	—	12,747	22,368	—
Deferred charges	**79,342**	**123,868**	**145,885**	**80,096**	**125,375**	**146,653**
Increase in assets	**29,284,444**	**36,211,851**	**27,002,255**	**30,591,001**	**34,651,670**	**25,597,143**
Short- term interbank investments	11,886,433	6,658,473	4,335,170	12,889,165	5,149,789	7,550,748
Marketable securities and derivative financial instruments	1,838,875	8,033,251	11,629,888	2,352,054	8,478,537	11,744,922
Interbank and interdepartmental accounts	7,216,053	9,791,279	1,999,066	7,209,888	9,803,548	1,992,981
Lending operations	5,166,559	11,691,542	9,038,131	4,934,391	11,181,979	4,308,492
Other receivables	3,162,158	—	—	3,205,503	—	—
Other assets	14,366	37,306	—	—	37,817	—
Decrease in liabilities	**2,262,212**	**96,918**	**—**	**2,275,804**	**108,098**	**—**
Interbank and interdepartmental accounts	2,262,212	—	—	2,275,804	—	—
Funds from acceptances and issue of securities	—	96,918	—	—	108,098	—
INCREASE IN AVAILABLE FUNDS	**4,228,195**	**5,912,987**	**2,762,494**	**4,229,201**	**5,915,335**	**2,760,521**
CHANGES IN FINANCIAL POSITION:						
At the beginning of the period/year	7,341,625	5,656,833	2,894,339	7,352,860	5,666,726	2,906,205
At the end of the period/year	11,569,820	11,569,820	5,656,833	11,582,061	11,582,061	5,666,726
Increase in available funds	**4,228,195**	**5,912,987**	**2,762,494**	**4,229,201**	**5,915,335**	**2,760,521**

The accompanying notes are an integral part of these financial statements

1 The Bank and its Operations

Banco do Brasil S.A. is a publicly held company established under private law and subject to Brazilian corporate legislation. Its corporate purpose is to carry out asset, liability and accessory bank operations, provide bank services, intermediate and originate financial transactions in various forms and exercise any activity permitted to the institutions that are part of the National Finance System. It is also the main financial agent of the Federal Government and exercises the functions attributed to it by law, specifically those of art. 19 of Law 4595/1964.

2 Presentation of the Financial Statements

a) The financial statements of Banco do Brasil S.A. have been prepared in accordance with Law 6404/1976, in due compliance with instructions issued by the Brazilian Central Bank – (BACEN) and the Brazilian Securities Commission (CVM).

b) The financial statements present the position of the Bank's operations in Brazil and abroad (BB Domestic and Overseas branches), as well as the consolidated amounts, including domestic and overseas branches and financial subsidiaries (BB-Consolidated). The balances of foreign branches and subsidiary companies included in the balance sheet of the parent company are as follows:

	Foreign branches		Foreign branches and subsidiary companies	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
Current assets	27,060,624	19,651,587	27,280,282	19,989,956
Long-term receivables	6,928,758	3,742,409	7,901,880	4,772,338
Permanent assets	226,609	150,886	234,431	163,068
Total assets	34,215,991	23,544,882	35,416,593	24,925,362
Current liabilities	20,975,141	15,575,267	20,377,909	15,543,504
Long-term liabilities	9,442,128	5,182,459	9,271,139	5,205,269
Deferred income	7,144	6,574	7,921	7,340
Stockholders' equity	3,791,578	2,780,582	5,759,624	4,169,249
Total liabilities and stockholders' equity	34,215,991	23,544,882	35,416,593	24,925,362
Net income/(loss)	(57,919)	384,088	(137,882)	512,541

c) The consolidated financial statements (BB-Consolidated) comprise domestic and foreign branches, foreign subsidiary companies Banco do Brasil - A.G. Viena - Austria, BB-Europe N.V.S.A., BB-Leasing Company Ltd., Brazilian American Merchant Bank – BAMB and domestic subsidiary companies BB- Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A., BB-Banco de Investimento S.A. and BB-Leasing S.A. - Arrendamento Mercantil, prepared in conformity with Law 6404/1976 and CVM Instruction 247/1996. The transactions, balances of accounts, and income and expenses among foreign branches, subsidiary companies and Banco do Brasil S.A. were eliminated. The translation of the financial statements prepared in a foreign currency into Brazilian reais is carried out using current rates, in conformity with CVM Decision 28/1986.

BB-Corretora de Seguros e Administradora de Bens S.A., BB-Adminstradora de Cartões de Crédito S.A., BBTUR Viagens e Turismo Ltda, and COBRA Computadores e Sistemas Brasileiros S.A. were not included in the consolidation as they do not materially affect the consolidated financial statements, according to the authorization of CVM through CVM/SNC Official Letter 026/2003. The investments

in these companies were evaluated by the equity method of accounting, and the information required by article 20 of CVM Instruction 247/1996 and CVM Deliberation 26/1986, is mentioned in Notes 11 and 12, respectively.

3 Accounting Policies

a) The Bank uses the accrual basis of accounting.

b) Rights and obligations in foreign currencies and those subject to indexation are adjusted in accordance with the exchange rates or official indices as of the balance sheet date and are presented at realizable values. Rights and obligations with floating financial charges are recorded at current value, calculated pro rata based on the variations in the contractual indices. Those with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses.

c) The allowance for loan losses is set up based on the parameters of CMN Resolution 2682/1999, for domestic branches and subsidiary companies, as well as those abroad, taking into consideration the risks of loans based on consistent criteria, supported by internal and external information, and covering all aspects set forth in the resolution.

d) Marketable Securities:
Securities purchased for own portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified, based on the intention of management, in three different categories:

d.1) Trading securities: these are marketable securities acquired to be actively and frequently traded. They are adjusted to market value on a monthly basis and increases and decreases are recorded, respectively, in income and expense accounts;

d.2) Securities available for sale: these are marketable securities which, although not actively and frequently traded, can be traded at any time. They are adjusted to market value on a monthly basis, and increases and decreases are recorded, net of tax effects, in a stockholders' equity account;

d.3) Securities held to maturity: these are securities that the Bank intends and has the financial capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. They are not adjusted to market value.

The mark-to-market methodology applied for securities was established following consistent and verifiable criteria, which consider the average price of trading on the day of the calculation or, if it does not exist, in pricing models that estimate the probable net fair value of realization.

Income accrued on marketable securities, irrespective of the category in which they are classified, is appropriated on a pro rata basis and complies with the accrual basis of accounting up to maturity date or date of final sale, on the exponential or linear method, based on the respective remuneration clauses and on the acquisition rate distributed over the period, being directly recognized in results of operations.

Losses with securities classified as available for sale and held to maturity, if judged to be other than temporary losses, are directly recorded in results of operations for the period and form a new cost basis for the assets.

Upon sale, the difference between the sale value and the cost of purchase plus accrued earnings 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 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.

Derivative financial instruments used for offset, in whole or in part, of the risks arising from exposures to variations in financial asset or liability market values are considered hedge instruments and are classified according to their nature:

e.1) Market Risk Hedge – increases or decreases in financial instruments classified in this category, as well as for the item hedged, are recorded in income and expense accounts for the period;

e.2) Cash Flow Hedge – for the financial instruments classified in this category, the effective portion of increases or decreases in value is recorded, net of tax effects, in a separate stockholders' equity account. The effective portion is the one in which the variation of the item hedged, directly related to the corresponding risk, is compensated with the variation in the financial instrument used for hedge, considering the accumulated effect of the transaction. Other verified observed in these instruments are directly recorded in income or expense accounts for the period.

The mark-to-market methodology applied for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of the calculation or, if it does not exist, on

pricing models that evaluate the probable net fair realization value according to the characteristics of the derivative.

f) Permanent assets

Investments are stated at cost and, when material, adjusted using the equity method of accounting. Property and equipment are recorded at cost, less depreciation, which is calculated on the straight-line method at the following annual rates: buildings and improvements, 4%; vehicles, installations and equipment, 20%; other, 10%;

Organization and expansion expenses recorded in deferred charges relate to:

f.1) Leasehold improvements in properties owned by third parties for the installation of facilities which are amortized at rates based on the rental terms;

f.2) Acquisitions and development of systems are amortized at the annual rate of 20%;

g) Vacations, leave of absence and thirteenth-month salaries are accrued monthly in accordance with the acquisition period;

h) Short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising complementary pension, medical assistance and other benefits for which the Bank is responsible were evaluated at December 31, 2002 in accordance with criteria established in CVM Deliberation 371/2000, taking into consideration a 7.8% annual interest rate, and are being allocated monthly according to such evaluation, as shown in Note 17. The benefit liability relating to the assumption of the obligation to employees hired before April 14, 1967 was accrued on the basis of an actuarial calculation, considering a 6% annual interest rate established in the contract between PREVI and the Bank.

i) Corporate income tax is computed at the basic rate of 15% plus a surcharge of 10% on taxable income, and the social contribution at the basic rate of 8% plus a surcharge of 1% on taxable income (Note 10.I). Income tax and social contribution tax credits are determined in accordance with the criteria mentioned in Note 10.V and are supported by a study of the capacity for realization prepared by management. To accelerate the reduction of the tax credit asset since the fourth quarter of 2001, Banco Múltiplo has adopted the complementary reduction of tax credits – when the charges related to the provisions for Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), including those related to deferred taxes, are lower than the amount calculated by the application of the sum of the rates in effect (currently 34%) on corporate net income before taxation in the year – until this percentage is reached.

4 Short-term Interbank Investments

	Current and long term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Short-term interbank Investments	22,470,163	15,811,690	17,764,121	12,614,332
Repurchase agreements	10,190,151	6,995,883	10,124,855	6,920,613
Sales pending settlement – own operations	3,598	5,044,979	3,598	5,044,979
Sales pending settlement – financed operations	10,186,553	1,950,904	10,121,257	1,875,634
Investments in interbank deposits	12,279,988	8,649,960	7,639,242	5,527,872
Investments in foreign currency	24	165,847	24	165,847

5 Marketable Securities and Derivative Financial Instruments

With the implementation of new evaluation and accounting criteria determined by BACEN Circular Letters 3068/2001 and 3082/2002, marketable securities started to be classified in three categories: trading securities, securities available for sale and securities held to maturity, and derivative financial instruments in derivative instruments for trading and derivative instruments for hedge purposes. Adjusted to market value, trading securities adjustments are recorded in results for the period and securities available for sale are recorded in a separate stockholders' equity account. Securities held to maturity are valued at cost of acquisition plus income accrued in the period.

Derivative financial instruments for trading, used at the request of clients or for own account, do not follow the hedging criteria and are recorded at market value, their effects being recorded directly in results. Derivatives for hedging purposes are used to protect exposures to risk or to modify the characteristics of financial assets and liabilities. They

are directly related to the main operation and are also adjusted to market value with a contra-entry to results when a market risk hedge and recorded in a separate stockholders' equity account when a cash flow hedge.

The parameter for market value calculation of marketable securities and derivative financial instruments is as follows:

a) the average price of the negotiation representative on the day of the calculation and the daily adjustment value of future market operations divulged by ANDIMA, BM&F, BOVESPA and the Brazilian Central Bank;

b) the net probable fair value of realization obtained with the use of future interest rate curves, foreign exchange rates, price indices and currencies, all in accordance with prices practiced in the market.

(a) Marketable Securities

The cost plus accrued income and the market value of marketable securities at December 31, 2002 are as follows:

	BB-Domestic and Foreign Branches									
	December 31, 2002									
Maturity in days	**With no maturity**		**0-30**		**31-180**		**181-360**		**over 360**	
	Cost	**Market value**	**Cost**	**Market Value**	**Cost**	**Market value**	**Cost**	**Market value**	**Cost**	**Market value**
Marketable securities	134,381	14,836	825,713	825,694	3,452,671	3,444,363	10,314,538	10,198,547	56,466,984	52,032,38
I – Trading securities	3,089	3,281	409,784	409,653	3,091,083	3,091,502	—	—	—	—
a) Own portfolio	3,089	3,281	264,454	264,323	314,222	314,294	—	—	—	—
Fixed income securities	—	—	264,454	264,323	314,222	314,294	—	—	—	—
Domestic	—	—	264,454	264,323	314,222	314,294	—	—	—	—
Financial Treasury Bills	—	—	15,424	15,432	159,333	159,549	—	—	—	—
Federal Treasury Bills	—	—	249,030	248,891	154,889	154,745	—	—	—	—
Variable income securities	3,089	3,281	—	—	—	—	—	—	—	—
Domestic	3,089	3,281	—	—	—	—	—	—	—	—
Publicly traded shares	3,089	3,281	—	—	—	—	—	—	—	—
b) Subject to committed operations	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
Fixed income securities	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
Domestic	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
Financial Treasury Bills	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
c) Restricted to Brazilian Central Bank	—	—	—	—	5	5	—	—	—	—
Fixed income securities	—	—	—	—	5	5	—	—	—	—
Domestic	—	—	—	—	5	5	—	—	—	—
Financial Treasury Bills	—	—	—	—	5	5	—	—	—	—
II – Securities available for sale	131,292	11,555	37,279	37,391	219,999	218,952	8,257,862	8,186,429	33,283,510	31,638,48
a) Own portfolio	131,292	11,555	37,279	37,391	189,899	190,381	2,705,366	2,649,830	8,777,895	8,193,925
Fixed income securities	70,977	—	37,279	37,391	189,899	190,381	2,705,366	2,649,830	8,777,895	8,193,925
Domestic	70,977	—	33,570	33,711	187,274	187,761	2,688,803	2,632,702	8,579,478	8,047,028
Financial Treasury Bills	—	—	—	—	—	—	35,146	35,320	452,535	430,308
Central Bank Notes	—	—	30,917	31,060	57,682	60,415	—	—	323,189	263,355
Federal Treasury Notes	—	—	—	—	127,761	125,544	1,123,602	1,055,825	4,699,964	4,245,272
Federal Government Securities –Other	—	—	—	—	—	—	1,520,609	1,532,813	3,031,136	3,039,39
Debentures	70,977	—	—	—	—	—	2,023	1,886	51,068	53,377
Agricultural Debt Securities	—	—	2,653	2,651	1,831	1,802	7,423	6,858	21,586	15,318
Foreign	—	—	3,709	3,680	2,625	2,620	16,563	17,128	198,417	146,897
EUROBONDS	—	—	—	—	298	298	144	144	24,313	19,102
PAR BONDS(*)	—	—	134	134	—	—	—	—	7,259	6,825
DCB BONDS(*)	—	—	164	164	—	—	—	—	21,394	15,543
EI BONDS(*)	—	—	99	99	—	—	—	—	15,799	14,243
NMB BONDS(*)	—	—	43	43	—	—	—	—	6,929	3,153
GLOBAL(*)	—	—	2,951	2,951	702	702	—	—	69,676	54,411
BONDS	—	—	—	—	1,580	1,580	—	—	46,853	29,279
PAR BONDS	—	—	—	—	17	17	—	—	858	532
OTHER	—	—	318	289	28	23	16,419	16,984	5,336	3,809
Investment Fund Quotas	5,834	5,834	—	—	—	—	—	—	—	—
Domestic	5,834	5,834	—	—	—	—	—	—	—	—
Other	5,834	5,834	—	—	—	—	—	—	—	—

BB-Domestic and Foreign Branches

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market value	Cost	Market Value	Cost	Market value	Cost	Market value	Cost	Market value
Variable Income Securities	54,481	5,721	—	—	—	—	—	—	—	—
Domestic	54,481	5,721	—	—	—	—	—	—	—	—
Publicly traded shares	39,704	3,428	—	—	—	—	—	—	—	—
Variable Income Fund Quotas	14,777	2,293	—	—	—	—	—	—	—	—
b) Subject to committed operations	—	—	—	—	30,100	28,571	5,185,546	5,173,375	14,082,244	13,461,07
Fixed income securities	—	—	—	—	30,100	28,571	5,185,546	5,173,375	14,082,244	13,461,07
Domestic	—	—	—	—	—	—	5,108,114	5,100,940	13,913,713	13,310,96
Financial Treasury Bills	—	—	—	—	—	—	5,108,114	5,100,940	13,729,221	13,138,98
Federal Treasury Notes	—	—	—	—	—	—	—	—	184,492	171,976
Foreign	—	—	—	—	30,100	28,571	77,432	72,435	168,531	150,112
EUROBONDS	—	—	—	—	7,158	6,879	—	—	—	—
GLOBAL(*)	—	—	—	—	22,144	20,894	38,433	33,436	153,646	143,798
BONDS	—	—	—	—	798	798	38,999	38,999	14,885	6,314
c) Restricted to Brazilian Central Bank	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Fixed income securities	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Domestic	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Financial Treasury Bills	—	—	—	—	—	—	18	18	9,854,895	9,407,915
Federal Treasury Notes	—	—	—	—	—	—	—	—	193,942	207,313
d) Linked to Guarantees	—	—	—	—	—	—	366,932	363,206	374,534	368,620
Fixed income securities	—	—	—	—	—	—	366,932	363,206	374,534	368,620
Domestic	—	—	—	—	—	—	366,932	363,206	374,534	368,620
Financial Treasury Bills	—	—	—	—	—	—	366,932	363,206	374,534	368,620
III – Securities held to maturity	—	—	378,650	378,650	141,589	133,909	2,056,676	2,012,118	23,183,474	20,393,89
a) Own portfolio	—	—	354,143	354,143	141,431	133,751	411,104	377,000	6,373,108	5,096,730
Fixed income securities	—	—	354,143	354,143	141,431	133,751	411,104	377,000	6,373,108	5,096,730
Domestic	—	—	—	—	—	—	408,578	374,474	5,520,730	4,244,352
Debentures	—	—	—	—	—	—	—	—	45,229	23,403
Financial Treasury Bills	—	—	—	—	—	—	—	—	413,090	349,536
Federal Treasury Notes	—	—	—	—	—	—	—	—	2,589,780	1,638,99
Federal Government Securities - Other	—	—	—	—	—	—	408,578	374,474	2,472,631	2,232,42
Foreign	—	—	354,143	354,143	141,431	133,751	2,526	2,526	852,378	852,378
EUROBONDS	—	—	7,462	7,462	82,132	74,468	—	—	—	—
BONDS	—	—	5,457	5,457	7,069	7,053	1,433	1,433	3,617	3,617
GLOBAL(*)	—	—	33,863	33,863	—	—	—	—	847,594	847,594
CERTIFICATES OF DEPOSIT	—	—	299,058	299,058	19,086	19,086	—	—	—	—
OTHER	—	—	8,303	8,303	33,144	33,144	1,093	1,093	1,167	1,167
b) Subject to committed operations	—	—	24,507	24,507	158	158	1,645,572	1,635,118	16,782,677	15,271,71
Fixed income securities	—	—	24,507	24,507	158	158	1,645,572	1,635,118	16,782,677	15,271,71
Domestic	—	—	—	—	—	—	1,645,572	1,635,118	16,280,708	14,769,74
Financial Treasury Bills	—	—	—	—	—	—	1,645,572	1,635,118	14,835,348	13,328,80
Federal Treasury Notes	—	—	—	—	—	—	—	—	1,445,360	1,440,943
Foreign	—	—	24,507	24,507	158	158	—	—	501,969	501,969

BB-Domestic and Foreign Branches

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market value	Cost	Market Value	Cost	Market value	Cost	Market value	Cost	Market value
GLOBAL(*)	—	—	24,507	24,507	158	158	—	—	501,969	501,969
c) Restricted to Brazilian Central Bank	—	—	—	—	—	—	—	—	27,689	25,449
Fixed income securities	—	—	—	—	—	—	—	—	27,689	25,449
Domestic	—	—	—	—	—	—	—	—	27,689	25,449
Financial Treasury Bills	—	—	—	—	—	—	—	—	27,689	25,449
Total by Portfolio										
a) Own Portfolio	134,381	14,836	655,876	655,857	645,552	638,426	3,116,470	3,026,830	15,151,003	13,290,65
b) Subject to Committed Operations	—	—	169,837	169,837	2,807,114	2,805,932	6,831,118	6,808,493	30,864,921	28,732,78
c) Restricted to Central Bank	—	—	—	—	5	5	18	18	10,076,526	9,640,677
d) Linked to Guarantees	—	—	—	—	—	—	366,932	363,206	374,534	368,260
Total by category										
I- Trading securities	3,089	3,281	409,784	409,653	3,091,083	3,091,502	—	—	—	—
II- Securities available for sale	131,292	11,555	37,279	37,391	219,999	218,952	8,257,862	8,186,429	33,283,510	31,638,48
III – Securities held to maturity	—	—	378,650	378,650	141,589	133,909	2,056,676	2,012,118	23,183,474	20,393,89

Maturity in years	With no maturity		Falling due in up to one year		Falling due between 1 and 5 years		Falling due between 5 and 10 years		Fallin
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost
Marketable securities	134,381	14,836	14,592,922	14,468,604	44,294,059	41,149,805	9,771,521	8,933,213	2,401,4
I- Trading securities	3,089	3,281	3,500,867	3,501,155	—	—	—	—	
II- Securities available for sale	131,292	11,555	8,515,140	8,442,772	31,519,276	29,983,738	1,578,114	1,495,125	186,1
III – Securities held to maturity	—	—	2,576,915	2,524,677	12,774,783	11,166,067	8,193,407	7,438,088	2,215,2

*Foreign debt

BB-Consolidated

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
Marketable Securities	813,043	650,494	856,023	855,997	3,641,042	3,633,813	10,422,728	10,308,211	56,887,980	52,360,598
I – Trading securities	3,089	3,281	411,730	411,599	3,121,251	3,121,670	48,073	48,073	—	—
a) Own Portfolio	3,089	3,281	265,717	265,586	344,390	344,462	32,635	32,635	—	—
Fixed Income Securities	—	—	265,717	265,586	344,390	344,462	32,635	32,635	—	—
Domestic	—	—	264,454	264,323	314,222	314,294	—	—	—	—
Financial Treasury Bills	—	—	15,424	15,432	159,333	159,549	—	—	—	—
Federal Treasury Bills	—	—	249,030	248,891	154,889	154,745	—	—	—	—
Foreign	—	—	1,263	1,263	30,168	30,168	32,635	32,635	—	—
EUROBONDS	—	—	432	432	16,423	16,423	21,215	21,215	—	—
DCB BONDS(*)	—	—	2	2	—	—	192	192	—	—
EI BONDS(*)	—	—	5	5	—	—	657	657	—	—
C BONDS(*)	—	—	38	38	—	—	1,490	1,490	—	—
NMB BONDS(*)	—	—	1	1	—	—	71	71	—	—
DISC BONDS(*)	—	—	—	—	—	—	47	47	—	—
GLOBAL(*)	—	—	658	658	10,223	10,223	4,968	4,968	—	—
OTHER	—	—	127	127	3,522	3,522	3,995	3,995	—	—
Variable Income Securities	3,089	3,281	—	—	—	—	—	—	—	—
Domestic	3,089	3,281	—	—	—	—	—	—	—	—
Publicly traded shares	3,089	3,281	—	—	—	—	—	—	—	—
b) Subject to committed operations	—	—	146,013	146,013	2,776,856	2,777,203	15,438	15,438	—	—
Fixed income securities	—	—	146,013	146,013	2,776,856	2,777,203	15,438	15,438	—	—
Domestic	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
Financial Treasury Bills	—	—	145,330	145,330	2,776,856	2,777,203	—	—	—	—
Foreign	—	—	683	683	—	—	15,438	15,438	—	—
EUROBONDS	—	—	683	683	—	—	15,438	15,438	—	—
c) Restricted to Brazilian Central Bank	—	—	—	—	5	5	—	—	—	—
Fixed income securities	—	—	—	—	5	5	—	—	—	—
Domestic	—	—	—	—	5	5	—	—	—	—
Financial Treasury Bills	—	—	—	—	5	5	—	—	—	—

BB-Consolidated

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
II – Securities available for sale	809,954	647,213	65,638	65,743	378,189	378,221	8,317,979	8,248,020	33,702,086	31,964,276
a) Own portfolio	808,247	643,713	65,638	65,743	348,089	349,650	2,765,483	2,711,421	9,085,591	8,445,202
Fixed Income Securities	70,977	—	46,125	46,224	201,073	201,559	2,713,137	2,657,601	9,039,659	8,406,403
Domestic	70,977	—	42,416	42,544	189,906	190,398	2,688,803	2,632,702	8,709,103	8,172,615
Financial Treasury Bills	—	—	—	—	—	—	35,146	35,320	452,535	430,308
Central Bank Notes	—	—	30,917	31,060	57,682	60,415	—	—	323,189	263,355
Federal Treasury Notes	—	—	—	—	127,761	125,544	1,123,602	1,055,825	4,699,963	4,245,271
Federal Public Securities	—	—	—	—	—	—	—	—	13,268	12,423
Federal Public Securities - Other	—	—	—	—	—	—	1,520,609	1,532,813	3,031,136	3,039,398
Debentures	70,977	—	—	—	—	—	2,023	1,886	167,426	166,542
Promissory Notes	—	—	8,846	8,833	2,632	2,637	—	—	—	—
Agricultural Debt Securities	—	—	2,653	2,651	1,831	1,802	7,423	6,858	21,586	15,318
Foreign	—	—	3,709	3,680	11,167	11,161	24,334	24,899	330,556	233,788
EUROBONDS	—	—	—	—	298	298	144	144	24,313	19,102
PAR BONDS (*)	—	—	134	134	—	—	—	—	7,259	6,825
DCB BONDS (*)	—	—	164	164	—	—	—	—	21,394	15,543
EI BONDS (*)	—	—	99	99	—	—	—	—	15,799	14,243
NMB BONDS (*)	—	—	43	43	—	—	—	—	6,929	3,153
GLOBAL(*)	—	—	2,951	2,951	702	702	—	—	135,111	96,324
BONDS	—	—	—	—	1,580	1,580	—	—	46,853	29,279
PAR BONDS	—	—	—	—	17	17	—	—	858	532
OTHER	—	—	318	289	8,570	8,564	24,190	24,755	72,040	48,787
Investment Fund Quotas	15,630	6,854	—	—	—	—	—	—	38,068	38,068
Domestic	15,630	6,854	—	—	—	—	—	—	—	—
Fixed Income Mutual Funds Quotas	1,020	1,020	—	—	—	—	—	—	—	—
Social Development Funds Quotas	8,776	—	—	—	—	—	—	—	—	—
Other	5,834	5,834	—	—	—	—	—	—	—	—
Foreign	—	—	—	—	—	—	—	—	38,068	38,068
Fixed Income Mutual Funds Quotas	—	—	—	—	—	—	—	—	36,569	36,569
Variable Income Funds Quotas	—	—	—	—	—	—	—	—	1,499	1,499
Variable Income Securities	720,832	636,859	—	—	—	—	—	—	7,849	716
Domestic	720,832	636,859	—	—	—	—	—	—	—	—
Publicly traded shares	507,198	486,469	—	—	—	—	—	—	—	—
Variable Income Funds Quotas	213,634	150,390	—	—	—	—	—	—	—	—
Foreign	—	—	—	—	—	—	—	—	7,849	716
Publicly traded shares	—	—	—	—	—	—	—	—	7,849	716
Commodities	—	—	19,513	19,519	147,016	148,091	52,346	53,820	15	15

BB-Consolidated

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
Domestic	—	—	19,513	19,519	147,016	148,091	52,346	53,820	15	15
Rural Bonds	—	—	19,513	19,519	147,016	148,091	52,346	53,820	15	15
Special Regime Partnership - TVM	808	—	—	—	—	—	—	—	—	—
Domestic	808	—	—	—	—	—	—	—	—	—
b) Subject to committed operations	—	—	—	—	30,100	28,571	5,185,546	5,173,375	14,193,124	13,535,586
Fixed Income Securities	—	—	—	—	30,100	28,571	5,185,546	5,173,375	14,193,124	13,535,586
Domestic	—	—	—	—	—	—	5,108,114	5,100,940	13,929,172	13,324,354
Financial Treasury Bills	—	—	—	—	—	—	5,108,114	5,100,940	13,729,221	13,138,985
Federal Treasury Notes	—	—	—	—	—	—	—	—	184,492	171,976
Debentures	—	—	—	—	—	—	—	—	15,459	13,393
Foreign	—	—	—	—	30,100	28,571	77,432	72,435	263,952	211,232
EUROBONDS	—	—	—	—	7,158	6,879	—	—	—	—
GLOBAL (*)	—	—	—	—	22,144	20,894	38,433	33,436	249,067	204,918
BONDS	—	—	—	—	798	798	38,999	38,999	14,885	6,314
c) Restricted to Central Bank	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Fixed Income Securities	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Domestic	—	—	—	—	—	—	18	18	10,048,837	9,615,228
Financial Treasury Bills	—	—	—	—	—	—	18	18	9,854,895	9,407,915
Federal Treasury Notes	—	—	—	—	—	—	—	—	193,942	207,313
d) Linked to Guarantees	1,707	3,500	—	—	—	—	366,932	363,206	374,534	368,260
Fixed Income Securities	—	—	—	—	—	—	366,932	363,206	374,534	368,260
Domestic	—	—	—	—	—	—	366,932	363,206	374,534	368,260
Financial Treasury Bills	—	—	—	—	—	—	366,932	363,206	374,534	368,260
Variable Income Securities	1,707	3,500	—	—	—	—	—	—	—	—
Domestic	1,707	3,500	—	—	—	—	—	—	—	—
Publicly traded shares	1,707	3,500	—	—	—	—	—	—	—	—
III – Securities held to maturity	—	—	378,655	378,655	141,602	133,922	2,056,676	2,012,118	23,185,894	20,396,322
a) Own portfolio	—	—	354,148	354,148	141,444	133,764	411,104	377,000	6,375,528	5,099,157
Fixed Income Securities	—	—	354,148	354,148	141,444	133,764	411,104	377,000	6,375,528	5,099,157
Domestic	—	—	—	—	—	—	408,578	374,474	5,520,730	4,244,352
Debentures	—	—	—	—	—	—	—	—	45,229	23,403
Federal Treasury Bills	—	—	—	—	—	—	—	—	413,090	349,536
Federal Treasury Notes	—	—	—	—	—	—	—	—	2,589,780	1,638,992
Federal Treasury	—	—	—	—	—	—	408,578	374,474	2,472,631	2,232,421

BB-Consolidated

December 31, 2002

Maturity in days	With no maturity		0-30		31-180		181-360		over 360	
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
Securities – Other										
Foreign	—	—	354,148	354,148	141,444	133,764	2,526	2,526	854,798	854,805
EUROBONDS	—	—	7,462	7,462	82,132	74,468	—	—	—	—
BONDS	—	—	5,457	5,457	7,069	7,053	1,433	1,433	3,617	3,617
GLOBAL(*)	—	—	33,863	33,863	—	—	—	—	849,813	849,813
CERTIFICATES OF DEPOSITS	—	—	299,058	299,058	19,086	19,086	—	—	—	—
OTHER	—	—	8,308	8,308	33,157	33,157	1,093	1,093	1,368	1,375
b) Subject to Committed Operations	—	—	24,507	24,507	158	158	1,645,572	1,635,118	16,782,677	15,271,716
Fixed Income Securities	—	—	24,507	24,507	158	158	1,645,572	1,635,118	16,782,677	15,271,716
Domestic	—	—	—	—	—	—	1,645,572	1,635,118	16,280,708	14,769,747
Financial Treasury Bills	—	—	—	—	—	—	1,645,572	1,635,118	14,835,348	13,328,804
Federal Treasury Notes	—	—	—	—	—	—	—	—	1,445,360	1,440,943
Foreign	—	—	24,507	24,507	158	158	—	—	501,969	501,969
GLOBAL(*)	—	—	24,507	24,507	158	158	—	—	501,969	501,969
c) Restricted to Brazilian Central Bank	—	—	—	—	—	—	—	—	27,689	25,449
Fixed income securities	—	—	—	—	—	—	—	—	27,689	25,449
Domestic	—	—	—	—	—	—	—	—	27,689	25,449
Financial Treasury Bills	—	—	—	—	—	—	—	—	27,689	25,449
Total by portfolio										
a) Own portfolio	811,336	646,994	685,503	685,477	833,923	827,876	3,209,222	3,121,056	15,461,119	13,544,359
b) Subject to Committed Operations	—	—	170,520	170,520	2,807,114	2,805,932	6,846,556	6,823,931	30,975,801	28,807,302
c) Restricted to Central Bank	—	—	—	—	5	5	18	18	10,076,526	9,640,677
d) Linked to Guarantees	1,707	3,500	—	—	—	—	366,932	363,206	374,534	368,260
Total by category										
I- Trading securities	3,089	3,281	411,730	411,599	3,121,251	3,121,670	48,073	48,073	—	—
II- Securities available for sale	809,954	647,213	65,638	65,743	378,189	378,221	8,317,979	8,248,020	33,702,086	31,964,276
III – Securities held to maturity	—	—	378,655	378,655	141,602	133,922	2,056,676	2,012,118	23,185,894	20,396,322

Maturity in years	With no maturity		Falling due in up to one year		Falling due between 1 and 5 years		Falling due between 5 and 10 years		Falling due af years	
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	
Marketable securities	813,043	650,494	14,919,793	14,798,021	44,554,087	41,374,877	9,771,634	8,933,325	2,562,259	2
I-Trading securities	3,089	3,281	3,581,054	3,581,342	—	—	—	—	—	
II -Securities available for sale	809,954	647,213	8,761,806	8,691,984	31,776,997	30,206,495	1,578,114	1,495,125	346,975	
III – Securities held to maturity	—	—	2,576,933	2,524,695	12,777,090	11,168,382	8,193,520	7,438,200	2,215,284	1

The portfolio book balance at December 31, 2002 after application of the mark-to-market method is as follows:

Total by category	70,650,923	100%
I - Trading securities	3,584,623	5%
II - Securities available for sale	41,303,473	58%
III – Securities held to maturity	25,762,827	37%

* Foreign debt

In the second half of 2002, the following securities were transferred at their market value from Category II – Securities available f securities, with no other transfers made in the period:

Security	Number	Book value	Market value
LFT	1,843,589	3,058,810	3,059,297
LFT-B	12,672	13,235	13,301
Total	1,856,261	3,072,045	3,072,598

a) Derivative Financial Instruments

The Bank uses Derivative Financial Instruments (IFD) to manage, in a consolidated manner, its positions and to meet clients' needs, classifying own positions into Hedging (market risk and cash flow) and Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated in the institution.

The models used to manage risks with derivatives are reviewed periodically and decisions made follow the best risk/return relation, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading of new derivatives, standardized or not, is subject to a previous risk analysis which is submitted for evaluation by the proper areas.

The strategy of hedge of the equity positions is in line with the macroeconomic analyses and is approved by management.

Risk evaluation of subsidiaries is individual and its management is consolidated.

Statistical methods and simulation are used to measure the risks of its positions, including derivatives, using models of risk value, sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments, resulting from the Bank's and its subsidiaries' business are credit, market and operating risks, all similar to those related to other types of financial instruments.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotation of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Credit risk is the exposure to losses in case of default of a counterparty to the transaction. The exposure in futures contracts is minimized due to daily settlement in cash. Swap contracts registered at CETIP are subject to credit risk if the counterparty is unable or unwilling to comply with its contractual liabilities. Total credit exposure in swaps at December 31, 2002 is R$ 716,616. The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Operating risk is the probability of financial losses resulting from failures or inappropriateness of persons, processes and systems, or factors such as catastrophes or criminal activities.

The tables below show the referential value restated at market value and the respective net exposures in the balance sheet at December 31, 2002 for the derivative financial instruments classified in conformity with their denomination as hedging or trading instruments.

1) Trading Derivatives

Assets/Index	Counter party(*)	BB- Domestic and Foreign Branches 12.31.2002 Notional amount	Cost	Market value	BB-Consolidated 12.31.2002 Notional amount	Cost	Market value
Exchange Trading							
Futures contracts							
Purchase commitment		**1,483,786**	**(240,603)**	**(240,603)**	**1,483,786**	**(240,603)**	**(240,603)**
DI	E	876,367	7,263	7,263	876,367	7,263	7,263
U.S. Dollar	E	15,900	82,115	82,115	15,900	82,115	82,115
Index	E	-	(171)	(171)	-	(171)	(171)
Foreign exchange coupon	E	591,519	(329,791)	(329,791)	591,519	(329,791)	(329,791)
Commodities	E	-	(19)	(19)	-	(19)	(19)
Sales commitment		**1,063,812**	**(97,696)**	**(97,696)**	**1,063,812**	**(97,696)**	**(97,696)**
DI	E	254,521	(5,770)	(5,770)	254,521	(5,770)	(5,770)
U.S. Dollar	E	367,267	(120,484)	(120,484)	367,267	(120,484)	(120,484)
Index	E	-	37	37	-	37	37
Foreign exchange coupon	E	215,228	32,419	32,419	215,228	32,419	32,419
Commodities	E	-	(9)	(9)	-	(9)	(9)
SCC	E	226,796	(3,889)	(3,889)	226,796	(3,889)	(3,889)
Options market							

Assets/Index	Counter party(*)	BB- Domestic and Foreign Branches 12.31.2002			BB-Consolidated 12.31.2002		
		Notional amount	Cost	Market value	Notional amount	Cost	Market value
Purchase options		**6,380**	**304**	**213**	**105,631**	**3,333**	**3,242**
Shares	E	6,380	304	213	6,380	304	213
Financial assets and goods	C	-	-	-	99,251	3,029	3,029
Sales options		**9,179**	**(768)**	**(880)**	**108,430**	**(3,824)**	**(3,936)**
Shares	E	9,179	(768)	(880)	9,179	(768)	(880)
Financial assets and goods	FI	-	-	-	99,251	(3,056)	(3,056)
Over-the-counter trading							
Swap contracts							
Asset position		**4,088,564**	**333,626**	**297,966**	**3,582,059**	**333,476**	**288,125**
CDI rate	C	325,977	(11,796)	9,685	328,606	(11,796)	9,695
	FI	79,570	2,060	13,135	59,980	(192)	3,760
Foreign currency	FI	2,740,887	332,836	263,829	2,265,445	334,942	263,827
	C	14,985	204	620	883	200	153
Prefixed	C	66,705	2,014	2,479	66,705	2,014	2,472
Referential Rate (TR)	C	55,469	439	349	55,469	439	349
Other		804,971	7,869	7,869	804,971	7,869	7,869
Liability position		**10,542,983**	**(614,998)**	**(572,343)**	**10,411,928**	**(628,755)**	**(585,715)**
CDI Rate	C	3,760,005	(114,205)	(118,525)	3,760,005	(114,205)	(118,532)
	FI	196,141	(2,619)	(3,795)	74,141	(1,953)	(1,243)
Foreign currency	FI	1,520,680	(170,405)	(128,658)	1,503,136	(184,810)	(144,571)
	C	728,937	(191,452)	(183,018)	728,937	(191,452)	(183,019)
Prefixed	C	-	-	-	8,489	(18)	(3)
SELIC rate	C	2,674,539	(89,220)	(89,220)	2,674,539	(89,220)	(89,220)
Referential Rate (TR)	C	928,954	(43,532)	(45,562)	928,954	(43,532)	(45,562)
Other		733,727	(3,565)	(3,565)	733,727	(3,565)	(3,565)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

Maturity	BB - Domestic and Foreign Branches 12.31.2002 Notional amount	Cost	Market value	BB-Consolidated 12.31.2002 Notional amount	Cost	Market Value
Futures contracts						
Purchase	**1,483,786**	**-**	**-**	**1,483,786**	**-**	**-**
Up to 30 days	607,891	**-**	**-**	607,891	**-**	**-**
31 to 60 days.....	689,441	**-**	**-**	689,441	**-**	**-**
181 to 360 days.....	30,529	**-**	**-**	30,529	**-**	**-**
1 to 5 years	155,925	**-**	**-**	155,925	**-**	**-**
Sales commitment	**1,063,812**	**-**	**-**	**1,063,812**	**-**	**-**
Up to 30 days	44,517	-	-	44,517		
31 to 60 days.....	453,132	-	-	453,132	-	-
91 to 180 days.....	490,161	-	-	490,161	-	-
181 to 360 days.....	14,197	-	-	14,197	-	-
1 to 5 years	61,805	-	-	61,805	-	-

Maturity	BB- Domestic and Foreign Branches 12.31.2002 Notional amount	Cost	Market value	BB-Consolidated 12.31.2002 Notional amount	Cost	Market Value
Options market						
Purchase options						
Shares	**6,380**	**304**	**213**	**105,631**	**3,333**	**3,242**
Up to 30 days	5,800	264	185	5,800	264	185
31 to 60 days	580	40	28	29,806	650	638
91 to 180 days	-	-	-	58,364	2,238	2,238
181 to 360 days	-	-	-	5,506	72	72
1 to 5 years	-	-	-	6,155	109	109
Sales options						
Shares	**9,179**	**(768)**	**(880)**	**108,430**	**(3,824)**	**(3,936)**
Up to 30 days	8,599	(736)	(861)	8,599	(736)	(861)
31 to 60 days	580	(32)	(19)	29,806	(669)	(656)
91 to 180 days	-	-	-	58,364	(2,238)	(2,238)
181 to 360 days	-	-	-	5,506	(72)	(72)
1 to 5 years	-	-	-	6,155	(109)	(109)
Swap Contracts						
Asset	**4,088,564**	**333,626**	**297,966**	**3,582,059**	**333,476**	**288,125**
Up to 30 days	699,826	44,209	44,022	576,808	42,409	42,161
31 to 60 days	654,214	34,124	35,360	374,500	33,172	33,779
61 to 90 days	879,073	65,179	63,910	878,986	65,175	63,905
91 to 180 days	750,430	47,513	52,178	738,739	56,502	60,712
181 to 360 days	633,317	58,781	44,546	633,317	58,781	44,545
1 to 5 years	471,704	83,820	57,950	379,709	77,437	43,023
Liability						
Maturity	**10,542,983**	**(614,998)**	**(572,343)**	**10,411,928**	**(628,755)**	**(585,715)**
Up to 30 days	964,726	(136,545)	(139,365)	973,160	(141,062)	(143,867)
31 to 60 days	536,841	(47,686)	(45,085)	536,841	(47,686)	(45,085)
61 to 90 days	974,522	(67,466)	(67,098)	852,522	(69,869)	(67,614)
91 to 180 days	1,426,567	(131,628)	(118,383)	1,426,567	(138,335)	(125,090)
181 to 360 days	4,819,799	(144,032)	(138,037)	4,813,848	(148,979)	(143,459)
1 to 5 years	1,820,530	(87,641)	(64,375)	1,808,990	(82,824)	(60,600)

2) Hedge Derivatives

By Index	Counter party(*)	BB- Domestic and Foreign Branches 12.31.2002 Notional amount	Cost	Market value	BB-Consolidated 12.31.2002 Notional amount	Cost	Market Value
Exchange Trading							
Futures contracts							
Purchase commitments.....		**853,563**	**13,052**	**13,052**	**853,563**	**13,052**	**13,052**
Foreign exchange coupon....	E	853,563	13,052	13,052	853,563	13,052	13,052
Sales commitments		**34,978**	**233**	**233**	**34,978**	**233**	**233**
Foreign exchange coupon....	E	34,978	233	233	34,978	233	233
Over-the-counter trading							
Swap contracts							
Asset position		**30,901**	**384**	**467**	**30,901**	**384**	**467**
CDI rate.....	C	12,821	78	274	12,821	78	274
	FI	18,080	306	193	18,080	306	193
Liability position.....		**885,244**	**(269,672)**	**(152,825)**	**885,244**	**(269,672)**	**(152,825)**
CDI Rate	C	1,000	(455)	(409)	1,000	(455)	(409)
Foreign currency	FI	804,291	(219,834)	(133,465)	804,291	(219,834)	(133,465)
	C	79,953	(49,383)	(18,951)	79,953	(49,383)	(18,951)

(*) Counterparty: (E) Exchange, (FI) Financial Institution, (C) Client.

Maturity	Counte party(*)	BB- Domestic and Foreign 12.31.2002 Notional amount	Cost	Market value	BB-Consolidated 12.31.2002 Notional amount	Cost	Market Value
Futures contracts							
Purchase commitments.....		**853,563**	**-**	**-**	**853,563**	**-**	**-**
181 to 360 days.....		174,785	-	-	174,785	-	-
1 to 5 years		678,778	-	-	678,778	-	-
Sales commitments		**34,978**	**-**	**-**	**34,978**	**-**	**-**
181 to 360 days.....		34,978	-	-	34,978	-	-
Swap Contracts							
Asset		**30,900**	**384**	**467**	**30,900**	**384**	**467**
Up to 30 days		1,962	31	11	1,962	31	11
61 to 90 days.....		18,080	306	193	18,080	306	193
181 to 360 days.....		10,858	47	263	10,858	47	263
Liability		**885,243**	**(269,672**	**(152,823)**	**885,243**	**(269,672)**	**(152,824**
91 to 180 days.....		93,522	(22,902)	(21,369)	93,522	(22,902)	(21,369)
181 to 360 days.....		601,477	(168,289	(111,762)	601,477	(168,289)	(111,762
1 to 5 years		190,244	(78,481)	(19,692)	190,244	(78,481)	(19,692)

Gains with derivative financial instruments during the year amounted to R$ 210,136 (BB-Consolidated), recorded directly in results of operations, due to mark-to-market.

The margin given as guarantee for operations with derivative financial instruments is comprised of Financial Treasury Bills (LFT) amounting to R$ 741,467 at December 31, 2002.

Derivative financial instruments are classified in accordance with the Bank's intention to use them or not as instruments intended to minimize the risks inherent to commercial and/or financial operations, in conformity with Circular Letter 3082/02.

The Bank operates in these markets to attend the needs of its clients and to execute its risk management policy. The

derivatives negotiated by the Bank are classified in the balance sheet as follows:
• Negotiation: derivatives realized at clients' request or to assume proprietary positions;
• Market Risk Hedge: derivatives realized to offset the effects of variations in market value of securities indexed to foreign exchange variations
The portfolio of market risk hedge formed in September 2002 presented the following composition in the December 31, 2002 balance sheet:
I – Item object of Hedge:

	Market value
Asset	
Foreign exchange securities	2,026,304
NTN	1,770,044
NBC-E	256,260

II– Derivatives for Market Risk Hedge:

	Market value
Liability	
Financial derivative instruments	1,734,729
DDI Contracts	818,585
Swap contracts	916,144

The effectiveness calculated for the hedge portfolio at December 31, 2002 was 91.16%. This percentage complies with that established by BACEN Circular Letter 3082, the proof of hedge effectiveness corresponding to 80% to 125%.
c)Adjustments arising from the implementation of BACEN Circular Letters 3068 and 3082:
Due to the implementation of the new rules established by these Circular Letters and later regulations, adjustments arising from the application of new criteria for classifying marketable securities and derivative financial instruments were recorded. Accordingly, R$ 90,142 was charged directly to results for the year, R$ 246,716 was credited to Retained Earnings and R$ 1,110,815 was debited to the account Adjustment to Market Value of Marketable Securities and Derivatives, representing a net decrease in Stockholders' Equity of R$ 954,241, as follows:

	Retained earnings	Results
Trading securities	**(5)**	**(2,872)**
Multiple Bank	(5)	1,350
Subsidiary and Associated Companies	—	(4,222)
Securities available for sale	**366,221**	**(231,032)**
Multiple Bank	254,095	(242,720)
Subsidiary and Associated Companies	112,126	11,688
Derivatives	**(100,687)**	**210,136**
Multiple Bank	(83,299)	207,244
Subsidiary and Associated Companies	(17,388)	2,892
Tax effects	**(18,813)**	**(66,374)**
Total	**246,716**	**(90,142)**

In the equity account Adjustment of Marketable Securities and Derivatives to Market Value:

	December/2001 Adjustment to Market Value			Changes in the year		December/2002
Securities available for sale	**Positive (A)**	**Negative (B)**	**Balance (C=A+B)**	**Positive (D)**	**Negative (E)**	**Balance (F=C+D+E)**
Multiple Bank	134,093	(388,188)	(254,095)	51,591	(1,200,017)	(1,402,521)
Subsidiary and Associated Companies	-	(112,126)	(112,126)	48,518	(121,522)	(185,140)
Tax effects	(48,822)	34,235	(14,587)	510,345	(18,912)	476,846
Total	**85,271**	**(466,086)**	**(380,815)**	**610,451**	**(1,340,451)**	**(1,110,815)**
Net effect (D+E) for the year				**(730,007)**		

6 Lending Operations

a)Details of the lending portfolio and lending operations classified as Other receivables:

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Lending operations	50,123,845	38,432,303	51,407,316	40,225,337
Loans and bills discounted	26,231,287	21,134,729	27,871,339	22,920,327
Financings	9,737,699	7,387,476	9,727,312	7,484,230
Rural and Agribusiness financings	17,011,129	12,005,651	17,011,129	12,005,651
Financing of marketable securities	9,891	5,638	—	—
(Allowance for loan losses)	(2,866,161)	(2,101,191)	(3,202,464)	(2,184,871)
Other Receivables with Lending Characteristics	7,371,386	6,464,642	7,704,141	6,545,977
Receivables on guarantees honored	38,056	27,874	38,056	27,874
Advances on foreign exchange	6,312,792	4,670,151	6,312,792	4,670,151
Sundry	1,495,230	2,207,152	1,861,699	2,301,184
(Allowance for other receivables)	(474,692)	(440,535)	(508,406)	(453,232)
Leasing operations	—	—	62,261	442,542
Leasing operations	—	—	77,192	459,401
(Allowance for leasing losses)	—	—	(14,931)	(16,859)
Interbank onlendings	—	11,353	—	11,353
Total	57,495,231	44,908,298	59,173,718	47,225,209

b) Composition of the portfolio by sector and maturity, including operations with lending characteristics classified in Other R

BB-Domestic and Foreign Branches

Operations falling due

Maturity in days	0-15	16-30	31-60	61-90	91-180	181-360	OVER 360
PUBLIC SECTOR	136,724	167	502	8,936	265,053	103,973	4,713,428
Domestic	24,198	167	502	4,622	12,160	14,893	293,281
Government	22,985	167	502	623	12,150	12,953	177,030
Direct Administration	2,881	—	—	57	—	12,953	173,070
Indirect Administration	20,104	167	502	566	12,150	—	3,960
Business	1,213	—	—	3,999	10	1,940	116,251
Industry	—	—	—	3,818	10	20	—
Commerce	—	—	—	—	—	200	17
Financial Services	—	—	—	—	—	—	63,950
Other Services	1,213	—	—	181	—	1,720	52,284
Foreign	112,526	—	—	4,314	252,893	89,080	4,420,147
Business	112,526	—	—	4,314	252,893	89,080	4,420,147
Industry	—	—	—	—	—	—	—
Other companies	27,037	—	—	—	17,662	—	95,456
Banks	8,100	—	—	4,314	699	—	—
Public Services	77,389	—	—	—	234,532	89,080	4,324,691
PRIVATE SECTOR	3,377,194	2,250,240	3,817,007	3,450,229	6,611,081	12,883,256	19,468,735
Domestic	2,767,562	2,058,206	3,415,110	3,151,944	5,625,135	12,527,111	18,693,695
Rural	257,568	152,484	91,583	196,657	713,690	5,505,605	8,812,589
Industry	966,134	653,298	1,326,577	1,182,554	2,614,582	3,249,072	2,011,685
Commerce	378,925	446,381	663,141	683,582	902,450	1,628,287	549,248
Financial Services	197	—	—	—	—	—	—
Other Services	931,404	338,421	592,279	384,339	942,287	858,564	2,813,817
Individuals	233,334	467,622	741,530	704,812	452,126	1,285,583	4,506,356
Foreign	609,632	192,034	401,897	298,285	985,946	356,145	775,040
BB Group	9,341	—	36,925	—	50,162	—	73,399
Commerce	12,491	1,703	5,229	—	—	2,768	729
Industry	43,984	8,232	3,881	8,258	1,464	82,146	107,869
Other companies	109,291	77,829	114,882	36,244	209,417	46,772	87,291
Banks	84,041	47,302	100,747	130,422	197,995	103,252	299,758
Individuals	276,159	56,968	139,571	123,361	525,561	118,804	205,661
Commerce – Other	73,869	—	662	—	1,347	2,329	—
Transport Services	456	—	—	—	—	74	—
Other Services	—	—	—	—	—	—	333
Total	3,513,918	2,250,407	3,817,509	3,459,165	6,876,134	12,987,229	24,182,163

BB-Domestic and Foreign Branches
Operations over due

Maturity in days	0-15	16-30	31-60	61-90	91-180	181-360	OVER 360	1
PUBLIC SECTOR	34	11	63	6	8	2	—	
Domestic	34	11	63	6	8	2	—	
Government	34	11	58	6	2	2	—	
Direct Administration	34	11	56	3	2	1	—	
Indirect Administration	—	—	2	3	—	1	—	
Business	—	—	5	—	6	—	—	
Industry	—	—	5	—	—	—	—	
Commerce	—	—	—	—	6	—	—	
Other Services	—	—	—	—	—	—	—	
PRIVATE SECTOR	59,388	1,000,539	597,184	305,851	742,371	769,330	274,772	
Domestic	56,024	999,796	592,017	302,869	737,609	765,441	266,388	
Rural	1,799	100,427	81,765	61,103	108,418	42,059	113,067	
Industry	8,906	282,545	204,625	42,655	170,728	72,541	22,377	
Commerce	8,206	78,247	53,979	34,583	83,867	96,422	13,710	
Financial Services	—	—	—	—	—	—	—	
Other Services	19,327	208,056	65,160	43,410	50,887	68,302	61,485	
Individuals	17,786	330,521	186,488	121,118	323,709	486,117	55,749	
Foreign	3,364	743	5,167	2,982	4,762	3,889	8,384	
Commerce	—	—	—	—	112	—	193	
Industry	—	—	—	—	—	630	—	
Other companies	—	4	402	163	291	2,252	8,191	
Banks	—	—	—	—	—	—	—	
Individuals	3,364	736	4,765	2,819	4,359	1,007	—	
Other Services	—	3	—	—	—	—	—	
Total	59,422	1,000,550	597,247	305,857	742,379	769,332	274,772	

	BB-Consolidated Operations falling due						
Maturity in days	**0-15**	**16-30**	**31-60**	**61-90**	**91-180**	**181-360**	**OVER 360**
PUBLIC SECTOR	154,439	54,468	1,070	9,451	326,674	299,770	4,855,419
Domestic	24,198	167	502	4,622	12,160	14,893	293,276
Government	22,985	167	502	623	12,150	12,953	177,030
Direct Administration	2,881	—	—	57	—	12,953	173,070
Indirect Administration	20,104	167	502	566	12,150	—	3,960
Business	1,213	—	—	3,999	10	1,940	116,246
Industry	—	—	—	3,818	10	20	—
Commerce	—	—	—	—	—	200	17
Financial Services	—	—	—	—	—	—	63,950
Other Services	1,213	—	—	181	—	1,720	52,279
Foreign	130,241	54,301	568	4,829	314,514	214,877	4,562,143
Business	130,241	54,301	568	4,829	314,514	214,877	4,562,143
Industry	—	—	—	—	—	—	—
Other companies	5,280	—	—	—	17,662	—	160,024
Banks	8,089	287	568	4,829	699	—	—
Public services	116,872	54,014	—	—	296,153	214,877	4,402,119
PRIVATE SECTOR	3,595,078	2,258,432	3,783,646	3,455,831	6,571,433	13,043,561	20,759,098
Domestic	2,778,521	2,058,413	3,416,152	3,153,254	5,632,508	12,557,370	18,899,201
Rural	257,568	152,484	91,583	196,657	713,690	5,505,605	8,812,589
Industry	968,886	653,319	1,326,784	1,182,755	2,615,670	3,254,713	2,097,702
Commerce	380,559	446,418	663,347	683,821	903,992	1,635,520	593,324
Financial Services	197	—	—	—	—	—	—
Other Services	933,764	338,469	592,454	384,688	943,522	864,325	2,829,312
Individuals	237,547	467,723	741,984	705,333	455,634	1,297,207	4,566,274
Foreign	816,557	200,019	367,494	302,577	938,925	486,191	1,859,897
BB Group	33,819	—	—	—	—	—	—
Commerce	12,495	1,703	5,229	—	—	2,768	1,833
Industry	82,685	8,232	4,931	8,258	1,464	85,922	173,758
Other companies	109,479	77,829	114,882	36,245	209,417	153,991	202,911
Banks	110,507	55,287	100,747	131,357	197,996	104,786	299,754
Individuals	320,415	56,968	139,571	126,717	527,185	131,823	916,185
Commerce - Other	73,869	—	662	—	1,347	2,329	—
Transport Services	72,995	—	—	—	—	75	262,339
Other Services	293	—	1,472	—	1,516	4,497	3,117
Total	3,749, 517	2,312,900	3,784,716	3,465,282	6,898,107	13,273,331	25,614,517

	BB-Consolidated Operations over due						
Maturity in days	**0-15**	**16-30**	**31-60**	**61-90**	**91-180**	**181-360**	**Over 360**
PUBLIC SECTOR	34	11	63	6	8	2	—
Domestic	34	11	63	6	8	2	—
Government	34	11	58	6	2	2	—
Direct Administration	34	11	56	3	2	1	—
Indirect Administration	—	—	2	3	—	1	—
Business	—	—	5	—	6	—	—
Commerce	—	—	5	—	—	—	—
Other Services	—	—	—	—	6	—	—
Foreign	—	—	—	—	—	—	—
Business	—	—	—	—	—	—	—
Public Services	—	—	—	—	—	—	—
PRIVATE SECTOR	62,623	1,005,178	628,023	311,325	745,143	773,807	274,925
Domestic	56,187	1,004,437	597,245	304,810	740,381	769,917	266,541
Rural	1,799	100,427	81,765	61,103	108,418	42,059	113,067
Industry	8,906	282,763	205,092	42,991	171,136	73,346	22,523
Commerce	8,224	78,667	54,501	34,745	84,286	96,822	13,710
Financial Services	—	—	—	—	—	—	—
Other Services	19,365	209,016	66,441	43,663	51,159	69,474	61,485
Individuals	17,893	333,564	189,446	122,308	325,382	488,216	55,756
Foreign	6,436	741	30,778	6,515	4,762	3,890	8,384
Commerce	—	—	—	—	112	—	193
Industry	—	—	23,844	—	—	630	—
Other companies	—	4	403	163	291	2,252	8,191
Banks	—	—	—	—	—	—	—
Individuals	6,436	737	6,531	6,352	4,359	1,008	—
Total	62,657	1,005,189	628,086	311,331	745,151	773,809	274,925

c) Composition of the lending portfolio by risk level, including operations with credit concession characteristics classified in O

BB-Domestic and Foreign Branches
Operations falling due

Risk level	Total Portfolio 12.31.2002	Share %	0-15	16-30	31-60	61-90	91-180	181-360
AA	15,133,297	27%	1,285,169	626,736	938,756	704,642	1,841,010	1,228,570
A	25,830,219	45%	1,399,424	1,363,356	1,681,158	1,593,022	2,324,883	7,628,831
B	10,205,349	18%	359,628	67,525	810,489	712,012	1,956,914	2,985,617
C	3,763,749	6%	218,974	110,507	237,781	330,442	498,606	877,446
D	1,224,709	2%	153,173	76,486	94,819	48,515	144,534	166,841
E	441,096	1%	62,377	3,512	45,026	63,007	61,971	42,962
F	96,921	0%	7,105	608	5,464	3,551	22,716	10,375
G	88,836	0%	1,871	485	2,028	2,560	21,856	8,450
H	302,349	1%	26,197	1,192	1,988	1,414	3,644	38,137
Total	57,086,525	100%	3,513,918	2,250,407	3,817,509	3,459,165	6,876,134	12,987,229

BB-Domestic and Foreign Branches
Operations over due

Risk level	Total Portfolio 12.31.2002	Share %	0-15	16-30	31-60	61-90	91-180	181-360
AA	—	0%	—	—	—	—	—	—
A	22	0%	22	—	—	—	—	—
B	841,724	22%	44,801	768,922	27,898	—	—	69
C	456,353	12%	5,113	108,016	317,476	17,933	7,779	30
D	300,799	8%	2,220	28,143	87,786	161,421	19,537	16
E	361,238	10%	1,050	45,744	59,960	45,876	168,046	40,420
F	215,682	6%	1,111	8,480	10,790	13,243	173,300	8,758
G	172,512	5%	677	5,469	13,163	9,326	139,927	3,948
H	1,401,229	37%	4,428	35,776	80,174	58,058	233,790	716,091
Total	3,749,559	100%	59,422	1,000,550	597,247	305,857	742,379	769,332

			BB-Consolidated Operations falling due					
Risk level	**Total Portfolio 12.31.2002**	**Share %**	**0-15**	**16-30**	**31-60**	**61-90**	**91-180**	**181-360**
AA	15,693,190	27%	1,338,890	627,659	904,646	706,104	1,854,324	1,468,716
A	26,269,045	44%	1,408,597	1,370,865	1,681,916	1,593,963	2,331,847	7,665,732
B	10,545,175	18%	380,919	67,558	810,931	715,602	1,958,147	2,991,054
C	4,039,977	7%	343,369	164,528	237,808	330,455	498,867	879,122
D	1,243,459	2%	155,104	76,490	94,895	48,555	144,627	168,389
E	536,251	1%	66,951	3,514	45,031	63,074	62,033	43,176
F	97,180	0%	7,251	608	5,466	3,552	22,721	10,379
G	89,000	0%	1,946	485	2,031	2,561	21,864	8,474
H	585,093	1%	46,490	1,193	1,992	1,416	3,677	38,289
Total	59,098,370	100%	3,749,517	2,312,900	3,784,716	3,465,282	6,898,107	13,273,331

			BB-Consolidated Operations over due					
Risk level	**Total Portfolio 12.31.2002**	**Share %**	**0-15**	**16-30**	**31-60**	**61-90**	**91-180**	**181-360**
AA	—	0%	—	—	—	—	—	—
A	22	0%	22	—	—	—	—	—
B	844,882	22%	44,906	771,751	28,122	—	—	69
C	460,102	12%	5,116	108,633	320,592	17,946	7,779	30
D	335,008	9%	5,328	28,484	114,144	165,815	19,545	16
E	362,826	9%	1,050	45,979	60,266	46,324	168,613	40,452
F	216,592	6%	1,111	8,598	10,967	13,345	173,813	8,758
G	173,462	5%	690	5,546	13,246	9,467	140,563	3,948
H	1,408,254	37%	4,434	36,198	80,749	58,434	234,838	720,536
Total	3,801,148	100%	62,657	1,005,189	628,086	311,331	745,151	773,809

d) Composition of the allowance for loan losses by risk levels, including operations with credit Concession characteristics classified in Other Receivables:

BB-Domestic and Foreign Branches

Risk level	%	Balance 12.31.2002	Allowance 12.31.2002	Balance 12.31.2001	Allowance 12.31.2001
AA	0	15,133,297	—	12,164,397	—
A	0.5	25,830,241	129,151	21,074,246	105,371
B	1	11,047,072	110,471	7,775,692	77,757
C	3	4,220,103	126,603	2,542,803	76,284
D	10	1,525,508	152,551	1,267,618	126,762
E	30	802,334	240,700	491,433	147,430
F	50	312,603	156,302	242,134	121,067
G	70	261,348	182,944	184,120	128,884
H	100	1,703,578	1,703,578	1,707,580	1,707,580
Subtotal		60,836,084	2,802,300	47,450,023	2,491,135
Additional Allowance Domestic		—	465,455	—	50,591
Additional Allowance Foreign		—	73,098	—	—
Total		60,836,084	3,340,853	47,450,023	2,541,726

BB-Consolidated

Risk level	%	Balance 12.31.2002	Allowance 12.31.2002	Balance 12.31.2001	Allowance 12.31.2001
AA	0	15,693,190	—	13,383,479	—
A	0.5	26,269,067	131,345	21,522,809	107,614
B	1	11,390,057	113,901	8,184,814	81,848
C	3	4,500,079	135,002	2,656,131	79,684
D	10	1,578,467	157,847	1,306,749	130,675
E	30	899,077	269,723	684,983	205,495
F	50	313,772	156,886	243,930	121,965
G	70	262,462	183,723	185,366	129,756
H	100	1,993,347	1,993,347	1,725,507	1,725,507
Subtotal		62,899,518	3,141,774	49,893,768	2,582,544
Additional Allowance Domestic		—	479,372	—	72,418
Additional Allowance Foreign		—	104,654	—	—
Total		62,899,518	3,725,800	49,893,768	2,654,962

e) Movement on the allowances for loan and leasing losses and for operations with credit Concession characteristics classified in Other Receivables .

	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
Opening Balance	2,541,726	2,750,241	2,654,962	3,064,226
Merger of BB-Financeira	—	327,177	—	—
Merger of BB-Cartões S.A .	—	45,600	—	45,600
Net increase	2,753,872	1,349,982	3,008,619	1,538,864
Exchange variation on allowances – foreign	41,053	30,696	92,501	40,762
Charged off	(1,995,798)	(1,961,970)	(2,030,281)	(2,034,490)
Closing Balance	3,340,853	2,541,726	3,725,801	2,654,962

Loans renegotiated during the year ended December 31, 2002 amounted to R$ 2,205,897 (R$ 1,945,642), and previously written-off amounts recovered amounted to R$ 717,605 – BB – Domestic and Foreign Branches (R$ 858,159 in 2001) and R$ 721,514 – BB Consolidated (R$ 876,849 in 2001) recorded in results in the account Revenue from lending operations. Of this amount, R$ 14,070 relates to assignment of loans as permitted by CMN Resolution 2836/2001.

7 Provision for Vacation Pay, Leave of Absence and Judicial Demands:

Provisions set up as indicated in Note 3g changed as follows:

a) Vacation pay:	**2nd half 2002**	**12.31.2002**	**12.31.2001**
Opening balance	455,331	489,731	462,568
Increase (Reversal)	256,675	465,796	421,078
Provision used	(175,764)	(419,285)	(393,915)
Closing balance	536,242	536,242	489,731

b) Leave of Absence:	**2nd half 2002**	**12.31.2002**	**12.31.2001**
Opening balance	533,865	549,256	569,604
Increase (Reversal)	121,632	213,237	188,733
Provision used	(103,535)	(210,531)	(209,081)
Closing balance	551,962	551,962	549,256

c) Labor claims:	**2nd half 2002**	**12.31.2002**	**12.31.2001**
Opening balance	1,077,461	971,496	660,569
Increase (Reversal)	92,961	198,926	320,967
Provision used	(6,061)	(6,061)	(10,040)
Closing balance	1,164,361	1,164,361	971,496

d) Tax claims:	**2nd half 2002**	**12.31.2002**	**12.31.2001**
Opening balance	497,490	443,153	156,502
Increase (Reversal)	77,521	131,858	286,651
Provision used	—	—	—
Closing balance	575,011	575,011	443,153

e) Other claims:	2nd half 2002	12.31.2002	12.31.2001
Opening balance	482,945	422,873	277,508
Increase (Reversal)	133,588	193,660	351,508
Provision used	—	—	(206,143)
Closing balance	616,533	616,533	422,873

8 Details of Items in the Financial Statements

a) Other Receivables

a.1) Foreign Exchange Portfolio

	Current and long-term	
	BB-Domestic and Foreign Branches BB-Consolidated	
	12.31.2002	12.31.2001
Foreign exchange purchased pending settlement	9,360,175	5,221,392
Bills of exchange and time drafts in foreign currency	138,822	79,933
Receivables from sale of foreign exchange	2,121,444	1,293,423
Advances received	(1,678,860)	(678,380)
Amounts in foreign currencies receivable	62,520	30,655
Income receivable on advances granted	156,459	89,965
Income receivable on financed imports	6	17
Total	10,160,566	6,037,005

a.2) Specific Credits

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Federal Treasury - securitized credits	—	1,973,670	—	1,983,577
JSTN*	—	1,835,760	—	1,835,760
Other	—	137,910	—	147,817
LLOYD*	—	139,052	—	139,052
EMBRAER	—	—	—	9,907
(Allowance for losses on securitized credits)	—	(1,142)	—	(1,142)
Federal Treasury - rescheduling of rural credit**	433,718	4,678,533	433,718	4,678,533
Total	433,718	6,652,203	433,718	6,662,110

* In 2002, these securities were reclassified to marketable securities, according to BACEN Circular Letter 3026/02.

** Change in the balance as a result of the receipt of the 4th installment of securities issued by the National Treasury, amounting to R$ 4,061,022, as payment for securitized credits, in accordance with Law 9138/95.

a.3) Sundry

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Salary advances and anticipations	300,377	262,540	300,784	262,585
Securities and receivables - Federal Treasury	373,373	623,810	373,373	623,810
Securities and receivables - Other	1,076,565	732,473	1,109,751	745,217
Tax credits (see Note 10.V)	11,686,421	12,044,544	11,846,947	12,205,504
Sundry debtors – foreign	161,527	58,739	161,669	58,745
Sundry debtors – domestic	604,690	588,530	609,275	588,119
Receivable on guarantee deposits	4,065,236	2,625,199	4,065,493	2,625,431
Income tax and social contribution to offset	38,211	83,834	46,315	98,189
Receivable on sale of assets and rights	554,084	502,872	577,129	502,872
Other	264,871	147,478	248,971	125,239
Total	19,125,355	17,670,019	19,339,707	17,835,711

b) Other assets

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Non-operating assets	386,316	484,220	388,861	486,903
Material in inventory	21,232	22,117	21,232	22,117
Total	407,548	506,337	410,093	509,020

c) Deposits

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Demand deposits	24,303,771	18,811,825	24,342,264	18,831,327
Related companies	687,750	593,067	687,750	593,067
Individuals	8,437,184	6,843,178	8,438,917	6,844,493
Business entities	8,811,892	6,498,390	8,849,291	6,517,571
Financial institutions	270,611	206,506	270,182	205,601
Government	2,318,796	2,161,143	2,318,796	2,161,143
Federal Treasury	111,910	114,227	111,910	114,227
Domiciled abroad	50,250	45,162	50,040	45,072
Restricted	2,861,570	1,634,941	2,861,570	1,634,941
In foreign currency	739,283	695,165	739,283	695,165
Other	14,525	20,046	14,525	20,047
Savings deposits	26,917,763	21,242,075	26,917,763	21,242,075
Individuals	25,673,387	20,280,559	25,673,387	20,280,559
Business entities	1,033,555	873,759	1,033,555	873,759
Related companies	207,059	-	207,059	—
Financial institutions	3,762	84,404	3,762	84,404
Deposits – financial institutions	—	3,353	—	3,353
Interbank deposits	5,376,452	4,979,671	3,875,878	4,220,268
Time deposits	41,989,424	28,918,307	42,117,414	29,142,286
Time deposits	25,030,116	15,487,741	25,158,106	15,711,720
Time deposits in foreign currency	730	—	730	—
Time deposits with automatic renewal	205,123	193,251	205,123	193,251
Remunerated judicial deposits	12,045,318	9,551,214	12,045,318	9,551,214
Obligations for special deposits and funds and programs (Note 8e.3	4,708,137	3,686,101	4,708,137	3,686,101
Total	98,587,410	73,951,878	97,253,319	73,435,956

d) Local Onlendings – Official Institutions

Programs	Financial charges	12.31.2002
Federal Treasury		**1,181,151**
PROFIR	TJLP + 5% p.a.	9,122
PRODECER III		32,959
BB Risk	TJLP + 3% p.a.	
TO Risk	TJLP + 4% p.a.	
PNDA		7,041
Option B	Exchange variation + 10.32% p.a.	4,999
Option C	TJLP + 12.82% p.a.	2,042
PRONAF		606,998
Brazil Plant	1.15% p.a.	
Special costing	4% p.a.	
PNDR		2,899
Option C	TJLP + 12.82% p.a.	
RECOOP		349,983
Up to 4.26.2002	IGP DI + 2% or 2.5% p.a.	
After 4.26.2002	5.75% to 8.25% p.a.	
COCOA		15,212
Up to 6.30.1998	TJLP + 2% p.a.	
After 7.1.1998	TJLP + 0,60% p.a.	
Resolution 2887/2002	6.35% p.a.	
FARMING COSTING	TR or 9% p.a.	35,064
PGPM-EGF	TR or 5.75% to 9.0% p.a.	4,254
Alcohol storage	TMS	117,619
BNDES		**2,570,656**
RURAL	1.98% p.a.	
PREFIXED	9% p.a.	
PRONAF		
Renegotiable	ZERO %	
Up to 06/2000	3% p.a. + 1/2 of TJLP	
As from 2001	1% p.a.	
SPECIAL PRONAF		
Up to 06/ 2000	3% p.a. + 1/2 of TJLP	
After 2000	1% p.a.	
CREGE – POST-FIXED	1.53% p.a.	
PROSOLO AND PROPASTO	5.75% p.a.	
FINAME		**1,786,726**
CREGE – POST-FIXED		
POST-FIXED	1.84% p.a.	
Releases as from 1998	1.75% p.a.	
RURAL	2.61% p.a.	
PREFIXED	7.26% p.a.	
Releases as from 1998	2.36% p.a.	
CEF	—	16
Other liabilities	—	**382,523**
FUNCAFÉ		358,395
Funds available	TR or TMS	
Funds invested	TJLP + 3% p.a. or 4% p.a.	
Other	—	24,128
Total	—	**5,921,072**

e) Other liabilities

e.1) Foreign Exchange Portfolio

	Current and long-term	
	BB-Domestic and Foreign Branches and BB-Consolidated	
	12.31.2002	**12.31.2001**
Foreign exchange sold pending settlement	2,089,500	1,277,954
Advances in foreign currencies	(39,882)	—
Import financing	(5,524)	(6,388)
Foreign exchange purchase liabilities	8,546,511	5,499,059
Liabilities for sales – floating rates	84,957	3,835
Advances on exchange contracts	(6,312,792)	(4,588,546)
Amounts in foreign currencies payable	46,198	48,761
Unearned income on advances granted	5,164	3,797
Total	4,414,132	2,238,472

e.2) Financial and Development Funds

	Current and long-term	
	BB-Domestic and Foreign Branches and BB-Consolidated	
	12.31.2002	**12.31.2001**
PIS/PASEP	1,193,623	1,207,119
Merchant Marine	6,642	86,078
Lands and Agrarian Reform - BB Banco da Terra	189,023	198,613
Special Lending Program for Agrarian Reform (Procera)	371,942	362,082
Other	15,218	17,962
Total	1,776,448	1,871,854

e.3) Fund for Workers' Assistance (FAT) and Fund to Guarantee Job and Income Generation (FUNPROGER):

FAT is a special accounting and financial fund, established by Law 7998/90, linked to the Ministry of Labor (MTE) and managed by the Executive Council of the Workers' Assistance Fund (CODEFAT). CODEFAT is a collective, tripartite and equal level system, composed of representatives of workers, employees and government, which act as the manager of FAT.

The main source of funds is contributions to the Social Integration Program (PIS) and to the Public Service Employee Savings Program (PASEP).

The objective is to fund the Unemployment Insurance Program (for payments of the Unemployment Insurance benefit, professional qualification and requalification and orientation and intermediation of employment) and the Wage Bonus, as well as to finance programs for economic development as well as to promote employment.

The main actions to promote employment funded by FAT resources are via Employment and Income Growth Programs (PROGER), which resources are allocated by special deposits, established by Law 8352/91, in official federal financial institutions (including, among others, PROGER in the Urban and Rural modalities, and the National Program to Strengthen Family Farming (PRONAF).

The Bank acts as a partner of FAT to realize the employment and earnings programs, through special deposits to be invested in PROGER, Urban and Rural, and in PRONAF, offering credit lines to micro and small companies, cooperatives, workers of informal economic sectors, and rural workers.

Special deposits allocated to Banco do Brasil, while available, are remunerated on a pro rata basis by the TMS (Average SELIC Rate). When they are invested in financings to support PRONAF and PROGER they start to be remunerated by the TJLP (Long-term Interest Rate) during the period in which financings are in effect.

Remunerations on funds available in the Bank are paid to FAT in the month subsequent to the month of deposit. Remunerations on funds applied to finance final borrowers are paid as stipulated in each specific resolution.

The Employment and Income Growth Fund (FUNPROGER) is a special accounting fund, created on November 23, 1999, through Law 9872, changed by Law 10360/01, and regulated by CODEFAT Resolution 231/99, changed by CODEFAT Resolution 276/01, and is managed by the Bank with the supervision of CODEFAT/TEM, the balance of

which amounts to R$ 73,448 on December 31, 2002.
The objective of FUNPROGER is to concede authorization to entrepreneurs who do not have the necessary guarantees to contract PROGER Urbano financings, through the payment of a commission to obtain concession of a guarantee.
In order to form the equity of FUNPROGER, funds were invested arising from the difference between the application of the average SELIC Rate and the Long-Term Interest Rate (TJLP) of the remuneration of special deposit balances available in the Fund for Workers' Assistance (FAT). Other sources of funds are the earnings from its operations and the remuneration of funds made available by Banco do Brasil, the Fund manager.

Program	Resolution	TMS Available (1)	TJLP Invested (2)	Total	Return of FAT funds Type (*)	Initial date	Final date
PROGER (Rural) and PRONAF							
Rural III	129/96 and 133/96	199,855	1,094,697	1,294,552	PU	—	11.2004
Rural IV	140/97	223,580	495,688	719,268	PU	—	06.2005
Pronaf I	173/98	51,482	248,517	299,999	PU	—	09.2006
Pronaf II	217/99	11,318	254,631	265,949	07 PAS	07.2004	07.2010
Rural V and Pronaf III	239/00	27,625	48,814	76,439	05 PAS	10.2004	10.2008
Rural VI	271/01	2,032	71,532	73,564	04 PAS	05.2004	05.2007
Pronaf IV	283/02	40,633	164,989	205,622	06 PAS	07.2005	07.2010
Rural VII	300/02	40,202	9,819	50,021	07 PAS	07.2005	07.2011
Pronaf V	303/02	38,490	3,512	42,002	07 PSS	07.2005	07.2008
PROGER Urban		**350,526**	**1,042,846**	**1,393,372**			
Urbano IV	160/98	58,769	355,611	414,380	09 PSS	11.1999	05.2003
Urbano V	228/99	13,368	123,994	137,362	13 PSS	02.2002	02.2008
Urbano VI	243/00	4,923	113,670	118,593	12 PSS	06.2003	12.2008
Urbano VII	260/01	10,748	156,740	167,488	12 PSS	12.2003	06.2009
Urbano VIII	280/02	955	204,241	205,196	12 PSS	02.2005	08.2010
Urbano IX	294/02	68,252	32,060	100,312	09 PSS	11.2004	11.2008
Urbano X	297/02	100,000	—	100,000	07 PSS	01.2005	01.2008
Urbano XI	307/02	93,511	56,530	150,041	12 PSS	06.2005	12.2010
Total		**985,743**	**3,435,045**	**4,420,788**			

(1) TMS: Average SELIC Rate
(2) TJLP: Long-term Interest Rate
(*) Type: PU (Sole installment at the end of the period), PAS (Annual and successive installments) and PSS (Semiannual and successive installments)
The resources of FAT and FUNPROGER comprise the balance of Obligations for Special Deposits and Funds and Programs (Note 8.c).

e.4) Sundry

	Current and long-term			
	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	12.31.2001	12.31.2002	12.31.2001
Provisions for payments *	6,266,092	6,805,086	6,276,185	6,806,214
Provisions for contingent liabilities	1,780,894	1,394,369	1,783,322	1,396,299
Sundry creditors – overseas	50,397	37,946	54,154	41,030
Sundry creditors – domestic	1,328,851	1,048,954	1,331,086	1,048,954
Subordinated debts **	4,180,032	3,314,718	4,180,032	3,314,718
Federal Treasury Bank Orders payable	—	1,963,382	—	1,963,382
Credit card operations	769,200	—	769,200	—
Differences to regulate (General Management)	1,058	1,810	1,058	1,810
Other	1,409,637	1,143,129	979,160	1,074,782
Total	15,786,161	15,709,394	15,374,197	15,647,189

* Includes R$ 4,590,767 (R$ 5,350,473 at December 31, 2001) related to retirement and post-employment benefits (Note 17).

** For comparative purposes, the FCO amount at December 2001, previously recorded in Financial and Development Funds, was reclassified to Subordinated Debts.

f) Services rendered

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
Investment funds management	—	—	90,995	317,587	700,092	632,570
Collection services	209,006	399,186	332,762	209,603	400,711	333,929
Services rendered to related companies	226,275	504,389	713,840	46,022	92,414	187,475
Funds transfers	51,492	92,019	58,469	51,738	92,551	58,746
Guarantees granted	31,923	62,246	40,627	32,134	62,497	40,839
Check clearing service and other	226,722	448,249	448,047	226,722	448,249	448,047
PASEP administration	45,488	86,590	82,967	45,488	86,590	82,967
Asset operations contracted	190,621	388,352	351,962	190,621	388,352	351,962
Deposit fees	67,492	125,289	96,920	67,492	125,289	96,920
Checking account fees	67,269	137,383	128,644	67,269	137,383	128,644
Document related fees	43,145	85,311	89,094	43,145	85,311	89,094
Ouro plan	308,136	561,868	362,675	308,136	561,868	362,675
Fees for official services	113,621	224,787	212,534	113,621	224,787	212,534
International trade services	9,004	19,407	24,620	9,004	19,407	24,620
Third party collection services	61,775	120,717	104,799	61,775	120,717	104,799
Commission for administration of public sector debts	22,859	45,447	44,548	22,859	45,447	44,548
Commission for FCO administration	—	—	46,292	—	—	46,292
Payments for third parties	56,839	101,366	86,550	56,839	101,366	86,550
Annuities - credit card	88,780	166,042	5,423	88,780	166,042	5,423
Commission of issuing bank	69,366	125,921	11,651	69,366	125,921	11,462
Tariff, 48-hour Ouro protection	41,333	66,382	2,651	41,333	66,382	2,651
Other	192,779	370,739	301,709	207,308	402,143	406,938
Total	2,123,925	4,131,690	3,637,779	2,276,842	4,453,519	3,759,685

g) Personnel expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
Salaries	(1,431,845)	(2,751,925)	(2,608,074)	(1,447,430)	(2,781,614)	(2,628,990)
Benefits	(298,893)	(560,681)	(586,368)	(299,942)	(562,793)	(587,637)
Social charges	(554,363)	(1,031,565)	(1,117,188)	(559,774)	(1,041,533)	(1,124,582)
Training	(18,356)	(30,379)	(27,403)	(18,436)	(30,568)	(27,525)
Directors and board members	(2,794)	(5,704)	(2,575)	(3,005)	(6,074)	(2,745)
Labor claims	(191,228)	(372,520)	(471,630)	(191,228)	(372,520)	(471,630)
Provisions for vacation and leave of absence	(393,601)	(752,519)	(731,556)	(393,601)	(752,518)	(731,556)
Total	(2,891,080)	(5,505,293)	(5,544,794)	(2,913,416)	(5,547,620)	(5,574,665)

h) Other Administrative Expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
Water, electricity and gas	(68,218)	(130,328)	(107,118)	(68,298)	(130,455)	(107,198)
Rent	(81,664)	(155,835)	(125,854)	(82,662)	(157,766)	(126,995)
Leasing	(156,630)	(254,250)	(220,630)	(156,630)	(254,250)	(220,630)
Communications	(292,396)	(556,978)	(439,521)	(294,567)	(560,606)	(442,189)
Maintenance and upkeep	(75,346)	(139,915)	(121,955)	(76,415)	(142,086)	(123,559)
Materials	(57,905)	(107,265)	(106,048)	(58,079)	(107,558)	(106,276)
Data processing	(225,675)	(419,021)	(337,502)	(229,253)	(427,503)	(345,518)
Promotion and public relations	(82,510)	(137,275)	(101,339)	(82,547)	(137,371)	(101,371)
Advertising and publicity	(82,308)	(151,330)	(133,587)	(82,545)	(151,820)	(134,288)
Financial system services	(114,683)	(214,684)	(180,248)	(115,197)	(215,746)	(221,612)
Third party services	(107,485)	(195,046)	(108,550)	(107,588)	(195,268)	(108,858)
Security services	(151,144)	(296,487)	(272,042)	(151,185)	(296,546)	(272,073)
Specialized technical services	(50,150)	(96,803)	(98,375)	(52,820)	(100,977)	(100,649)
Transportation	(158,593)	(292,552)	(263,648)	(159,055)	(293,403)	(264,400)
Domestic travel	(31,305)	(51,115)	(53,177)	(31,437)	(51,252)	(53,223)
Amortization	(51,274)	(102,329)	(212,899)	(52,461)	(104,721)	(214,486)
Depreciation	(172,817)	(340,142)	(301,681)	(173,779)	(342,616)	(313,623)
Other	(280,607)	(421,531)	(330,456)	(283,117)	(426,811)	(328,794)
Total	(2,240,710)	(4,062,886)	(3,514,630)	(2,257,635)	(4,096,755)	(3,585,742)

i) Other operating income

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
INSS - negotiated debt	—	—	873,227	—	—	873,227
Income from securities and credits receivable from Federal Treasury	40,197	55,826	87,938	40,197	55,826	87,938
Recovery of charges and expenses	165,224	332,639	501,977	165,604	333,247	502,348
Negative foreign exchange adjustments	—	—	366,339	—	—	366,339
Commission from technical and financial agreements	28,249	43,595	30,328	28,249	43,595	30,328
Receivables on guarantee deposits	129,538	232,394	191,884	129,538	232,394	191,884
Income from special operations	86,875	150,696	146,090	86,875	150,696	146,090
Income from specific credits	24,862	165,605	1,007,048	24,862	165,605	1,007,048
From payments of INSS benefits	23,939	46,294	60,903	23,939	46,294	60,903
PREVI – Benefit Plan 1	131,013	262,793	—	131,013	262,793	—
Income from credits linked to rural credit	1,777	2,734	3,822	1,777	2,734	3,822
Dividends received	3,980	9,734	9,647	3,980	9,734	9,647
Foreign exchange adjustment on income from branches abroad available to the head office	2,755	3,925	81,332	2,755	3,925	81,332
Reversal of provision for loss on securitized credits-National Treasury	—	—	468,843	—	—	468,843
Foreign exchange adjustment of credit card operations	28,292	45,203	1,024	28,292	45,203	1,024
Harmonization of taxes – Law 8427	3,383	6,544	3,921	3,383	6,544	3,921
Advances on exchange contracts, overdue	7,004	9,229	6,265	7,004	9,229	6,265
Resources from other credit operations	28,274	30,890	24,793	28,274	30,890	24,793
Reversal of provisions for labor liabilities	—	—	10,040	—	—	10,040
Reversal of provisions for other contingent liabilities	—	—	184,967	—	—	184,967
Income from other services	4,343	8,303	7,143	4,343	8,303	7,143
Income from foreign offsets	32,024	32,024	11,969	66,411	66,411	12,593
Other	109,366	199,558	204,638	109,451	205,754	226,806
Total	851,095	1,637,986	4,284,138	885,947	1,679,177	4,307,301

j) Other operating expenses

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
CASSI – Interest on actuarial liabilities	(96,174)	(192,348)	—	(96,174)	(192,348)	—
Exchange adjustment on income from offices abroad	(1,452)	(1,631)	(7,909)	(1,452)	(1,631)	(7,909)
Arising from the collection of federal taxes and contributions	(943)	(1,996)	(2,106)	(943)	(1,996)	(2,106)
Expenses from PASEP funds	(3,271)	(5,161)	(3,747)	(3,271)	(5,161)	(3,747)
Resulting from SISBACEN system assessments	(4,093)	(7,485)	(7,263)	(4,093)	(7,485)	(7,263)
Expenses from discounts granted on renegotiations – credit operations	(58,815)	(89,393)	(15,048)	(58,815)	(89,393)	(15,048)
Expenses from discounts granted on renegotiations – other credits	(1,190)	(5,551)	(23,038)	(1,190)	(5,551)	(23,038)
Errors and fraud	(26,929)	(43,067)	(26,753)	(26,929)	(43,067)	(26,753)
BB Personal Banking expenses	(26,818)	(49,114)	(71,577)	(26,818)	(49,114)	(71,577)
Losses from robberies and thefts	(17,579)	(32,090)	(36,711)	(17,579)	(32,090)	(36,711)
Expenses from credit card operations	(135,039)	(220,513)	(22,032)	(135,039)	(220,513)	(22,032)
Interest on funds allocated for payments of benefits	(11,928)	(24,675)	(18,177)	(11,928)	(24,675)	(18,177)
Losses with others securitized credits	—	—	(653,764)	—	—	(653,764)
Monetary adjustment of dividends payable	(9,225)	(15,565)	(5,715)	(9,225)	(15,565)	(5,715)
Provision for adjustment of taxes and contributions	(64,969)	(113,981)	(269,834)	(64,969)	(113,981)	(269,834)
Provision for contingent liabilities	—	(184,967)	(184,967)	—	(184,967)	(184,967)
Provision for loss on securitized credits	(4,618)	(24,067)	(475,548)	(5,753)	(27,727)	(479,927)
Expenses from PROAGRO resources	(1,315)	(2,049)	(4,183)	(1,315)	(2,049)	(4,183)
Expenses from updating of pension liability (Note 17)	(1,011,404)	(1,390,830)	(1,108,610)	(1,011,404)	(1,390,830)	(1,108,610)
Negative exchange readjustment	(1)	(1)	(22,727)	(1)	(1)	(22,727)
Law 9138/95 – Restatement of funds to return to the National Treasury	(66,279)	(95,910)	(28,981)	(66,279)	(95,910)	(28,981)
Expenses from foreign offsets	(28,805)	(28,805)	(27,978)	(32,515)	(32,515)	(30,438)
Securitization of dekasseguis – liabilities with the SPE (Note 21)	(41,587)	(83,315)	(34,933)	(41,587)	(83,315)	(34,933)
Securitization of SWIFT MT100 – liabilities with the SPE (Note 21)	(95,063)	(158,123)	(1,170)	(95,063)	(158,123)	(1,170)
Other	(101,403)	(216,626)	(102,290)	(130,858)	(75,589)	(260,743)
Total	(1,808,900)	(2,794,915)	(3,155,061)	(1,843,200)	(2,853,596)	(3,320,353)

l) Non-operating results

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	12.31.2002	12.31.2001	2nd half 2002	12.31.2002	12.31.2001
Non-operating income	161,878	289,546	200,159	189,924	320,130	294,347
Profit on sale of investments	2	2	1,009	12,777	12,807	94,335
Profit on sale of assets	27,338	45,649	56,496	27,434	45,964	65,546
Capital gains	7,160	12,227	13,678	10,419	15,547	15,941
Rental income	3,558	7,360	10,348	3,558	7,360	10,348
Valuation of other assets	14,759	77,966	25,041	14,866	78,224	25,164
Gains on investments in tax incentives	2,620	3,973	1,565	2,620	3,973	1,835
Gains on shares and quotas	—	—	—	11,265	12,996	—
Sale of properties	98,914	129,192	46,574	98,914	129,192	46,574
Other non-operating income	7,527	13,177	45,448	8,071	14,067	34,604
Non-operating expenses	(45,851)	(122,842)	(189,508)	(59,961)	(149,441)	(215,084)
Loss on sale of assets	(3,553)	(8,766)	(13,855)	(3,621)	(10,298)	(16,299)
Capital losses	(11,139)	(18,085)	(53,939)	(11,143)	(18,090)	(54,019)
Devaluation of other assets	(30,072)	(93,546)	(117,934)	(30,072)	(93,734)	(118,263)
Losses with shares and quotas	(18)	(218)	—	(14,056)	(25,093)	(19,142)
Other non operating expenses	(1,069)	(2,227)	(3,780)	(1,069)	(2,226)	(7,361)
Total	116,027	166,704	10,651	129,963	170,689	79,263

9 Stockholders' Equity

a) Stockholders' equity of R$ 9,197,065 (R$ 8,747,353 at December 31, 2001) corresponds to a book value of R$ 12.56 (R$ 12.29 at December 31, 2001) per 1,000 shares;

b) Capital:

Capital comprises 743,275,506,498 common registered shares with no nominal value.

The Extraordinary General Stockholders' Meeting and the Special Preferred Stockholders' Meeting held on June 7, 2002 approved the conversion of all the preferred shares into common shares at the ratio of 1.1 common share to each preferred share. Dissidents of the decisions had from August 2, 2002 to September 2, 2002 to request reimbursement of their shares. This right is only applied to the preferred stockholders who effectively owned them on April 11, 2002, date of publication of the significant event notice about conversion.

c) Treasury stock

As reimbursement to dissident stockholders not in agreement with the conversion of preferred shares into common shares, approved at the Special Preferred Stockholders' Meeting held on June 7, 2002, the Bank purchased 10,234,252,464 preferred shares equivalent to 1.44% of total capital which, converted into 11,257,677,709 common shares, remain in treasury in accordance with article 45 of Law 6404/76.

The amount paid for reimbursement of the shares totaled R$ 125,778,962.78, representing R$ 0.01229 per share, considering the book value per share at December 31, 2001. The market value of a common share at December 31, 2002 was R$ 0.0098.

d) Revaluation reserves:

These refer to revaluation of fixed assets during the year with the recording of a reserve by subsidiary COBRA S.A. of R$ 1,619, and realizations of R$ 85 (R$ 75 in 2001) transferred to retained earnings by associated companies Visanet and Kepler Weber.

e) Appropriation of net income:

	2nd half 2002	2002	2001
Net income	1,204,555	2,027,676	1,081,952
Retained earnings/(losses)	(143,577)	246,801	(34,457)
Adjusted net income	1,060,978	2,274,477	1,047,495
Legal reserve	40,709	101,385	52,374
Statutory reserve	20,118	56,523	31,425
Dividends	272,072	579,505	265,385
Reserves for expansion	728,079	1,537,064	698,311

f) Dividends:

In compliance with the by-laws, the Board of Directors approved the payment of dividends to stockholders, calculated as follows:

	2nd half 2002	2002	2001
1. Calculation basis:	1,088,287	2,317,968	1,061,542
a) Net income for the period	1,204,555	2,027,676	1,081,952
b) Legal reserve in the period	(40,709)	(101,385)	(52,374)
c) Absorption of accumulated income/(losses)	(143,612)	246,716	(34,457)
d) Profit sharing	68,018	144,876	66,346
e) Realization of revaluation reserve	35	85	75
2. Dividends (25% of item 1)	272,072	579,505	265,385

In conformity with article 2 of Resolution 10 issued by the Council for Coordination and Control of State-Owned Companies (CCE), dividends were calculated on net income without deducting employee profit sharing. Accordingly, dividends comprise 26.67% of net income after adjustment for the legal reserve.

The dividends of R$ 579,505, representing R$ 0.7797 per thousand shares, will be paid with interest equivalent to the SELIC rate calculated from the balance sheet date to the actual date of payment in compliance with Decree 2673/98 as amended by Decree 3381/00.

g) Retained earnings:

At the Stockholders' Meeting that will be called to approve the financial statements for the year 2002, management will submit a capital budget to support the appropriation to Reserves for Expansion.

h) Adjustment to Market Value – Marketable Securities and Derivatives

This represents, as stated in BACEN Circular Letters 3068/01 and 3082/02, the mark-to-market adjustment of securities available for sale, amounting to R$ 1,110,815, net of tax effects, as mentioned in Note 5.

a) Shareholding positions

As prescribed in paragraphs IV, V, VI and VII of Article 40 of the by-laws of 2002 the shareholding positions are as follows:

Paragraph IV: Shareholding position of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	Total shares	% Total
National Treasury	533,507,414,282	71.8
Banco do Brasil Employees' Retirement Fund (PREVI)	102,536,550,024	13.8
BNDES Participações SA - BNDESPAR	42,985,035,230	5.8

Paragraph V: Number and characteristics of the marketable securities issued by the Bank and directly or indirectly held by the controlling stockholder, managers and members of the fiscal council; and

Paragraph VI: Changes in the shareholding of the parties referred to in the prior paragraph in relation to respective securities during the prior twelve months:

Controlling stockholder – National Treasury	2002	2001
Common shares (ON)	533,507,414,282	292,321,332,657
Preferred Shares (PN)	-	219,256,747,293
B Bonds	155,276,608,094	155,275,693,639
C Bonds	258,794,346,834	258,792,822,741

Stockholders from the Administrative Council	Position	ON Shares		B Bonds		C Bonds	
		2002	2001	2002	2001	2002	2001
Paolo Enrico Maria Zaghen	President	01	-	-	-	-	-
Eduardo Augusto de Almeida Guimarães	Vice-President	01	01	-	-	-	-
Hélio Martins Tollini	Councilor	01	-	-	-	-	-
João Carlos Ferraz	Councilor	01	-	-	-	-	-
Rubens Sardenberg	Councilor	01	01	-	-	-	-
Francisco Augusto da Costa e Silva	Councilor	01	01	-	-	-	-
Stockholders from the Fiscal Council							
Marcus Pereira Aucélio	President	-	-	-	-	-	-
Arideu Galdino da Silva Raymundo	Member	5,878	5,878	1,603	1,603	2,673	2,673
Artemio Bertholini	Member	-	-	-	-	-	-
Petrônio Fernandes Gonçalves Júnior	Member	52,690	52,690	15,421	15,421	25,703	25,703
Vicente de Paulo Barros Pegoraro	Member	1,232	1,232	336	336	560	560
Pedro Paulo Bernardes Lobato	Deputy	-	-	-	-	-	-
Érico Cavalcanti Furtado	Deputy	11,641	11,641	3,492	3,492	2,673	2,673
Otávio Ladeira de Medeiros	Deputy	-	-	-	-	-	-
José Antônio Machado	Deputy	23,033	23,033	6,625	6,625	11,043	11,043
Lacy Dias da Silva	Deputy	6,438	6,438	1,806	1,806	3,010	3,010
Stockholders from the Board of Directors							
Eduardo Augusto de Almeida Guimarães	President	01	01	-	-	-	-
Antonio Luiz Rios da Silva	Vice-President	01	01	-	-	-	-
Enio Pereira Botelho	Vice-President	01	01	-	-	-	-
Alkimar Ribeiro Moura	Vice-President	01	01	-	-	-	-
Luciano Corrêa Gomes	Vice-President	01	01	-	-	-	-
Rossano Maranhão Pinto	Vice-President	-	-	-	-	-	-
Ricardo Alves da Conceição	Vice-President	371,463	371,463	111,253	111,253	185,424	185,424
Antônio Gustavo Matos do Vale	Vice-President	-	-	-	-	-	-
Directors Stockholders							
Aldo Luiz Mendes	Director	-	-	-	-	-	-
Antônio Francisco de Lima	Director	403	403	120	120	203	203

Stockholders from the Administrative Council	Position	ON Shares		B Bonds		C Bonds	
		2002	2001	2002	2001	2002	2001
Neto							
Biramar Nunes de Lima	Director	-	-	-	-	-	-
Eloir Cogliatti	Director	-	-	-	-	-	-
Fernando Barbosa de Oliveira	Director	67,848	67,848	20,177	20,177	33,631	33,631
Hayton Jurema da Rocha	Director	-	-	-	-	-	-
Antônio Eduardo Silva Ribeiro	Director	1,280	1,280	384	384	640	640
José Gilberto Jaloretto	Director	-	-	-	-	-	-
Manoel Gimenes Ruy	Director	14,267	14,267	4,192	4,192	6,988	6,988
Osanan Lima Barros Filho	Director	16,918	16,918	4,896	4,896	8,160	8,160
Renato Donatello Ribeiro*	Director	84,981*	84,981*	2,438	2,438	4,064	4,064
Renato Luiz Belineti Naegele	Director	-	-	-	-	-	-
Ricardo Antônio de Souza Batista	Director	75,761	20,512	21,220	21,220	35,372	35,372
Aires Hypólito	Director	-	-	-	-	-	-
Rubens Rodrigues Filho	Director	-	-	-	-	-	-
Sebastião Martins Ferreira Júnior	Director	-	-	-	-	-	-

* Quotas of Investment Club of Employees of Banco do Brasil (CIN).

Paragraph VII – Number of outstanding shares and its percentage in relation to the total issued:

BB shares	Number	Percentage
Outstanding	52,988,829,253	7.1
Total issued	743,275,506,498	100

10 Income Tax, Social Contribution and Tax Credits

I) Details of calculation basis

	BB – Consolidated					
	2nd half 2002		Year/2002		Year/2001	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Net income before income tax and social contribution, JCP expenses and after employees' profit sharing	1,988,506	1,988,506	3,534,425	3,534,425	1,722,760	1,722,760
b) Permanent additions/(exclusions):	(1,514,222)	(1,504,185)	(2,717,155)	(2,702,076)	(2,561,797)	(2,554,664)
- Equity in the earnings of Subsidiary and Associated companies	(1,406,996)	(1,406,996)	(2,518,086)	(2,518,086)	(2,434,317)	(2,434,317)
- Interest on own capital	(23,473)	(23,473)	(72,978)	(72,978)	(136,068)	(136,068)
- Non deductible expenses and provisions	86,659	86,648	190,865	190,838	27,683	24,810
-Other additions/(exclusions):	(170,412)	(160,364)	(316,956)	(301,850)	(19,095)	(9,089)
c) Temporary additions/(exclusions):	2,058,108	3,015,418	2,935,972	4,802,115	1,785,187	3,870,935
- Allowance for losses	1,430,791	1,430,791	2,728,835	2,728,835	1,101,424	1,101,424
- Allowance for losses on securities and investments	61	61	(55,652)	(55,652)	233,004	235,601
- Provisions for pension liabilities	85,793	1,011,404	(392,532)	1,390,830	(541,182)	1,108,610
- Provision for labor claims, tax contingencies, and contingent liabilities	198,997	315,703	401,190	492,966	567,011	771,207
-Amortization of goodwill on investments	6,592	-	13,185	-	13,025	-
-Other temporary provisions	335,874	257,459	240,946	245,136	411,905	654,093
d) Other additions (exclusions):	(525,208)	(515,843)	(1,178,329)	(1,160,345)	319,994	644,128
-Foreign profits	135,175	135,175	222,272	227,646	715,936	710,799
-Adjustment - Resolution CMN 2682/99 and Law 9430/99	(647,802)	(647,802)	(1,381,074)	(1,381,074)	(1,667,519)	(1,667,519)
- Other	(12,581)	(3,216)	(19,527)	(6,917)	1,271,577	1,600,848
e) Calculation basis of tax charges	2,007,184	2,983,896	2,574,913	4,474,119	1,266,144	3,683,159
f) Income tax/Social contribution:	498,334	275,340	630,918	407,336	267,079	328,835
- Rate of 15% / 8%	319,524	249,265	406,025	368,483	195,039	294,653
- Additional 10% /1%	212,956	31,158	270,587	46,085	129,954	36,832
- Tax incentives	(16,025)	-	(20,221)	-	(6,846)	-
- Income tax on profits of foreign operations	(18,121)	(5,083)	(25,473)	(7,232)	(51,068)	(2,650)

II) Details of income tax and social contribution expenses:

	BB – Consolidated					
	2nd half 2002		Year/2002		Year/2001	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution in the statement of income	(551,013)	(283,066)	(729,550)	(423,569)	(128,033)	(199,236)
- Provision for IR and CSLL	(498,334)	(275,340)	(630,918)	(407,336)	(113,236)	(199,466)
- (Constitution)/reversal of deferred income tax on portfolio adjustment and depreciation (leasing operations)	851	-	(2,370)	-	11,186	-
Foreign income tax	(30,832)	-	(48,738)	-	(26,026)	-
- (Constitution)/reversal of provision for deferred taxes – positive MTM	(22,455)	(7,638)	(45,544)	(15,950)	-	-
- (Constitution)/reversal of provision for deferred taxes	(243)	(88)	(1,980)	(283)	-	-
- Adjustments of IR and CSLL determined in the taxation (DIPJ) of the previous base year	-	-	-	-	43	230
b) Deferred tax asset	184,066	(1,829)	(34,938)	(1)	(82,072)	108,550
- Constitution/(reversal) of tax credit on non-temporary differences	2,554	(1,829)	3,152	(1)	(4,973)	153,823
- Constitution/(reversal) of tax credit on tax losses (income tax) and negative basis (social contribution)	(850)	-	2,370	-	(77,099)	(45,273)
- Reclassification/(additional offset) of tax credits on tax losses (IR) and negative basis (CSLL)	183,232	-	(39,590)	-	-	-
- Constitution/(reversal) of tax credit – negative MTM	(870)	-	(870)	-	-	-

III) Reconciliation of Income Tax and Social Contribution charges:

	BB – Consolidated		
	2nd half 2002	Year/2002	Year/2001
- Net income before taxation and profit sharing	1,924,415	3,360,610	1,449,089
- Total IR charges (rate of 25%)	(471,361)	(840,153)	(909,847)
- Charges on non-taxable income	(35,769)	867	815,405
- Charges on undeductible expenses	24,727	240,962	(406,559)
- Charges on foreign profits	(30,831)	(48,738)	(26,027)
- Charges on employees' profit sharing	16,908	36,026	16,587
- Reclassification/(additional offset) of tax credits on tax losses (IR) and negative basis/(CSLL)	183,232	(39,590)	(67,298)
- Other	(10,734)	(68,390)	432,521
- Fiscal incentives (PAT, Culture)	(20,780)	(2,041)	(1,174)
- Deferred charges on mark-to-market	(22,339)	(43,431)	—
- Income tax expense	(366,947)	(764,488)	(146,392)
b) Social Contribution			
- Net income before taxation and profit sharing	1,924,415	3,360,610	1,449,089
- Total CSLL charges (rate of 9%)	(173,197)	(302,455)	(130,418)
- Charges on non-taxable income	(12,421)	318,746	293,108
- Charges on undeductible expenses	(79,206)	(402,133)	(334,648)
- Charges on foreign profits	(12,167)	—	—
- Charges on employees' profit sharing	6,086	12,969	5,971
- Other	(5,946)	(79,318)	11,432
- Deferred charges on mark-to-market	(8,044)	28,621	—
- Social Contribution expense	(284,895)	(423,570)	(154,555)

IV. Tax contingencies: Income tax and social contribution

In February 1998, the Bank filed a lawsuit seeking an injunction to fully offset accumulated income tax losses and social contribution negative bases. Since then it has offset them against income tax and social contribution due and has made judicial deposits corresponding to 70% of the amounts offset.

The amounts related to this lawsuit at December 31, 2002 are:

a)	Judicial deposits	2,188,454
	- Original amounts	1,744,169
	- Restatement	444,285
b)	Receivables on guarantee deposits	2,188,454
	- Original amounts	1,744,169
	- Restatement	444,285
c)	70% thereof	1,920,836
	- Income tax losses computed up to December 31, 1994	739,067
	- Income tax losses computed after December 31, 1994	36,965
	- Negative social contribution bases computed up to December 31, 1994	356,007
	- Negative social contribution bases computed after December 31, 1994	788,797
d)	The offset of income tax losses and negative social contribution bases results in the reduction of deferred tax assets.	
e)	Provision for tax contingencies	444,285
	Based on the situation of the lawsuit as of December 31, 2002, the provision was considered sufficient.	

f) In the event of an unfavorable outcome to the lawsuit, the extraordinary appeal of which was accepted by the President of the First Region of the Federal Regional Court on November 26, 2001 and will be reviewed by the Federal Supreme Court, the provision will be adjusted to the amount of the tax which could be judged to be due. The recording of the corresponding deferred tax credits will depend on the perspectives of realization.

V) Tax credits:

	BB – Consolidated			
	Year 2002		Year 2001	
	Income tax	Social contribution	Income tax	Social contribution
1) Tax credits recognized:				
Nature and origin:				
a) Income tax losses/negative CSLL bases	12,892,732	-	15,164,296	2,178
a.1) Rate (%)	25	9	25	9
a.2) Tax credits set up	3,223,183	-	3,791,074	196
b) Timing differences	14,137,784	11,512,789	14,198,844	11,059,744
b.1) Rate (%)	25	9	25	9
b.2) Tax credit set up	3,534,446	1,036,151	3,549,711	995,377
c) Negative adjustments of mark-to-market	1,464,652	1,288,211	-	-
c.1) Rate (%)	25	9	25	9
c.2) Tax credit set up	366,163	115,939	-	-
d) Social Contribution to offset	-	3,484,739	-	3,860,110
e) Tax Credits abroad	20,033	-	9,036	-
f) Total income tax and social contribution credits recognized (a.2 + b.2 + c.2 + d + e)	7,143,825	4,636,829	7,349,821	4,855,683

	Year 2002		Year 2001	
	PASEP	COFINS	PASEP	COFINS
g) Negative adjustments of mark-to-market	1,816,273	1,816,273	- -	- -
g.1) Rate (%)	0,65	3	- -	- -
g.2) Tax credit set up	11,806	54,488	- -	- -
h) Total PASEP and COFINS credits recognized (g.2)	11,806	54,488	- -	- -
i) Total tax credits recognized (f + h)	7,155,631	4,691,317	7,349,821	4,855,683

	BB – Consolidated			
	Year 2002		Year 2001	
	Income tax	Social contribution	Income tax	Social contribution
2) Tax credits not recognized:				
Nature and origin				
a) Parcel of tax losses/negative bases	260,496	-	435,584	-
a.1) Rate (%)	25	-	25	-
a.2) Tax credits not recognized	65,124	-	108,896	-
b) Parcel of timing differences	1,087,212	2,185,156	431,208	386,056
b.1) Rate (%)	25	9	25	9
b.2) Tax credits not recognized	271,803	196,664	107,802	34,745
c) Parcel of negative adjustments of mark-to-market	296,708	458,189	- -	- -
c.1) Rate (%)	25	9	- -	- -
c.2) Tax credits not recognized	74,177	41,237	- -	- -
d) Total income tax and social contribution credits not recognized (a.2 + b.2 + c)	411,104	237,901	216,698	34,745

	BB – Consolidated			
	Year 2002		Year 2001	
	Income tax	Social contribution	Income tax	Social contribution
3) Movement during the year:				
a) Reclassifications of tax losses and negative bases	1,220	-	-	-
b) Reclassifications of timing differences	-	197	-	-
c) Recording of negative adjustments of mark-to-market	360,526	115,317	-	-
d) Total income tax and social contribution credits (a+b+c)	361,746	115,514	-	-

	Year 2002		Year 2001	
	PASEP	COFINS	PASEP	COFINS
e) On negative adjustments of mark-to-market	12,009	53,892	-	-
f) Total tax credits recognized (d +e)	373,755	169,406	-	-

	Year 2002		Year 2001	
	Income tax	Social contribution	Income tax	Social contribution
Reduced during the year:				
a) Tax losses/negative bases	524,690	- -	460,034	- -
a.1) On taxable income/positive bases	485,100	- -	296,541	- -
a.2) Complementary reduction	39,590	- -	163,493	- -
b) From timing differences	- -	- -	48,551	- -
c) CSLL to offset (MP 1858/99)	- -	375,104	- -	308,524
d) Total (a + b + c)	524,690	375,104	508,585	308,524

	BB – Consolidated			
	Year 2002			
	Income tax	Social contribution	PASEP	COFINS
4) Deferred tax liabilities				
a) Arising from market-to-market	52,558	18,921	1,747	8,063

	BB – Consolidated	
	Year 2002	
	Nominal Value	Current Value
5) Expectation of realization of tax credits recognized		
a) In 2003	1,723,825	1,581,267
b) In 2004	1,328,350	1,115,635
c) In 2005	1,418,199	1,091,181
d) In 2006	1,608,337	1,143,193
e) In 2007	1,793,371	1,180,703
f) From 2008 to 2012	3,942,088	2,245,126
g) From 2013 to 2017	17,160	3,945
h) From 2018 to 2020	15,618	2,362
i) Total tax credits recognized	11,846,948	8,363,412

6) Other information

a) Provisional Measure (MP) 1858/99 (currently MP 2158-35/01) reduced the social contribution rate from 18% to 8% as from January 1, 1999 and established a surtax of 4% from May 1, 1999 to January 31, 2000 and of 1% from February 1, 2000 to December 31, 2002. As from January 1, 2003 the rate is 9% in conformity with Law 10637/02.

In compliance with this Provisional Measure, the social contribution tax credits existing on December 31, 1998 of R$ 4,759,982, arising from negative bases and temporary differences calculated at the rate of 18%, was classified in Other receivables - sundry, with a balance of R$ 3,741,153 at December 31, 2002 (Social contribution to offset).

b) The tax credits were set up by applying the current rates on their respective bases.

c) As from January 2000, Banco Múltiplo adopted the practice of not recording further tax credits on timing differences and tax losses.

Since the 4th quarter of 2001, the Bank in order to accelerate the reduction of the recorded tax credits, adopted the procedure of recording complementary reductions of tax credits when the charges for IRPJ and CSLL provisions, including those relating to deferred taxes, are lower than those calculated by the application of the sum of the rates in effect (currently 34%) on corporate net income of the year before taxation, until this percentage is reached.

In compliance with the above criteria, during 2002 Banco Múltiplo reduced the recorded tax credits by R$ 39,590. Projections of taxable income of Banco Múltiplo indicate that the tax credits will be realized in up to 10 years in the following proportions: 1st year: 14.56 %; 2nd year: 11.23 %; 3rd year: 12 %; 4th year: 13.61%; 5th year: 15.20 %; as from the 6th year: 33.40 %.

d) Through Circulars 3068/01 and 3082/02, the Brazilian Central Bank determined the mark-to-market valuation of marketable securities and derivative financial instruments and the positive and negative adjustments must be recognized net of tax effects.

In conformity with these circulars, Banco Múltiplo started to recognize IRPJ, CSLL, PASEP and COFINS tax credits in the books in a separate account of Stockholders' equity - Securities available for sale – Adjustment to Market Value arising from the negative adjustments to marketable securities classified as available for sale.

With regard to the negative adjustments recorded in the results, Banco Múltiplo opted to not recognize the IRPJ and CSLL tax credits.

With regard to the positive adjustments recorded in the results and in the stockholders' equity accounts, the taxes incident (IRPJ, CSLL, PASEP and COFINS) were recorded as future tax liabilities.

e) As required by CMN Resolution 3059/02, the tax credit assets were classified based on their expectations of realization in up to five years and after five years, in conformity with technical studies prepared for this purpose.

f) For Banco Múltiplo technical study purposes, the respective tax credit assets were brought to current value based on the average rate of funds captured.

It is important to note that the tax credits based on temporary differences are formed with bases on the provisions recorded, the realizations of which are preponderantly long-term.

11 Equity in the Earnings of Subsidiary and Associated Companies

Significant investments in Brazil and abroad are valued on the equity method, based on the net book value of the subsidi conformity with BACEN and CVM instructions, and are classified in permanent assets in the investments account. The a accounting were included in Equity in the earnings of subsidiary and associated companies" as follows:

a) BB – Domestic and foreign branches

Participation of BB-Banco Múltiplo

DESCRIPTION	Paid in capital	Adjusted stockholder's equity	Result in the period	Base date	Our ownership	Number and type of shares	Dividends/ Interest on own equity	Credits/ (liabilities)	Income/ (expenses)	Equity in th Operational
SUBSIDIARY COMPANIES										
BAMB-Brazilian American Merchant Bank	1,501,313	1,510,492	(109,129)	12.31.02	100.00	Wholly-owned	—	—	—	(114,416)
BB-Administradora de Cartões de Crédito S.A.*	9,300	18,235	6,472	12.31.02	100.00	Wholly-owned	9,833	(237,827)	(18,935)	9,201
BB-Banco de Investimento S.A.	1,369,015	1,682,896	145,542	12.31.02	100.00	Wholly -owned	68,797	181,063	33,064	214,339
BB - Corretora de Seguros e Admin. de Bens S.A.	17,805	35,011	23,783	12.31.02	100.00	Wholly-owned	25,989	(50,092)	171,692	27,035
BB-Administradora de Ativos - Distribuidora de Titulos e Valores Mobiliários S.A.	99,628	103,132	149,048			Wholly-owned	166,287	(200,561)	451,355	158,469
BB – Europe N.V. S.A.**	—	—	—	12.31.02	100.00	Wholly-owned	—	—	—-	252
BB – Leasing Company Ltd.	3,533	367,804	27,450	12.31.02	100.00	Wholly-owned	—	—	—	25,358
BB – Leasing S.A. – Arrendamento Mercantil	61,860	54,783	1,128	12.31.02	100.00	Wholly-owned	—	216,345	62,235	1,128
Banco do Brasil A.G. Viena (Austria)	69,491	89,750	1,716	12.31.02	100.00	Wholly-owned	—	—	—	888
COBRA – Computadores e Sistemas Brasileiros S.A.	17,183	24,082	12,602	12.31.02	99.35	4,099,612 ON	10	—	—	12,602
ASSOCIATED COMPANIES										
Central Clearing	—	3,539	—	—	12.55	—	—	—	—	(1,124)
CADAM – Caulim da Amazônia S.A.	—	78,311	15,052	11.30.02	21.64	4,761,682 PNA	2,905	—	—	17,758
OTHER	—	—	—	—	—	—	—	—	—	—
SUBTOTAL	—	—	—	—	—	—	273,821	(91,072)	699,411	351,490
Abroad										
Foreign exchange gain/losses in branches	—	—	—	—	—	—	—	—	—	—
Increase/decrease in stockholders' equity arising from other movements	—	—	—	—	—	—	—	—	—	154
TOTAL	—	—	—	—	—	—	273,821	(91.072)	699,411	351,644

*Spun off company partially merged by Banco do Brasil S.A. on November 29, 2001
**Company closed in March 2002

b) BB – Consolidated

DESCRIPTION	Paid in capital	Adjusted stockholder's equity	Result in the period (A)	Base date	Our owner-ship	Number and type of shares	Dividends/ Interest on own equity	Credits/ (liabilities)	Income/ (expenses)	Equity in the Operational
1) BB-Multiple Bank Holding										
SUBSIDIARY COMPANIES										
BB-Administradora de Cartões de Crédito S.A.	9,300	18,235	6,472	12.31.02	100.00	Wholly-owned	9,833	(237,827)	(18,935)	9,201
BB - Corretora de Seguros e Admin. de Bens S.A.	17,805	35,011	23,783	12.31.02	100.00	Wholly-owned	25,989	(50,092)	171,692	27,035
COBRA - Computadores e Sistemas Brasileiros S.A.	17,183	24,082	12,602	09.30.02	99.35	4,099,612 ON	10	—	—	12,602
ASSOCIATED COMPANIES										
Central Clearing	—	3,539	—	—	12.55	—	—	—	—	(1,124)
CADAM – Caulim da Amazônia S.A.	—	78,311	15,052	11.30.02	21.64	4,761,682 PNA	2,905	—	—	17,758
OTHER	—	—	—	—	—	—	—	—	—	—
SUBTOTAL (1)	—	—	—				38,737	(287,919)	152,757	65,472
2) BB-BI Banco de Investimento Holding			**(A)**							
ASSOCIATED COMPANIES										
Brasilseg Participações S.A.	84,290	198,367	26,647	11.30.02	70.00	68,786 ON 171,965 PN	10,500	—	—	18,450
Cia. de Seguros Aliança do Brasil	129,861	206,729	53,209	11.30.02	70.00	146,171 ON 365,428 PN	31,741	—	—	37,246
Brasilprev	33,924	122,538	26,724	11.30.02	49.99	499,900 ON 161,967,594	1,845	—	—	13,359
Brasilcap	44,672	129,486	99,286	11.30.02	49.99	ON	66,720	—	—	49,633
Brasilsaúde	41,562	38,222	1,017	11.30.02	49.90	34,123,773 PN	—	—	—	521
Cia, Brasileira de Meios de Pagamento	74,534	133,828	112,743	11.30.02	31.996	4,321,467 ON	59,967	—	—	36,145
Segruradora Brasileira de Crédito à Exportação	9,165	12,085	4,222	11.30.02	12.088	1,100,000 ON	—	—	—	508
CIBRASEC	60,003	44,905	8,432	11.30.02	10.00	2,658 ON	305	—	—	843
Multi-Rio Operações Portuárias	10,011	12,769	(597)	11.30.02	49.99	2,502,258 ON 2,502,763 PN	—	—	—	(299)
Itapebi (C)	150,000	150,000	—	12.31.02	19.00	28,499,999 ON	—	—	—	—
Kepler Weber	51,228	76,563	14,157	11.30.02	24.38	24,157,186 ON	1,566	—	—	3,462
Cia Bras. Soluções e Serviços	20	8,936	218	11.30.02	37.467	350,000 ON 399,330 PN	—	—	—	82
Ativos S.A.	—	—	—	11.30.02	74.50	735 ON 1,500 PN	—	—	—	—
Maxblue Americas Holdings (D)	552,529	185,238	(177,099)	11.30.02	49.90	47,100,641 ON	—	—	—	(88,371)
SUBTOTAL(2)	—	—	—	—	—	—	172,644	—	—	71,579
3) BAMB Holding - Brazilian American Merchant Bank										
SUBSIDIARY COMPANY										
BBTUR - Viagens e Turismo Ltda.	4,700	—	39	—	99.99	LTDA	—	—	—	(18,149)
Other	—	—	—	—	—	—	—	—	—	—
SUBTOTAL (3)	—	—	39	—	—	—	—	—	—	(18,149)

DESCRIPTION	Paid in capital	Adjusted stockholder's equity	Result in the period (A)	Base date	Our owner-ship	Number and type of shares	Dividends/ Interest on own equity	Credits/ (liabilities)	Income/ (expenses)	Equity in the Operational
4) BB-DTVM Distribuidora de Titulos e Valores Mobiliários Holding										
ASSOCIATED COMPANIES - (not valued on the equity method)										
PRONOR	—	—	—	—	12.02	5,541,941 ON	—	—	—	—
SUBTOTAL (4)	—	—	—	—	—	—	—	—	—	—
Domestic										
Increase/decrease in stockholders' equity arising from other movements	—	—	—	—	—	—	—	—	—	2,039
Abroad										
Foreign exchange gain/losses in branches	—	—	—	—	—	—	—	—	—	—
Foreign exchange gain/losses in subsidiaries	—	—	—	—	—	—	—	—	—	—
Increase/decrease in stockholders' equity arising from other movements.	—	—	—	—	—	—	—	—	—	407
TOTAL	—	—	—	—	—	—	211,381	(287,919)	152,757	121,348

(A) The information refers to the period from December 2001 to November 2002, except for Maxblue Americas Holdings (Feb/2002 to Nov/2002) and Cia. Brasileira de Soluções e Serviços (

(B) The goodwill/negative goodwill arising on acquisitions of the investments was based on expected future profitability and other economic factors, respectively.

(C) Not recorded on the equity method because the company is in the pre-operating phase.

(D) On February 8, 2002, BB BI acquired the Maxblue Americas Holdings, class "A" shares, with voting rights, for R$ 220,522. The goodwill resulting from the difference between the bo based on future profitability and will be amortized in up to 10 years, proportionally to the projection of profits as from the 5th year, and may be accelerated depending on the result of the abroad equivalent to the exchange variance on the goodwill of Maxblue America Holdings was set up and amounts to R$ 78,411.

12 Transactions with Related Parties

Transactions with related parties are summarized below. Information on the investments accounted for on the equity method is given in Note 11 above:

Assets

	12.31.2002	12.31.2001
Short-term interbank investments	315,300	209,118
Lending operations	63,950	61,425
Derivative financial instruments	11,567	—
Other receivables	177,938	295,898
Total	568,755	566,441

Liabilities

	12.31.2002	12.31.2001
Demand deposits	3,064	10,534
Derivative financial instruments – difference payable	10,289	631
Funds obtained in the open market	642,254	728,894
Other	4,220	6,478
Total	659,827	746,537

Income	**2nd half 2002**	**12.31.2002**	**12.31.2001**
From loan operations	8,311	14,107	9,453
From rendering of services	294,289	635,222	842,837
From marketable securities	32,250	63,907	44,270
Other operating income	44,323	78,599	76,965
Total	379,173	791,835	973,525

Expenses	**2nd half 2002**	**12.31.2002**	**12.31.2001**
Fundings	(45,607)	(90,516)	(155,904)
Borrowing and onlendings	(1,872)	(1,908)	(1,262)
Other administrative expenses	—	—	(315)
Total	(47,479)	(92,424)	(157,481)

Other operating income refers to reimbursement of administrative expenses charged to related parties. Other receivables mainly comprise dividends receivable and amounts receivable from related parties.

13 Operating Limits – Basel Agreement

At December 31, 2002, the referential stockholders' equity exceeded the minimum required by R$ 1,353,235 and the coefficient of capital adequacy was 12.24% (12.67% as of December 31, 2001), while the minimum required by the Brazilian Central Bank is 11%.

Risk-weighted assets comprise the following:

	12.31.2002	12.31.2001
Cash and banks	2,550,465	586,767
Credits and securities issued or guaranteed by the Brazilian Government	78,906,069	69,563,990
Deposits with the Central Bank	17,970,515	8,480,272
Credits with related companies	58,940	1,051
Specific credits – rescheduling of rural credits	433,718	4,678,533
Foreign exchange portfolio	732,018	749,030
Other	453,225	589,319
Total subject to zero-risk	101,104,950	84,648,962
Foreign currency funds	7,514,461	5,050,477
Clearing services for checks and other papers	135,222	55,929
Foreign exchange portfolio	491,224	224,415
Deposits in other banks	1,502,670	187,596
Gold investments	14,488	7,732
Total subject to 20% risk	9,658,065	5,526,149
Weighted Amount	1,931,613	1,105,230
Funds applied in interbank deposits	7,580,303	5,526,821
Foreign exchange portfolio	8,558,892	4,890,375
Foreign securities abroad	57,703	49,598
Joint liabilities under credit assignments	—	49
Other	1,513,695	662,240
Total subject to 50% risk	17,710,593	11,129,083
Weighted Amount	8,855,297	5,564,541
Lending Operations	51,288,996	40,130,748
Property and equipment in use	2,539,215	2,295,621
Leased property and equipment	542,500	661,516
Investments	763,578	1,140,153
Securities	1,771,826	1,718,102
Foreign exchange portfolio	378,433	173,185
Memorandum accounts	(7,492,100)	(6,348,856)
Other	7,738,749	5,769,342

Total subject to 100% risk	57,531,197	45,539,811
Weighted Amount	57,531,197	45,539,811
Deferred tax assets – income tax and social contribution	11,846,947	12,205,504
Total subject to 300% risk	11,846,947	12,205,504
Weighted Amount	35,540,841	36,616,512
Total assets subject to risk weighting	197,851,752	159,049,509
Total Weighted Amount	103,858,948	88,826,094

The calculations of required stockholders' equity and adequacy coefficient are presented below:

	12.31.2002	12.31.2001
A) Assets subject to risk weighting	197,851,752	159,049,509
B) APR (assets weighted by risk)	103,858,948	88,826,094
C) SWAP credit risk	711,736	560,844
D) Requirement of stockholders' equity on APR (11% of B)	11,424,484	9,770,870
E) Requirement of stockholders' equity on SWAP (20% of C)	142,347	112,169
F) Requirement of stockholders' equity on interest rate exposure	457,031	588,050
G) Required stockholders' equity (PLE): D + E + F	12,023,862	10,471,089
H) Referential equity amount (PR): Stockholders' equity + subordinated debt	13,377,097	12,062,071
Level I	9,172,303	8,713,925
- Capital	7,435,544	7,435,544
- Capital reserves	4,754	4,754
- Revenue reserves	2,968,599	1,273,627
- Adjustment to Market Value – TVM and Derivatives	(1,110,815)	-
- Treasury stock	(125,779)	-
Level II (Note "e"-4)	4,204,794	3,348,146
Subordinated debts eligible to Capital (FCO)	4,180,032	3,314,718
Revaluation reserves	24,762	33,428
I) Ratio of Referential equity amount to required stockholders' equity: PR/PLE (H/G)	1.11	1.15
J) Surplus/(insufficiency) of stockholders' equity: PR - PLE (H/G)	1,353,235	1,590,982
L) Surplus/(insufficiency) of leverage: (Surplus/(insufficiency) of PL x 100)/11	12,302,141	14,463,473
M) Stockholders' equity adequacy coefficient	12.24	12.67

14 Employees' Profit Sharing

The amount of R$ 144,876 (2nd half 2002 - R$ 68,018) was accrued as employees and management profit sharing, equivalent to 25% of dividends, in conformity with article 2 of CCE Resolution 10/96 issued by the Council for Coordination and Control of State Owned Companies (CCE).

15 Assets and Liabilities in Foreign Currencies

Balance sheet amounts linked to foreign currencies are as follows:

	BB-Domestic and Foreign Branches		BB-Consolidated	
	12.31.2002	**12.31.2001**	**12.31.2002**	**12.31.2001**
Assets				
Assets in foreign currency (except investments)	21,156,166	15,171,372	21,160,633	15,172,466
Investments in foreign currencies registered in the country	1,987,923	1,238,717	—	—
Assets in foreign currencies registered abroad	25,023,379	16,093,955	22,386,058	15,494,615
Total	48,167,468	32,504,044	43,546,691	30,667,081
Liabilities				
Liabilities in foreign currencies registered in Brazil	16,012,841	9,546,928	12,200,225	7,595,376
Liabilities in foreign currencies registered abroad	29,555,838	19,698,896	28,785,580	19,690,268
Total	45,568,679	29,245,824	40,985,805	27,285,644

16 Market Risk Management (Amounts Unaudited)

Market risk and liquidity management

During the last quarter of 2002, the Global Risk Committee (CRG) defined new criteria to classify the securities portfolio of Banco Múltiplo (Circular Letter 3068) for the 2nd half of 2002, approved the exchange with the National Treasury of all the Financial Treasury Bills Serial A (LFT-A) for Financial Treasury Bills (LFT) and defined the setting up of an additional liquidity reserve for Internal Cash.

In December 2002, the Administration Council approved, for the year 2003, a capital adequacy coefficient limit of 0.65% relative to the market risk.

Interest rate risk

Even with the high elevation of domestic interest rates during the last quarter of 2002, the capital requirement for prefixed operations presented a reduction due to the expected drop in long-term interest rates, where the cash flows of these operations are concentrated.

The table below presents the behavior of the capital requirement and of VaR for prefixed operations during the year.

Capital requirement (in R$ million)

Interest rate (fixed rate)	06.28.02	09.30.02	12.31.02	Maximum*	Medium*	Minimum*
Capital requirement	573	469	457	665	523	405
VaR	573	308	186	649	319	177

* Jul/2002 to Dec/2002

Currency risk

The Bank continues with the strategy to not allocate capital to foreign exchange positions, remaining within the limits established by BACEN Resolution 2891/01.

Liquidity risk

In the last quarter of 2002, an additional liquidity reserve for internal cash was set up to attend, exclusively, to an eventual reduction of credit lines supported by BACEN Resolution 2770.

In the Bank's budget for 2003, among other risk factors, liquidity was taken into consideration in order to keep its level above the projected liquidity reserve.

Trading risk

In September 2002, the Global Risk Committee (CRG) reviewed the management structure and the limits for domestic and international trading portfolios - limits of maximum daily and monthly loss, limits of VaR and limits of stress – to adjust the portfolios to the financial market situation. The table below presents the VaR of the domestic and international trading portfolios during the second half of 2002:

VaR Trading	06.28.02	09.30.02	12.31.02	Maximum*	Medium *	Minimum *
Domestic R$	269	339	563	782	206	27
International US$	2,935	1,516	886	1,913	1,292	830

(*) Jul/2002 to Dec/2002.

17 Retirement and Pension Plans – Post-Employment Benefits

1) Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Official Government Plan. Plans offered through PREVI are either defined contribution (Plan 2) or defined benefit (Plan 1), the latter having adopted the capitalization method for actuarial calculations. At December 31, 2002, the number of participants was 121,651, 71,595 active and 50,056 retirees.

1.1) The plans for funding vested and unvested benefits are summarized as follows:

a) Participants hired prior to April 14, 1967, contemplated in a contract signed on December 24, 1997 between the Bank and PREVI (Plan 1): The sponsor assumes all commitments for the payment of benefits for this group, and for the mathematical reserves which are not yet fully funded. The remaining amount of commitments assumed for this group is fully provisioned by Banco do Brasil and amounts to R$ 3,852,117 at December 31, 2002. Participants of this group are entitled to a retirement benefit which is characterized as a defined benefit;

b) Participants hired between April 15, 1967 and December 23, 1997 (Plan 1): active participants contribute 3% of the contribution salary plus 2% of the amount of such salary that exceeds half of the amount of the PREVI contribution (in December 2002 - R$ 1,614.91), plus 8% of the part of the salary which exceeds the PREVI contribution. Participants receiving benefits contribute 8% of the amount of the pension complement and the sponsor an amount equal to the contributions of the participants. Participants of this group are entitled to a retirement benefit which is characterized as a defined benefit.

c) Participants hired as from December 24, 1997 (Plan 2): active participants contribute to PREVI an amount between 7% and 17% of the contribution salary, varying based on length of service and the level

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. Participants of this group are entitled to a retirement benefit which is characterized as a defined contribution.

1.2) Effects of Benefit Plans 1 and 2 on the December 31, 2002 financial statements, based on actuarial appraisals as of December 31, 2001 and December 31, 2002, by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	12.31.2002	12.31.2001	
	Plan 1	Plan 1	Plan 2
1) Present value of funded actuarial liabilities	42,088,217	33,245,386	37,608
2) Present value of unfunded actuarial liabilities	—	—	—
3) Present value of actuarial liabilities (1+2)	42,088,217	33,245,386	37,608
4) Fair value of plan assets	(42,529,571)	(34,858,133)	(41,564)
5) Present value of liabilities in excess of (less than) fair value of the assets (3 + 4)	(441,354)	(1,612,747)	(3,956)
6) Actuarial (gains) or losses not recognized	(1,602,813)	—	—
7) Net actuarial liability/(asset) to be provisioned (5-6)	(2,044,167)	(1,612,747)	(3,956)

Note: Assets of Plan II, in the amount of R$ 3,956, were not maintained because it is defined contribution plan.

b) Amounts transferred to PREVI during 2002:

Description	Plan 1	Plan 2	Total
Sponsor Contributions	342,782	15,879	358,661
Amounts transferred to PREVI referring to the 1997 Contract	1,557,258	—	1,557,258
Total transferred to PREVI	1,900,040	15,879	1,915,919

c) Effect on net income for the year 2002:

Description	Plan 1	Plan 2	Total
1) Cost of current service (with interest)	329,337	31,758	361,095
2) Interest on actuarial liabilities	4,508,579	—	4,508,579
3) Expected earnings on assets	4,771,372	—	4,771,372
4) Total gross expense (income) to be recognized (1 + 2 - 3)	66,544	31,758	98,302
5) Expected contributions from participants	155,182	15,879	171,061
6) Total net expense (income) to be recognized (4 - 5)	(88,638)	15,879	(72,759)

1.3) The main economic assumptions adopted for the actuarial calculations were the following:
- Real interest rate used for discounting actuarial liabilities to present value: 7.8%
- Real expected yield on plan assets: 7.8%
- Estimated salary increase indices: 2.206% for Plan 1 and 3.325% for Plan 2

2) Benefits of the exclusive responsibility of the Bank

Banco do Brasil is also responsible for assistance and pension benefits for employees hired prior to April 14, 1967 not provided for in the PREVI Benefits Plan with characteristics of a defined benefit plan and the regime adopted for actuarial calculations is that of capitalization. There were 8,455 participants at December 31, 2002.

The main benefits are: (a) retirement pensions to founder participants and pension payments to participants deceased prior to April 14, 1967; (b) payment of retirement supplements to the other participants working for Banco do Brasil who retired up to April 14, 1967 or who, at this date, already had conditions to retire for length of service and who had at least 20 years of effective service at Banco do Brasil; and (c) increase in retirement payments and pension payments additional to those provided by the PREVI Benefit Plans, as a result of judicial and administrative decisions due to the restructuring of job and salary and incentive plans created by the Bank.

2.1) The cost of these benefits is totally funded by Banco do Brasil.

2.2) Effects on the December 31, 2002 financial statements, based on actuarial appraisals as of December 31, 2001 and December 31, 2002, by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

	12.31.2002	12.31.2001
1) Present value of actuarial liabilities with coverage	—	—
2) Present value of actuarial liabilities not covered (Plans without financial assets)	1,421,934	1,270,943
3) Present value of actuarial liabilities (1 + 2)	1,421,934	1,270,943
4) Fair value of plan assets	—	—
5) Present value of liabilities in excess of fair value of the assets (3 + 4)	1,421,934	1,270,943
6) Actuarial (gains) or losses not recognized	154,350	—
7) Net actuarial liability/ (Asset) to be provisioned (5 – 6)	1,267,584	1,270,943

b) Amounts transferred to PREVI during 2002:

Total of benefits transferred to PREVI	226,103

c) Effect on net income for the year 2002:

1) Cost of current service	—
2) Contributions from participants	—
3) Interest on actuarial liabilities	165,341
4) Actuarial (gains) or losses not recognized	57,403
5) Expected earnings on assets	—

6) Effect of the expenses recorded in the results (1–2 + 3 + 4-5) 222,744

2.3) The economic assumptions adopted for the actuarial calculations at December 31, 2002 were the same as those adopted for the PREVI Plan (item 1.3).

3) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI – Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses with the promotion, protection, recovery and rehabilitation of a member's health and inscribed beneficiaries. At December 31, 2002, there were 142,311 participants, of which 78,542 active and 63,769 retired participants and pensioners.

The Bank contributes monthly an amount equivalent to 1.5 times the total contributions from members (active and retired) and the beneficiaries of pension plans of employees hired prior to December 23, 1997 and 1 time the total contributions from employees hired after that date. Monthly contributions from members and beneficiaries of pension plans correspond to 3% of overall pension amounts or the total retirement or pension plan benefits.

3.1) Effects of the CASSI Plan on the December 31, 2002 financial statements, based on actuarial appraisals as of December 31, 2001 and December 31, 2002, by an independent actuary, as required by CVM Resolution 371/00:

a) Equity effect (reconciliation of assets and liabilities):

Description	12.31.2002	12.31.2001
1) Present value of actuarial liabilities with coverage	—	—
2) Present value of actuarial liabilities not covered (Plans without financial assets)	1,831,412	1,454,944
3) Present value of actuarial liabilities (1 + 2)	1,831,412	1,454,944
4) Fair value of plan assets	—	—
5) Present value of liabilities in excess of fair value of assets (3 + 4)	1,831,412	1,454,944
6) Actuarial (gains) or losses not recognized	316,179	—
7) Net actuarial liability/ (Asset) to be provisioned (5 – 6)	1,515,233	1,454,944

b) Amounts transferred to CASSI during 2002:

Sponsor Contributions	262,263

c) Effect on net income for the year 2002:

1) Cost of current service	17,353
2) Contributions from participants	—
3) Interest on actuarial liabilities	192,348
4) Expected earnings on assets	—
5) Effect of the expenses recorded in the results (1 – 2 + 3 – 4)	209,701

3.2) The economic assumptions adopted for the actuarial calculations at December 31, 2002 were the same as those applied to the PREVI Plan (item 1.3).

4) Policy to recognize actuarial gains and losses

In accordance with CVM Deliberation 371, the part of actuarial gains and losses to be recognized as income or expense in a defined benefit plan is the amount of unrecognized gains and losses that exceeds, in each period, the higher of the following limits:

-10% of the present value of the total actuarial liability of the defined benefit; and

-10% of the fair value of plan assets.

This part will be amortized annually, dividing the average time of service remaining estimated for the participant employees.

5) Summary of Provisions and Liabilities of PREVI and CASSI

Description	Net actuarial liability/ (asset) on 1.01.2002	Expense (income) recognized in the results	Contributions of sponsor conveyed in the year	Net actuarial liability (asset) on 12.31.2002
Actuarial liability of PREVI referring to the 1997 contract	4,241,289	1,168,086	(1,557,258)	3,852,117
Adjustment account of Actuarial liability of PREVI	(1,612,747)	(88,638)	(342,782)	(2,044,167)
Actuarial liability of PREVI Informal Plan (exclusive responsibility of the Bank)	1,270,943	222,744	(226,103)	1,267,584
Actuarial liability of CASSI	1,454,944	209,701	(149,412)	1,515,233
Total actuarial liability of Banco do Brasil	5,354,429	1,511,893	(2,275,555)	4,590,767

6) PREVI contributions parity

In order to comply with the Federal Constitution, the parity between the contributions from the Bank and from participants was implemented as from April 6, 2001.

On April 12, 2001, the Judge of the Seventh Federal Court of the Federal District granted a partial injunction for a collective writ of mandamus filed by the São Paulo Bank Workers' Union against the Complementary Pension Secretariat and against the Fiscal Director nominated by the Secretariat for PREVI.

The injunction suspends the April 6, 2001 determination of PREVI's Fiscal Director which authorizes the use of the R$ 2.2 billion attributable to Banco do Brasil' share in PREVI's remaining reserve balances, after the implementation of parity, to amortize pension liabilities with the entity that are the Bank's responsibility, retroactive to December 15, 2000.

While the injunction remains in force, the decisions of the Fiscal Director cannot be complied with.

The amount of R$ 2.2 billion is being restated by applying the variation of the IGP-DI index plus 6% per year. The restated amount was R$ 3.5 billion at December 31, 2002.

18 Remuneration Paid to Employees and Management

In the form required by item 4, Section C of Ministry of Finance Statement of Justification 139/88, the monthly remuneration of employees and management of the Bank in Brazil is presented as follows (in reais):

Employees	2002	2001
Lowest salary:		
Standard remuneration	638.40	344.70
Amount per individual/Additional for length of service – I	—	76.37
Semi-annual bonus	159.60	105.26
Total	798.00	526.33
Highest salary:		
Standard remuneration	883.50	841.20
Amount per individual/Additional for length of service – I	464.00	671.34
Amount per individual – Standard remuneration	1,389.51	1,510.92
Variable temporary complement – position involving deputation	7,772.35	4,914.38
Additional per function	2,125.80	2,125.80
Additional for temporary work revitalized	1,319.40	1,319.40
Semiannual bonus	1,545.55	1,617.16
Total	15,500.11	13,000.20
Average salary	2,593.35	2,631.33
Managers		
President	20,200.20	20,200.20
Vice-President	18,200.10	18,200.10
Director	15,500.10	15,500.10

19 Assignment of Employees to External Organs

a) Costs Assumed by the Bank:

1) Federal Government

Assignments are regulated by article 93 of Law 8112/90 (amended by Law 9257/97), Decree 925/93, and by PGFN/CJN Note 088/96 issued by the General Counsel of the National Treasury.

	2002	2001
Number of employees assigned	8	98
Cost in the year	856	10,664

2) Labor Unions

Assignment occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

	2002	2001
Number of employees assigned	90	88
Cost in the year	4,772	5,018

3) Other Organs/Entities

Assignments occur as a result of reciprocal agreements of strategic business interests of the Bank:

	2002	2001
Number of employees assigned	3	1
Cost in the year	512	201

b) Without Cost to the Bank

	2002	2001
Number of employees assigned without cost	1,033	1,013
1) Federal Government	355	267
2) External Organizations	621	663
3) Labor Unions	2	3
4) Employees Entities	32	29
5) Affiliated Entities	23	51
Total employees assigned	1,134	1,200

20 Commitments, Responsibilities and Contingencies

a) Contingent liabilities

The Bank and its subsidiaries are parties to various processes in the judicial and administrative sphere with civil and tax contingencies related to income tax, indirect taxes and labor claims. Based on a case-by-case analysis, the legal directorate evaluates the probability of favorable outcomes. Accordingly, in an eventual unfavorable outcome, the provision would be consonant with the disbursement and would not generate a significant effect on the financial situation or on the results of the operations. The provisions for contingent liabilities of Banco Múltiplo totaled R$ 2,355,905 at December 31, 2002 (R$ 1,837,522 at December 31, 2001). Changes in these provisions, segregated by nature, are presented in Note 7.

1. Provisions for tax, civil and social security demands are set up taking into consideration the probability of favorable outcomes to the plaintiff who filed the condemnatory action against the Bank and its subsidiaries;

2. For the other labor claims an evaluation of the jurisprudence position of each plaintiff's demand is carried out. With this, the percentage of provision in each phase of the process is established, taking into consideration the results of judgments in the judicial instances.

b) Other commitments

The Bank is the sponsor of Fundação Banco do Brasil. Its purpose is the promotion, support, advancement, and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as research activities of a technological and scientific nature, and rural and urban community assistance services.

Guarantees conceded in favor of third parties for a fee and which involve counter-guarantees from the beneficiaries – guarantees, collateral signatures and letters of guarantee - amounted to R$ 3,606,270 as of December 31, 2002 (R$ 2,344,974 at December 31, 2001).

The credit lines that were not used relating to credit and commercial leasing operations contracted amount to R$ 13,545,421 at December 31, 2002 (R$ 41,759,261 at December 31, 2001).

The confirmed import and export letters of credit total R$ 2,134,139 at December 31, 2002 (R$ 1,029,325 at December 31, 2001).

The Bank is the operator of the Fund for Sectorial Investments (FISET) which has net assets of R$ 2,282 and the Public Service Employee Savings Program (PASEP) which has net assets of R$ 1,193,623. The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

The Bank has credit commitments arising from contracted operations and responsibilities for administration services, including cash custody services.

Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance for its assets at levels considered sufficient to cover any losses.

21 Funds Obtained in Foreign Capital Markets

In August 2001, Banco do Brasil S.A. realized a transaction to securitize the currency flows to Brazil from Brazilian workers resident in Japan ("dekasseguis"), which involves the Bank's branches in Japan and in Grand Cayman. The transaction, in the amount of US$ 300 million, with interest of 7.875% p.a. and final maturity on August 5, 2006 is recorded in Other Liabilities – Negotiation and intermediation of securities.

In December 2001, the Bank concluded a foreign borrowing operation related to the sale of rights to the flow of payment orders in U.S. dollars to Brazil. The borrowing, amounting to US$ 450 million, falls due on December 15, 2008 and bears interest of 7.89% p.a. This liability is also recorded in Other Liabilities – Negotiation and intermediation of securities.

Both operations represent the assumption of an obligation to sell the rights of remittance to a foreign company, the funds being subject to retention by the trustee up to the respective maturities.

In June 2002, the Bank concluded the transaction to capture funds abroad amounting to US$ 300 million related to the sale of rights on the flow of payment orders in U.S. dollars to Brazil, originating from its branch in New York.

The structure of the transaction includes an insurance from AMBAC, which guarantees an AAA rating by the main risk rating agencies, Moody's and Standard & Poor's.

The transaction, with interest at the 3 month LIBOR rate + 0.60% p.a. matures on June 15, 2009 and is also recorded in Other Liabilities – Negotiation and intermediation of securities.

22 Statement of Value Added

	BB-Domestic and Foreign Branches						BB-		
	2nd half 2002		2002		2001		2nd half 2002		20
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**	**BAL**
Value Added Calculation									
Gross profit from financial intermediation	4,848,112		7,999,700		4,162,606		4,774,855		8,07
Income from services rendered	2,123,925		4,131,690		3,637,779		2,276,842		4,45
Other operating income/(expenses)	(3,198,291)		(4,777,344)		(1,870,973)		(3,093,570)		(4,82
Non-operating results	116,027		166,704		10,651		129,963		17
Retained earnings	246,722		246,722		—		246,722		24
Value Added	4,136,495		7,767,472		5,940,063		4,342,485		8,12
Equity in the earnings of subsidiary and associated companies	1,306,055		2,471,970		2,071,097		1,315,760		2,30
Gross Value Added	5,442,550		10,239,442		8,011,160		5,650,572		10,42
Amortization/Depreciation Expenses	(224)		(442,471)		(514,579)		(121,318)		(44
Value Added to Be Distributed	5,442,326	100.00	9,796,971	100.00	7,496,581	100.00	5,529,254	100.00	9,97
Distribution of Value Added									
Work remuneration	2,621,882	48.18	5,026,459	51.31	5,024,953	67.03	2,642,138	47.78	5,06
Salaries and fees	1,883,809		3,609,276		3,517,841		1,899,605		3,63
Benefits, social charges, and training	670,055		1,272,307		1,440,766		674,515		1,28
Employees profit sharing	68,018		144,876		66,346		68,018		14
Government remuneration	1,369,167	25.16	2,496,114	25.48	1,389,676	18.55	1,435,839	25.97	2,63
In Brazil	1,334,278		2,437,494		1,356,356		1,400,562		2,57
Social security (INSS) on salaries	337,216		623,709		586,186		339,296		62
Tax expenses (except income tax and social contribution)	422,054		769,224		598,955		440,255		80
Income tax/social contribution	575,008		1,044,561		171,215		621,011		1,13
Foreign	34,889		58,620		33,320		35,277		5
Tax expenses (except income tax and social contribution)	4,318		10,342		9,120		4,446		1
Income tax/social contribution	30,571		48,278		24,200		30,831		4
Stockholders remuneration	1,451,277	26.66	2,274,398	23.21	1,081,952	14.42	1,451,277	26.25	2,27
Dividends/interest on own capital of the	198,291		422,353		190,772		198,291		42

	BB-Domestic and Foreign Branches						BB-		
	2nd half 2002		2002		2001		2nd half 2002		20
DESCRIPTION	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**	**BALANCE**	**%**	**BAL**
Union									
Dividends/interest on own capital of other stockholders	73,781		157,152		74,613		73,781		15
Retained Earnings	1,179,205		1,694,893		816,567		1,179,205		1,69
Value Added Distributed	5,442,326	100.00	9,796,971	100.00	7,496,581	100.00	5,529,254	100.00	9,97

23 Statement of Cash Flow

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	2002	2001	2nd half 2002	2002	2001
Cash flows from operating activities						
Net income	1,204,555	2,027,676	1,081,952	1,204,555	2,027,676	1,081,952
Expenses (income) not affecting cash:						
Depreciation and amortization	224,091	442,471	514,468	226,240	447,337	517,978
Depreciation of leased assets	—	—	—	102,249	215,986	239,024
Amortization of losses	—	—	—	981	1,935	2,167
Earnings from equity accounting	(1,306,055)	(2,471,970)	(2,071,097)	(1,315,760)	(2,303,634)	(1,600,589)
Variation in currency conversion rates	783,950	1,370,695	1,195,659	1,212,142	2,112,119	1,446,882
Gain/losses on changes in ownership percentage	—	—	—	(3,259)	(3,299)	—
(Gain)/losses on investments	(130)	(230)	(12)	(130)	(229)	(2,237)
(Profit)/loss on sale of assets and investments	—	(20)	37,765	(12,765)	(12,794)	37,765
Provision for losses on investments	(6,662)	(7,827)	(37,418)	(7,262)	32,884	(51,685)
Provision for losses on fiscal incentives	—	—	—	—	—	(76)
Write-off of fixed assets	13,210	26,954	41,742	13,210	26,954	41,742
Write-off of investments	13,803	13,821	7	13,803	13,821	7
Surplus depreciation	1	—	—	8,251	(4,885)	(44,745)
Amortization of share premiums	—	—	—	6,592	13,184	13,024
Provision for devaluation of other assets	—	—	—	(107)	(69)	1,110
Other adjustments	(5,997)	3,455	8,292	(6,709)	(8,305)	7,282
Transfer of profits from foreign subsidiaries	—	26,340	387,726	—	2,496	—
Variation in deferred income	15,228	12,785	59,035	15,223	12,796	58,940
Lending operations	(5,166,559)	(11,691,542)	(9,038,131)	(4,934,391)	(11,181,979)	(4,308,492)
Leasing operations	—	—	—	7,309	9,953	23,888
Interbank and interdepartmental transactions	(9,478,265)	(9,260,180)	(1,923,385)	(9,485,692)	(9,270,365)	(1,910,525)
Other receivables	(3,162,158)	1,147,874	1,762,530	(3,205,503)	1,002,075	1,541,463

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	2002	2001	2nd half 2002	2002	2001
Prior years adjustments to market value	(143,612)	246,716	—	(143,612)	246,716	—
Prior years adjustments net of taxation – CVM Instruction 371/00	—	—	(34,760)	—	—	(34,760)
Revaluation reserve by equity accounting	—	(1,619)	—	—	(1,619)	—
Adjustments to market value – TVM and derivative financial instruments	559,679	(1,110,815)	—	559,679	(1,110,815)	—
Stockholders' resources – Capital realization	—	—	16	—	—-	16
Merger of associated companies	—	—	264,588	—	—	80,685
Capital increase	—	—	290	—	—	290
Cash used in operating activities	**(16,454,921)**	**(19,225,416)**	**(7,750,733)**	**(15,744,956)**	**(17,732,061)**	**(2,858,894)**
Cash provided by financing activities						
Deposits	17,233,022	24,635,532	4,451,289	17,543,127	23,817,363	4,365,630
Borrowings and onlendings	3,863,071	6,922,651	3,098,017	3,723,273	5,658,028	2,537,695
Funds obtained in the open market	10,762,736	4,686,844	15,711,222	10,818,797	4,574,335	15,685,367
Donations and subsidies for investments	—	—	—	—	—	5,333
Derivative financial instruments	48,928	726,417	363,371	39,322	742,845	363,371
Other liabilities	3,162,110	4,067,035	2,889,222	3,386,050	3,794,419	2,534,961
Notes and securities	209,519	(96,918)	351,647	222,101	(108,098)	345,846
Proposed dividends	(272,072)	(579,505)	(265,385)	(272,072)	(579,505)	(265,385)
Total funds inflow	**35,007,314**	**40,362,056**	**26,599,383**	**35,460,596**	**37,899,387**	**25,572,818**
Cash flows from investing activities						
Dividends received from Subsidiary and Associated companies	79,197	186,917	279,388	72,529	169,880	78,048
Interests on own capital receivable	34,694	86,904	141,568	13,654	41,449	14,173
Investments in assets not in use	(37,853)	(66,837)	(63,647)	(38,296)	(68,629)	(64,228)
Investments in assets for use	(497,017)	(616,051)	(500,199)	(497,931)	(617,881)	(501,298)
Investments in leased assets	—	—	—	(76,513)	(178,191)	(363,766)

	BB-Domestic and Foreign Branches			BB-Consolidated		
	2nd half 2002	2002	2001	2nd half 2002	2002	2001
Investments	(3,307)	(7,642)	(5,650)	(34,960)	(321,260)	(41,474)
Remittance of funds to subsidiaries	—	—	(18,739)	—	—	—
Sale of non-operating assets	41,886	123,309	150,395	42,563	125,272	151,615
Sale of assets for use	—	1,454	1,959	—	1,454	1,959
Sale of leased assets	—	—	—	41,090	83,355	96,510
Sale of investments	—	643	1,175	448,932	452,225	72,760
Adjustment to market value of Subsidiary and Associated companies	2,997	46,327	—	(12,747)	(22,368)	—
Purchase of own shares	(125,779)	(125,779)	—	(125,779)	(125,779)	—
Deferred charges	(79,342)	(123,868)	(145,885)	(80,096)	(125,375)	(146,653)
Short-term interbank investments	(11,886,433)	(6,658,473)	(4,335,170)	(12,889,165)	(5,149,789)	(7,550,748)
Other assets and rights	(14,366)	(37,306)	57,741	2,332	(37,817)	59,006
Marketable securities and derivative financial Instruments	(1,838,876)	(8,033,251)	(11,629,888)	(2,352,054)	(8,478,537)	(11,744,922)
Capital increase of subsidiaries	—	—	(19,204)	—	—	(14,385)
Cash provided by (used in) investing activities	**(14,324,199)**	**(15,223,653)**	**(16,086,156)**	**(15,486,441)**	**(14,251,991)**	**(19,553,403)**
Net change in cash	**4,228,195**	**5,912,987**	**2,762,494**	**4,229,201**	**5,915,335**	**2,760,521**
Statement of change in cash:						
At the beginning of the period/year	7,341,625	5,656,833	2,894,339	7,352,860	5,666,726	2,906,205
At the end of the period/year	11,569,820	11,569,820	5,656,833	11,582,061	11,582,061	5,666,726
Increase in cash	**4,228,195**	**5,912,987**	**2,762,494**	**4,229,201**	**5,915,335**	**2,760,521**

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