This report contains statements concerning expectations, planned synergies, growth estimates, forecasts and future strategies related to Banco do Brasil and its subsidiaries, associated companies and affiliates. Although these statements reflect management’s current beliefs, they involve imprecisions and risks that are difficult to predict, and actual results and events may differ from those anticipated and discussed herein. These expectations depend materially on market conditions, Brazil’s economic performance and developments in the banking industry and international markets. Banco do Brasil does not assume any responsibility to update the estimates contained in this report.

This report contains tables and charts that present financial figures rounded to the nearest million of Brazilian real. The rounding method used complies with Regulation 886/66 issued by Fundação IBGE: if the last digit is equal to or greater than 5, the last remaining digit is increased by one unit; and if the last digit is less than 5, it is discarded and the digit before it is maintained. Variations, in both nominal and percentage terms, were calculated using numbers in units.
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The Management Discussion and Analysis (MD&A) presents the economic/financial situation of Banco do Brasil (BB). Geared toward market analysts, stockholders and investors, with quarterly periodicity, this report addresses topics such as the economic environment, BB’s shares performance, corporate governance practices, and risk management. There are separate analyses of the capital structure and the results.

The reader will also find eight period historical series tables of the Summarized Balance Sheet, the Summarized Corporate Law Income Statement, the Income Statement with Reallocations, the Analytic Spread, and other information about profitability, productivity, loan quality portfolio, capital structure, capital market, and structural data.

Based on paragraph 55 of CVM Deliberation 371/2000, Banco do Brasil has decided to adopt, as from the closing of the fiscal year ended 2009 and for the coming fiscal years, on a consistent recurring basis, a faster recognition of the actuarial gains and losses related to Benefit Plan I (Plan I of Previ). The result of PREVI was regarded as recurring and the revenues arising from the surplus will be recognized on a quarterly basis. In order to allow comparability of the result for each quarter with the previous quarters, the revenues of PREVI are segregated in a specific caption in the Statement of Income with reallocations.

Considering the strategic transactions relevance announced in 2008 second half (acquisitions, mergers and partnerships), the details related to the companies associated with business in course and to transactions already executed are presented in this report, evidencing the transactions impact on BB’s results and producing a (pro forma) simulation of how the Bank’s main indicators would be like if all the companies were consolidated.

We also emphasize that, as of 1Q09, all the financial statements and management analyses developed will be based on the “Economic Financial Consolidation” view, which provides for the consolidation of all the companies belonging to the economic group. Heretofore the report contained the financial companies’ consolidation only. For comparability, we inform that 2008 results also respect the same vision.

In order to make this report more concise, Banco do Brasil opted to migrate the socio-environmental information to the Internet as of 3Q10, aligning it with the initiative of disclosure of the Annual Report in electronic media. This information, previously presented in chapter 9, will be made available at www.bb.com.br/ir, “Corporate Governance” link, within up to three weeks after the disclosure of the Result. BB, in step with the Triple Bottom Line concept and believing that this data collaborates to a full view of corporate performance, will maintain its pioneer initiative among Brazilian banks of disclosing this data on a quarterly basis.

Until 4Q10, the actuarial reassessments of Previ’s Plan I were classified as non-recurring. In that quarter, the item was classified as non-recurring in the quarter and recurring in the year. From 2010 on, the reassessments of assets and liabilities started to be done in a biannual basis, which reduces the volatility in BB’s results. Thus, all the amounts from the surplus are considered recurring since then. Exceptionally in 2Q10, the amounts related to the biannual reassessment were distributed between the first and second quarters, for comparison purposes. However, after inquiries to the market, it was decided that the amounts would be part of the recurring results from the quarters of reassessments.

At the end of the report we present the Financial Statements and Explanatory Notes for the quarter under analysis.

On-line Access

The Management Discussion and Analysis is also available on Banco do Brasil’s Investor Relations website. Further information about BB is also available there, such as: Corporate Governance, news, frequently asked questions, a download center which contains versions of this report for the Adobe® Reader® software. General information, balance sheet analysis, and complete financial statements; the historical series in Excel; presentations to the market; Social and Environment Responsibility Report Social Balance Sheet; Teleconferences on Results and Other are also available on the Website.

Banco do Brasil S.A. Investor Relations
bb.com.br bb.com.br/ir
Summary of the Results

BB Earns R$11.7 Billion in 2010

Banco do Brasil reported a net income of R$11,703 million in 2010, up 15.3% from 2009. The result represents annualized return on average shareholders’ equity (ROE) of 27.0%. Segregating the one-off items, recurring net income was R$10,664 million in 2010, an increase of 25.4% over 2009. The recurring return on equity was 24.6%.

In 4Q10, net income reached R$4,002 million, presenting a 3.7% decrease from the same period of 2009. The 4Q10 ROE was 36.6%. On recurring basis, income of the period attained R$3,704 million, up 103.6% from the same period of 2009 and 43.7% from 3T10. The recurring return on shareholders’ equity was 33.6%.

Earnings per Share of R$4.32 in 2010

Earnings per share reached R$4.32 in 2010, up 9.3% from that observed in 2009. In the quarterly comparison, earnings per share recorded R$1.43, 55.5% higher than in the 3Q10.

40% of Net Income Distributed to Shareholders

Banco do Brasil maintained its payout policy of paying 40% of its net income to shareholders. In the quarter, BB allocated R$917.4 million to dividends and R$685.8 million to interest on own capital.
BB consolidates its leadership in the Banking Industry with R$811 billion in assets

Banco do Brasil reached R$811,172 million in total assets at the end of December, up 14.5% from the same period of 2009 and 1.8% from the end of the previous quarter. The loan operations and securities portfolio kept their expansion trends, recording growth of 5.5% and 4.6%, respectively, from the previous quarter.

Main Equity Items
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>708,549</td>
<td>796,815</td>
<td>811,172</td>
<td>14.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Loan Portfolio</td>
<td>300,829</td>
<td>339,826</td>
<td>358,366</td>
<td>19.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Securities</td>
<td>124,337</td>
<td>137,595</td>
<td>143,867</td>
<td>15.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Short-term Interbank Operations</td>
<td>168,398</td>
<td>155,300</td>
<td>107,579</td>
<td>(36.1)</td>
<td>(20.5)</td>
</tr>
<tr>
<td>Deposits</td>
<td>337,564</td>
<td>348,336</td>
<td>376,851</td>
<td>11.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>56,459</td>
<td>59,018</td>
<td>63,503</td>
<td>12.5</td>
<td>7.6</td>
</tr>
<tr>
<td>Savings Deposits</td>
<td>75,742</td>
<td>85,703</td>
<td>89,288</td>
<td>17.9</td>
<td>4.2</td>
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<tr>
<td>Interbank Deposits</td>
<td>11,619</td>
<td>11,216</td>
<td>18,998</td>
<td>63.5</td>
<td>69.4</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>193,516</td>
<td>192,042</td>
<td>204,652</td>
<td>5.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>160,821</td>
<td>165,594</td>
<td>142,175</td>
<td>(11.6)</td>
<td>(14.1)</td>
</tr>
<tr>
<td>Shareholder’s Equity</td>
<td>36,119</td>
<td>48,204</td>
<td>50,441</td>
<td>39.6</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Loan Portfolio Exceeds R$388 Billion

The loan portfolio, in Extended concept that includes provided guarantees and private securities in the portfolio, attained R$388,224 million, 6.3% growth in the quarter and 20.8% in 12 months. The classified loan portfolio (in accordance with CMN Resolution 2682) reached R$358,366 million, growth of 19.1% in 12 months and 5.5% in the quarter. The domestic loan portfolio grew 19.2% in one year and 5.0% over September. Banco do Brasil’s share in the domestic market was 19.8% in December 2010.

The domestic portfolio grew 19.2% over December 2009, in line with estimates for 2010 disclosed to the market at the time 4Q09 results were disclosed. The 2010 Guidance forecasted a growth between 18% to 23% in the year.

Loan Portfolio
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Portfolio</td>
<td>300,829</td>
<td>305,551</td>
<td>326,522</td>
<td>339,826</td>
<td>358,366</td>
<td>19.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>283,560</td>
<td>288,044</td>
<td>307,018</td>
<td>321,822</td>
<td>337,921</td>
<td>19.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>91,791</td>
<td>95,092</td>
<td>101,122</td>
<td>107,368</td>
<td>113,096</td>
<td>23.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Payroll Loan</td>
<td>36,514</td>
<td>38,550</td>
<td>40,476</td>
<td>42,178</td>
<td>44,976</td>
<td>23.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Auto Loans</td>
<td>20,738</td>
<td>21,037</td>
<td>22,774</td>
<td>25,304</td>
<td>27,395</td>
<td>32.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Businesses</td>
<td>125,336</td>
<td>128,080</td>
<td>135,575</td>
<td>140,502</td>
<td>149,810</td>
<td>19.5</td>
<td>6.6</td>
</tr>
<tr>
<td>SME</td>
<td>44,920</td>
<td>45,215</td>
<td>47,382</td>
<td>48,396</td>
<td>50,916</td>
<td>13.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Middle and Large</td>
<td>80,416</td>
<td>82,865</td>
<td>88,193</td>
<td>92,006</td>
<td>98,894</td>
<td>23.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>66,434</td>
<td>64,872</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
<td>12.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Abroad</td>
<td>17,268</td>
<td>17,507</td>
<td>19,504</td>
<td>18,004</td>
<td>20,445</td>
<td>18.4</td>
<td>13.6</td>
</tr>
</tbody>
</table>
Consumer Credit Leads the Portfolio Expansion

At the end of 4Q10, loans to individual clients reached R$113,096 million, up 23.2% from the twelve previous months and 5.3% from the last quarter. This is portfolio with the major increase, with relative share of 31.6% of the total portfolio. Among the most relevant credit facilities, special emphasis is placed on the growth of vehicle financing operations, which recorded an expansion of 8.3% from September and 32.1% from December 2009. Payroll loans showed a 6.6% growth in the quarter, and continue to be BB’s main consumer financing credit facility.

Loans to businesses, which represent 41.8% of BB’s total portfolio, reached R$149,810 million in December 2010, a 19.5% expansion in twelve months and 6.6% comparing to the end of previous quarter. Both in the quarterly comparison and in twelve months, growth was concentrated in loans with medium and large companies (middle and corporate segments).

The agribusiness portfolio recorded a growth of 12.9% in relation to December 2009 and 1.4% in the quarter. The slight increase compared to 3Q10 is due to the concentration of credit release for working capital for input purchase that always occurs in the third quarters of each year (beginning of the crop year).

Considering the foreign portfolio, a 18.4% growth was recorded in a 12-month period and 13.6% compared to September. It is worth emphasizing that this portfolio is highly influenced by changes in foreign exchange rates, since it comprises transactions contracted in other currencies, mostly the US dollar and the Japanese yen.

The Recurring Income Is a Result of the Operations Expansion, Credit Risk Improvement and Expense Control

Recurring income for the quarter recorded a 103.6% growth over the same period of the previous year and 43.7% over 3Q10. Both in comparison with previous quarter and in relation to the same period of 2009, the growth of recurring income was based on:

- Business expansion: reflected in the growth in fee income;
- Improvement of the credit risk: which allowed the reduction of expenses with allowance for loan losses;
- As a result of the actuarial revaluation of assets and liabilities of Previ’s Plan I.

The table below, extracted from the income statement with reallocations, presents the main highlights of the period. The breakdown of reallocations is in Section 5.3.1 of the MD&A.

### Income Statement with reallocations – Main lines

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Financial Intermediation Income</td>
<td>17,984</td>
<td>21,398</td>
<td>21,736</td>
<td>20.9</td>
</tr>
<tr>
<td>Loan Operations + Leasing</td>
<td>12,177</td>
<td>14,550</td>
<td>14,526</td>
<td>19.3</td>
</tr>
<tr>
<td>Securities</td>
<td>5,321</td>
<td>6,262</td>
<td>6,137</td>
<td>15.3</td>
</tr>
<tr>
<td>Financial Intermediation Expenses</td>
<td>(8,715)</td>
<td>(11,215)</td>
<td>(11,568)</td>
<td>32.7</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
<td>9.7</td>
</tr>
<tr>
<td>Allow ance for Loan Losses</td>
<td>(2,946)</td>
<td>(2,639)</td>
<td>(2,139)</td>
<td>(27.4)</td>
</tr>
<tr>
<td>Net Financial Margin</td>
<td>6,322</td>
<td>7,546</td>
<td>8,030</td>
<td>27.0</td>
</tr>
<tr>
<td>Fee Income</td>
<td>3,606</td>
<td>4,053</td>
<td>4,227</td>
<td>17.2</td>
</tr>
<tr>
<td>Income f/ Insur., Pension Plans and Sav. Bonds</td>
<td>408</td>
<td>488</td>
<td>491</td>
<td>20.5</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>9,371</td>
<td>11,776</td>
<td>11,779</td>
<td>25.7</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(5,465)</td>
<td>(5,726)</td>
<td>(6,068)</td>
<td>11.0</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(2,844)</td>
<td>(3,186)</td>
<td>(3,270)</td>
<td>15.0</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(2,631)</td>
<td>(2,541)</td>
<td>(2,798)</td>
<td>6.8</td>
</tr>
<tr>
<td>Commercial Income</td>
<td>3,880</td>
<td>5,421</td>
<td>5,693</td>
<td>46.7</td>
</tr>
<tr>
<td>Legal Claims</td>
<td>46</td>
<td>(95)</td>
<td>35</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Labor Law Suits</td>
<td>(49)</td>
<td>(96)</td>
<td>92</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>(964)</td>
<td>(874)</td>
<td>368</td>
<td>-</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>2,934</td>
<td>4,057</td>
<td>6,186</td>
<td>110.8</td>
</tr>
<tr>
<td>Income and Social Contribution Taxes</td>
<td>(853)</td>
<td>(1,072)</td>
<td>(1,924)</td>
<td>125.3</td>
</tr>
<tr>
<td>Corporate Profit Sharing</td>
<td>(262)</td>
<td>(408)</td>
<td>(559)</td>
<td>113.2</td>
</tr>
<tr>
<td>Recurring Net Income</td>
<td>1,819</td>
<td>2,578</td>
<td>3,704</td>
<td>103.6</td>
</tr>
</tbody>
</table>
Main Indicators of Incomes/Expenses
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Margin (NIM)(1)</td>
<td>6.7</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
<td>6.3</td>
<td>6.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Expenses with Allowance for Loan Losses over Portfolio(2)</td>
<td>4.6</td>
<td>4.5</td>
<td>4.1</td>
<td>3.8</td>
<td>3.3</td>
<td>4.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Efficiency Ratio(3)</td>
<td>44.4</td>
<td>44.3</td>
<td>42.7</td>
<td>45.0</td>
<td>39.0</td>
<td>43.4</td>
<td>42.6</td>
</tr>
<tr>
<td>Recurring Return on Equity(1)</td>
<td>22.5</td>
<td>24.2</td>
<td>26.5</td>
<td>25.7</td>
<td>33.6</td>
<td>25.8</td>
<td>24.6</td>
</tr>
<tr>
<td>Effective Rate of Tax</td>
<td>31.9</td>
<td>33.9</td>
<td>33.9</td>
<td>29.4</td>
<td>34.2</td>
<td>32.7</td>
<td>33.0</td>
</tr>
</tbody>
</table>

(1) Annualized Indicators.
(2) Accumulated Allowance for Loan Losses expenses for the 12-month period divided by the average portfolio in the same period.
(3) The one-off items of the period were segregated in the calculation.

Net Interest Income Continues Expanding

The Net Interest Income (NII) reached R$10,169 million in 4Q10, which represents an increase of 9.7% in relation to 4Q09. In 2010, the NII amounted R$39,171 million, recording an increase of 18.5% in comparison with the previous year.

The NII performance in the past 12 months is a result of the asset expansion, especially in loans and investments in securities. It should be emphasized that, in comparisons with 2009, the NII was also benefited by the acquisition of banks Nossa Caixa (BNC) and Votorantim (BV).

In the quarter, the NIM reduction is a result, mainly, from the following factors: (i) lower credit recovery in comparison with the previous quarter; (ii) spread reduction in loan operations due to the increase of competition in the loan market, and also due to the portfolio mix change, which became more concentrated in loans with lower risks; (iii) increase in remunerated compulsory, due to the measures adopted by the Central Bank during 2010.

The table below presents the breakdown of net interest income. The contribution provided by the loan portfolio and its main business lines is highlighted, and it also segregates the amounts corresponding to revenues from recovery of written off loans, and the amounts of revenues relating to remunerated compulsory deposits. The item "Other Income", comprised mainly of income from treasury, resulting from transactions with securities, derivatives and foreign exchange, completes the composition of the NII.

The Central Bank of Brazil changed the rules on remunerated compulsory deposits in 2Q10 and 4Q10. Those changes resulted in two main impacts on BB’s financial statements for the last quarters. On one hand there was a liquidity reduction, resulted of the rise in rates, which reduces the resources available for more profitable investments. On the other hand there was a change in the form of payment, which implied migration of resources from short-term interbank investments for remunerated compulsory deposits. Those changes explain the growth observed in the line “remunerated compulsory” in the following table.

Net Interest Income by Line of Business
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
<td>9.7</td>
</tr>
<tr>
<td>Loan Operations</td>
<td>6,852</td>
<td>6,970</td>
<td>6,934</td>
<td>1.2</td>
</tr>
<tr>
<td>Individuals</td>
<td>3,741</td>
<td>3,967</td>
<td>3,964</td>
<td>5.9</td>
</tr>
<tr>
<td>Businesses</td>
<td>2,178</td>
<td>1,991</td>
<td>1,902</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>933</td>
<td>1,012</td>
<td>1,068</td>
<td>14.5</td>
</tr>
<tr>
<td>Other</td>
<td>2,416</td>
<td>3,216</td>
<td>3,235</td>
<td>33.9</td>
</tr>
<tr>
<td>Remunerated Compulsory</td>
<td>214</td>
<td>1,719</td>
<td>1,726</td>
<td>495.4</td>
</tr>
<tr>
<td>Recovery of Write-offs</td>
<td>647</td>
<td>1,052</td>
<td>863</td>
<td>33.5</td>
</tr>
<tr>
<td>Other</td>
<td>1,555</td>
<td>1,045</td>
<td>1,095</td>
<td>(29.6)</td>
</tr>
</tbody>
</table>
The Net Interest Margin (NIM) was 6.3% in the 4Q10, showing a decrease of 20 bps in relation to the previous quarter, and a 40 bps reduction in relation to that observed in 4Q09.

The NIM's performance in the comparisons with 2009 was limited not only by the changes in remunerated compulsory deposits but also by the spread reduction in loan operations and by the consolidation of Banco Votorantim, which does not have a low-cost retail deposit basis and operates in lower-risk, lower spread segments.

The management spread of loan was 8.7% in 4Q10, a 50 basis points drop over the previous quarter and 140 basis points over 4Q09. In 2010 the spread was 9.0%, decrease of 80 basis points over 2009. The spread behavior is mostly associated with the changes in portfolio mix, with an increase in the relative share of operations with lower risk and thus lower spread. In the case of individuals portfolio there was an increase of the share of payroll and auto loans operations in the portfolio.

The perception that the fluctuation of the spread results from changes in the mix of the portfolios, with greater statistical significance of operations of lower risk, is corroborated by the "Risk-Adjusted NIM", which is the ratio between the net financial margin and earning assets. Besides the net interest income, the risk-adjusted NIM also takes into consideration expenses with allowance for loan losses. The indicator ended 4Q10 at 4.9%, recording an increase of 10 basis points in relation to the previous quarter and 40 basis points over 4Q09. In the comparison between 2010 and 2009 the risk-adjusted NIM shows growth of 30 basis points.

### Annualized NIM (%)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Operations</td>
<td>10.1</td>
<td>9.2</td>
<td>8.7</td>
<td>9.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>18.6</td>
<td>16.4</td>
<td>15.5</td>
<td>18.7</td>
<td>15.9</td>
</tr>
<tr>
<td>Businesses</td>
<td>7.4</td>
<td>6.2</td>
<td>5.6</td>
<td>7.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
<td>5.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Other</td>
<td>3.4</td>
<td>4.0</td>
<td>3.9</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Net Interest Margin (NIM)</td>
<td>6.7</td>
<td>6.5</td>
<td>6.3</td>
<td>6.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Risk Adjusted NIM</td>
<td>4.5</td>
<td>4.8</td>
<td>4.9</td>
<td>4.3</td>
<td>4.6</td>
</tr>
</tbody>
</table>

### Portfolio Quality Improvement Results in Lower Expenses with Allowance for Loan Losses

The delinquency ratios remained low in the quarter. In December, the ratios that measure the percentage of loans overdue for more than 60 and 90 days showed decrease of 40 bps in relation to September, and an expressive drop of 100 bps in relation to December 2009. In the other hand, the rate of loans overdue for more than 15 days maintained their reduction trend and recorded a 70 basis point decrease over September and 140 basis points over December 2009. The three ratios (loans overdue for more than 15, 60 and 90 days) showed, in December 2010, 10 bps over the minimum level of their history. The non-default rates at BB continue substantially better those observed in the Banking Industry.
Loan operations rated as risk AA to C represented 93.7% at the end of December. That index showed improvements of 90 basis points over September and 210 basis points over December 2009.

### Loan Portfolio Quality Indicators (\%)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past Due Loans + 15 Days/Total Portfolio (%)</td>
<td>5.1</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Past Due Loans + 60 Days/Total Portfolio (%)</td>
<td>3.7</td>
<td>3.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Past Due Loans + 90 Days/Total Portfolio (%)</td>
<td>3.3</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>AA - C Loans/Total Portfolio (%)</td>
<td>91.6</td>
<td>92.8</td>
<td>93.7</td>
</tr>
<tr>
<td>Allowance/Loan Portfolio</td>
<td>6.2</td>
<td>5.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Allowance/Past Due Loans + 60 Days</td>
<td>166.3</td>
<td>171.3</td>
<td>182.2</td>
</tr>
<tr>
<td>Allowance/Past Due Loans + 90 Days</td>
<td>190.3</td>
<td>201.0</td>
<td>212.1</td>
</tr>
<tr>
<td>Average Risk BB</td>
<td>5.3</td>
<td>4.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Average Risk – Banking Industry</td>
<td>6.9</td>
<td>5.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Transactions Overdue + 90 Days/Total Portfolio – Banking Industry</td>
<td>4.4</td>
<td>3.4</td>
<td>3.2</td>
</tr>
</tbody>
</table>

In line with the improvement observed in the quality of the portfolio, there was reduction in expenses with allowance for loan losses. These expenses reached R$2,139 million in the quarter, which represents a downside of 19.0% in comparison to the previous quarter and of 27.5% over 4Q09. In the comparison between the 2009 and 2010, expenses with allowance for loan losses also showed a reduction, in this case of 8.2%.

The index that measures the ratio between expenses with allowance for loan losses accumulated in twelve months and the average loan portfolio of the same period ended 4Q10 at 3.3%, as opposed to 3.8% in the previous quarter and 4.6% in 4Q09.

### Expenses with Allowance for Loan Losses over Loan Portfolio (R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Allowance for Loan Losses – Quarterly</td>
<td>(2,950)</td>
<td>(2,639)</td>
<td>(2,139)</td>
</tr>
<tr>
<td>(B) Allowance for Loan Losses – 12 Months</td>
<td>(11,629)</td>
<td>(11,486)</td>
<td>(10,675)</td>
</tr>
<tr>
<td>(C) Loan Portfolio</td>
<td>300,829</td>
<td>339,826</td>
<td>358,366</td>
</tr>
<tr>
<td>(E) Average Portfolio – 3 Months</td>
<td>282,405</td>
<td>334,640</td>
<td>352,699</td>
</tr>
<tr>
<td>(E) Average Portfolio – 12 Months</td>
<td>250,888</td>
<td>306,075</td>
<td>325,051</td>
</tr>
<tr>
<td>Expenses over Portfolio (A/D) (%)</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Expenses over Portfolio (B/E) (%)</td>
<td>4.6</td>
<td>3.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>

In spite of the improvement in the portfolio quality and the noticeable improvement in the economic and business environment, Banco do Brasil continued its policy of prudence regarding the balances of allowance for loan losses and the percentage of portfolio coverage. The balance of allowance for loan losses ended the quarter at R$17,315 million, which provides coverage of 212.1% of loans overdue for more than 90 days.

### Fee Income and Results of Insurance Operations in Expansion

Fee income totaled R$4,277 million in 4Q10, recording 4.3% growth over the previous quarter and 17.2% in relation to 4Q09. In 2010, fee income totaled R$15,868 million, 17.4% higher than 2009.
It is worth to highlight the growth in revenues related to business with cards. Both comparing with the previous quarter and the same quarter of 2009, the expansion of businesses in this segments was essential to ensure growth in the fee income. Still incipient, but with significant growth, income from capital market grew 33.1% compared from 2010 to 2009 and reached R$436 million in 2010.

The income from insurance operations (not including fee income) totaled R$491 million in 4Q10, recording 20.5% growth over 4Q09. In 2010, these revenues reached R$1,888 million, 19.9% expansion over that observed in the same prior-year period.

Fee Income and Result of Insurance Operations
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Fee Income</td>
<td>3,1606</td>
<td>4,1053</td>
<td>4,1227</td>
<td>17.2</td>
</tr>
<tr>
<td>Account Fees</td>
<td>908</td>
<td>911</td>
<td>1,1035</td>
<td>14.0</td>
</tr>
<tr>
<td>Credit / Debit Cards</td>
<td>680</td>
<td>833</td>
<td>876</td>
<td>28.9</td>
</tr>
<tr>
<td>Investment Fund Management Fees</td>
<td>340</td>
<td>613</td>
<td>586</td>
<td>8.5</td>
</tr>
<tr>
<td>Loan Fees</td>
<td>360</td>
<td>467</td>
<td>430</td>
<td>19.5</td>
</tr>
<tr>
<td>Collections</td>
<td>308</td>
<td>302</td>
<td>304</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Insurance, Pension Plans and Savings Bond</td>
<td>112</td>
<td>164</td>
<td>187</td>
<td>66.7</td>
</tr>
<tr>
<td>Billings</td>
<td>137</td>
<td>158</td>
<td>173</td>
<td>26.0</td>
</tr>
<tr>
<td>Interbank</td>
<td>137</td>
<td>139</td>
<td>144</td>
<td>5.3</td>
</tr>
<tr>
<td>Capital Market Fees</td>
<td>70</td>
<td>119</td>
<td>113</td>
<td>62.9</td>
</tr>
<tr>
<td>Other</td>
<td>355</td>
<td>349</td>
<td>378</td>
<td>6.4</td>
</tr>
<tr>
<td>Insurance, Pension Plans and Savings Bond Income</td>
<td>408</td>
<td>488</td>
<td>491</td>
<td>20.5</td>
</tr>
</tbody>
</table>

Control of Expenditures:
Administrative Expenses in Line with the Guidance

Administrative expenses, which include personnel expenses and other administrative expenses, amounted to R$6,068 billion in 4Q10, a 6.0% growth over the previous quarter and 11.0% over 4Q09. In 2010, the expenses amounted to R$22,565 million, an increase of 17.6% in comparison with 2009.

As in the case of the Fee Income, the comparison with 2009 was impaired by the consolidation of the banks Nossa Caixa (as from 2Q09) and Votorantim (as from 4Q09). The table below was prepared for this reason, containing a pro forma basis of comparison for the periods of 2009, and simulating the consolidation of the banks acquired throughout the year.

In the pro forma comparison, which is also used for purposes of monitoring the Guidance 2010, BB’s expenses in 2010 present growth of 10.3% over 2009, growth close to the minimum point of the range of estimates that appears in the Guidance provided to the market.

Administrative Expenses – Pro Forma Comparison Basis
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>BB Consolidated (1)</td>
<td>(5.465)</td>
<td>(5.726)</td>
<td>(6.068)</td>
<td>11.0</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(2.844)</td>
<td>(3.186)</td>
<td>(3.270)</td>
<td>15.0</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(2.621)</td>
<td>(2.541)</td>
<td>(2.798)</td>
<td>6.8</td>
</tr>
</tbody>
</table>

(1) For comparability purposes, the table shows pro forma data simulating the expense consolidation of banks Votorantim and Nossa Caixa for the entire year of 2009.
BIS Ratio Strengthened by the Capital Increase

Banco do Brasil’s capital ratio (K) ended December 2010 at 14.1%, presenting a 30 basis points increase over the observed in December 2009. That BIS ratio represents a R$14.6 billion excess in referential equity, which allows an expansion of up to R$110.7 billion in loan assets, considering a 100% weighting.

The improvement of the ratio in 2010 is explained by BB’s capital increase in June (primary and secondary offering). In that issue, BB raised R$7 billion. In addition to strengthening the institution’s Tier 1 capital, the offering expands the limit for BB to reinforce its Tier 2 capital basis.

### BIS Ratio

<table>
<thead>
<tr>
<th></th>
<th>Tier I</th>
<th>Tier II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep/09</td>
<td>9.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Dec/09</td>
<td>10.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Mar/10</td>
<td>9.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Jun/10</td>
<td>8.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Sep/10</td>
<td>10.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Dec/10</td>
<td>11.0</td>
<td></td>
</tr>
</tbody>
</table>

### One-off Items

The one-off items added R$298 million to BB’s net income in the 4Q10 and R$1,039 million in 2010. These impacts are already net of taxes and statutory profit sharing. One-off items and their values before taxes are detailed below.

#### 4Q10

- Tax efficiency generated by BB in periodic review on the treatment of tax deductibility of expenses used until then. In light of this review was possible to obtain a tax efficiency of R$460 million in 4Q10.
- Expenses with civil claims regarding economic plans totaling R$231 million.

#### 3Q10

- Reversal of provisions for civil claims resulting from economic plans in the amount of R$84 million.

#### 2Q10

- Reversal of additional allowance for loan losses amounting R$332 million due to improvements in the risk profile of the agribusiness portfolio.
- Expenses with civil claims regarding economic plans totaling R$140 million.
- Capital gain in the amount of R$114 million, as a result of the Brasilprev corporate restructuring. Banco do Brasil increased its share in the total capital of that company from 50% to 75%.
- Reversal of civil and labor claims in the amount of R$250 million, due to the completion of the registration of proceedings from BESC in the systems and methodologies of BB. Further information on this item is available in chapter 5.3.1 of the management discussion and analysis.

#### 1Q10

- Expenses with civil claims regarding economic plans totaling R$85 million.
- Reversal of provisions for labor lawsuits, in the amount of R$568 million. The amount refers to claims that were previously accounted for at BNC and which have been migrated to Banco do Brasil’s systems and methodologies.
- Partial disposal of investments, represented by shares held by the conglomerate corresponding to 0.156% of Visa Inc. capital, generating an extraordinary positive income of R$214 million in the quarter. Banco do Brasil still holds, jointly with BB BI, shares representing 0.159% of the capital of Visa Inc.
One-off Items  
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring Net Income</td>
<td>2,056</td>
<td>2,327</td>
<td>2,578</td>
<td>3,704</td>
<td>10,664</td>
</tr>
<tr>
<td>(+) Extraordinary Effects of the Period</td>
<td>384</td>
<td>310</td>
<td>47</td>
<td>298</td>
<td>1,039</td>
</tr>
<tr>
<td>Sale of Interest in VISA Internacional</td>
<td>214</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>214</td>
</tr>
<tr>
<td>Economic Plans</td>
<td>(85)</td>
<td>(140)</td>
<td>84</td>
<td>(231)</td>
<td>(371)</td>
</tr>
<tr>
<td>Tax Efficiency</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>460</td>
<td>460</td>
</tr>
<tr>
<td>Contingent Liabilities (BESC)</td>
<td>-</td>
<td>250</td>
<td>-</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Reversal of Labor Liabilities</td>
<td>568</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>568</td>
</tr>
<tr>
<td>Additional Allowance for Loan Losses</td>
<td>-</td>
<td>332</td>
<td>-</td>
<td>-</td>
<td>332</td>
</tr>
<tr>
<td>Capital Gain – BB Seguros Participações</td>
<td>-</td>
<td>114</td>
<td>-</td>
<td>-</td>
<td>114</td>
</tr>
<tr>
<td>Tax Impacts and PLR on Extraordinary Items</td>
<td>(313)</td>
<td>(246)</td>
<td>(37)</td>
<td>70</td>
<td>(527)</td>
</tr>
<tr>
<td>PREVI Actuarial Assets – Adjustments</td>
<td>(88)</td>
<td>88</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Income</td>
<td>2,351</td>
<td>2,725</td>
<td>2,625</td>
<td>4,002</td>
<td>11,703</td>
</tr>
</tbody>
</table>

Performance in the Quarter in Line with 2010 Guidance

The performance of Banco do Brasil in 2010 was in line with the estimates disclosed to the market upon the announcement of the result of 4Q09.

The reasons for the figures that presented differences from disclosed estimates and actually achieved results are clarified below:

- **Net Interest Margin (NIM)** – the performance recorded in 2010 is explained by increased competition in the Banking Industry. Nonetheless, BB recorded 18.5% growth in its net interest income over the previous year;
- **Individuals’ loan portfolio** – despite the good performance observed in vehicle loan portfolio, which recorded growth of 31.4% in 2010 and exceeded the average growth of individuals’ loan portfolio, payroll loans, which have greater relevance in individual loan portfolio, recorded businesses below the originally estimated.
- **Agribusiness loan portfolio** – in 2010 there was an increase of the relative share of agro-industrial companies in the portfolio.
- **Allowance for loan losses** – improvement in the loan portfolio quality due to mix changes, focusing in operations with lower risk, and also a better macroeconomic environment.
- **Fee income** – diversifying sources of revenue and expansion of services, aiming to retain and monetize BB’s customer base.

2010 Guidance  
(%)
Guidance: 2011 Assumptions Confirm BB’s Confidence in Business Expansion

2011 Guidance
(%)

<table>
<thead>
<tr>
<th>Items</th>
<th>2011 Guidance - BB Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring Return on Equity</td>
<td>21 – 24</td>
</tr>
<tr>
<td>Net Interest Income(1)</td>
<td>16 – 20</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>14 – 18</td>
</tr>
<tr>
<td>Domestic Loan Portfolio</td>
<td>17 – 20</td>
</tr>
<tr>
<td>Individuals</td>
<td>19 – 23</td>
</tr>
<tr>
<td>Businesses</td>
<td>17 – 20</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>5 – 8</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>3.3 – 3.7</td>
</tr>
<tr>
<td>Fee Income(1)</td>
<td>12 – 17</td>
</tr>
<tr>
<td>Administrative Expenses(1)</td>
<td>10 – 13</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>31 – 34</td>
</tr>
</tbody>
</table>

(1) Net Interest Margin indicator was replaced by growth in Net Interest Income

The estimates for 2011 were done considering the following assumptions:

- **Assumptions Influenced by Management:**
  - Increase in the profitability of customer base in order to leverage revenues;
  - Alignment of the cost structure to the business volume growth;
  - Contractual adjustments and collective bargaining agreement, aligned with market practice;
  - Sales force growth adequate to the strategy of increasing customer base profitability;
  - Current business model, without considering further purchases and/or strategic partnerships that may be signed to act in specific segments;
  - Recognition of actuarial gains and losses for Previ’s Benefit Plan I in accordance with CVM Instruction 600/2009.

- **Assumptions Beyond Management’s Control:**
  - World economic growth in 2011;
  - Increased resistance but not immunity, of the Brazilian economy to external shocks;
  - A political environment without institutional rupture;
  - Maintenance of the current domestic macroeconomic policy structure: floating exchange rate, inflation targets (nominal anchor) and fiscal discipline, entailing a gradual and consistent reduction of the relationship between Public Sector Net Debt (PSND) and the Gross Domestic Product (GDP);
  - An advancement of the regulatory mark / microeconomic agenda with stimulus to public and private investment;
  - A gradual increase in the Brazilian economy’s potential for growth (potential GDP);
  - Maintenance of the investment grade status awarded to Brazil;
  - 2011/2012 Crop Plan;
  - Regulatory stability, including tax rates on the Bank’s activities and labor and social security laws;
  - Evolution of interest rates, inflation rate and GDP in line with market consensus.
Economic Environment

Some macroeconomic indicators of the United States (USA) came as a welcome surprise in the fourth quarter of 2010, indicating acceleration in economic growth in the last three months of last year. The data of the job market, for example, showed the continued progress of a slow, but gradual recovery process of the employment level, which, combined with an improvement in the sentiment of consumers, must have contributed toward more robust data than expected in the recent expenditures of families in that country.

Moreover, industrial production continued showing signs of recovery, even though marginal. Nevertheless, the American economy continues with some breathing space in the use of its physical productive resources, which should continue to contain latent inflationary pressures arising from the heterodox policies of monetary loosening and of high commodity prices in the international market. In effect, in November, the Federal Reserve, US monetary authority, started a new program of acquisition of long-term treasuries, with the intention of reducing the term structure of interest, encouraging the growth of aggregate demand.
In Europe, uncertainties regarding the fiscal sustainability of Euro zone peripheral countries were reflected in the dynamics of the region's economic growth in the last months of 2010. While Germany and France continued to show relatively robust economic dynamics, the growth of the level of activity in Greece, Ireland, Spain and Portugal remains disappointing. As was the case of Greece at the beginning of the year, to guarantee financial stability of the Euro Area and of the actual European Union, Ireland received financial aid in the amount of €85 billion from the European Central Bank, from the International Monetary Fund and from the European Commission.

In relation to emerging economies, despite the probable slowdown of the level of activity in the last quarter of 2010, countries such as China, India and Brazil led the resumption of the cycle of global economic growth. This brought about a favorable turn of events in international trade and in the prices of assets, especially commodities, which reached their highest historical levels at the end of December. The better performance of these nations, in relation to the more advanced economies, continued a determinant factor for the decision of international investors to allocate funds to these countries, which ended up intensifying the valuation process of their domestic currencies. Even in China, which has an explicit policy of keeping its currency devalued against the dollar, the exchange rate appreciated slightly in the last quarter of 2010.

Variation of the Local Currency in relation to the US Dollar:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese Renminbi</td>
<td>-2.70</td>
</tr>
<tr>
<td>Real</td>
<td>-4.00</td>
</tr>
<tr>
<td>Mexican Peso</td>
<td>-4.90</td>
</tr>
<tr>
<td>Japan Yen</td>
<td>-5.60</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>-6.50</td>
</tr>
<tr>
<td>Chilean Peso</td>
<td>-9.30</td>
</tr>
<tr>
<td>South African Rand</td>
<td>-10.20</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>-11.40</td>
</tr>
</tbody>
</table>

Specifically in relation to Brazil, the only reason the exchange valuation process was not more intense than that observed in previous quarters was due to some measures adopted by the Government. Concerned about the repercussions of the trajectory of foreign exchange on the competitiveness of Brazilian exports, in October the Federal Government hiked the rate of Tax on Loans, Exchange and Insurance Operations (IOF) charged on the fixed income investments of foreign investors, which initially rose from 2% to 4%, then to 6%. The Government also increased the rate of IOF levied on margin deposits at BM&FBovespa in transactions of foreign investors with derivatives from 0.38% to 6%. However, even in the presence of these measures, the domestic currency, in spite of some initial reaction, ended the last quarter of 2010 slightly appreciated in comparison to the level observed in the closing of the previous quarter.
This relatively appreciated foreign exchange rate environment contributed to the maintenance of the downtrend of trade surpluses, which continued over the final quarter of last year. In 2010, the trade balance amounted to US$20.3 billion against US$25.3 billion upon the closing of 2009. This downslide, provoked by more favorable dynamics of imports vis-à-vis those of exports, was one of the contingent provisions for the significant deterioration of the deficit in current transactions, which climbed to around 2.3% of the GDP at the end of 2010, against 1.5% of the GDP upon the closing of 2009.

However, the expansion of the current account deficit continued to be financed by the significant flow of foreign capital, both through direct foreign investment and through portfolio investments (fixed income securities and stock exchange). In this context, the Central Bank continued with the accumulation process of international reserves, which, in the last three months of the year alone, climbed approximately 5% above the level observed at the end of September, ending the year at US$288.6 billion.

As regards inflation, the last quarter of 2010 was characterized by an expressive increase in price indexes in relation to that observed in the previous three months. Food prices headed this process, but there was some measure of propagation to the other sectors of the economy. The conjugation of this supply shock with signs of demand pressure caused the IPCA – Amplified Consumer Price Index to record an uptrend of 2.2% in the last quarter, the greatest variation for this period since the end of 2002. Quarterly variation was equivalent to 37% of the total observed throughout the year (5.9%). This value was significantly higher than the central inflation target established by the National Monetary Council (4.5%), yet still below the ceiling of the tolerance interval of the target (6.5%).

Inflation: IPCA

| source: IBGE |

In relation to economic activity, the pace of growth observed up to the third quarter did not give any signs of a cool-down in the last months of the year. Although the result of the GDP relating to the fourth quarter of 2010 should only be known in mid-March 2011, domestic demand indicators, which are already known, did not reveal accommodation. Notwithstanding the fact that industrial production data does not show relevant expansion, the numbers from retail trade, from the volume of credit, from the job market and income, support the view that demand remained relatively robust in the fourth quarter. In this context, in the last months of the year, the rate of unemployment sunk to the lowest levels of the
historical series begun in March 2002. In the same regard, the net generation of formal jobs published by the Ministry of Labor and Employment (General Register of Employed and Unemployed Workers) totaled 2.5 million jobs created throughout the year 2010.

In a heated job market environment (with an increase of jobs and of income), with stability of the basic interest rate (Selic), financing conditions, in general, continued to show signs of improvement in the quarter, with reduction of spreads, lengthening of terms and relative stability in rates of default. The total volume of credit of the financial system surpassed 46% of the GDP, corresponding to nominal growth just above 20% in relation to that observed in 2009. Concerned about this fast growth of the credit market in recent years, the National Monetary Council and the Brazilian Central Bank adopted, at the beginning of December, a set of macro-prudential measures aimed at refining regulation instruments, maintaining the stability of the National Financial System and allowing the continuity of the sustainable development of the credit market. These measures were also aimed indirectly at minimizing the pace of growth of the aggregate demand, thus contributing to the containment of the inflation acceleration process.

The changes adopted occurred in two main areas: i) increase of the rates of the compulsory payment on demand and term deposits; ii) increase of the capital requirement demands of banks for financing to individual clients with a term above 24 months or 36 months for transactions that involve payroll loans. The increase in capital requirements for purchase of vehicles was restricted to operations with maturities of 24, 36 and 48 months, with entries less than 20%, 30% and 40% respectively.

Even with an outlook of high current inflation and of deterioration of expectations for variation of the IPCA in 2011, the Monetary Policy Committee decided to keep the basic interest rate of the economy at 10.75% per annum in the meetings of October and December. Although the interest rate has not been altered in the last quarter, the Monetary Authority indicated in the Inflation Report published at the end of December the need for a future adjustment to Selic, implying that the macro-prudential measures announced are supplementary instruments and not necessary substitutes of the traditional monetary policy managed via the basic interest rate.
Selic Evolution
(% p.a.)

![Graph showing Selic Evolution from dec/01 to dec/10 with a peak at 10.75% in dec/02. Source: Central Bank of Brazil]

Main Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (% YTD in 12 Months)</td>
<td>(0.2)</td>
<td>7.5</td>
<td>-</td>
</tr>
<tr>
<td>Family Consumption</td>
<td>4.1</td>
<td>7.0</td>
<td>-</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>3.7</td>
<td>4.8</td>
<td>-</td>
</tr>
<tr>
<td>Gross Fixed Capital Formation</td>
<td>(9.9)</td>
<td>20.2</td>
<td>-</td>
</tr>
<tr>
<td>Exports</td>
<td>(10.3)</td>
<td>6.7</td>
<td>-</td>
</tr>
<tr>
<td>Imports</td>
<td>(11.4)</td>
<td>29.4</td>
<td>-</td>
</tr>
<tr>
<td>Use of Installed Capacity (%)</td>
<td>81.6</td>
<td>83.2</td>
<td>-</td>
</tr>
<tr>
<td>Agent Population (% YTD in 12 Months)</td>
<td>0.6</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployment Rate (% YTD in 12 Months)</td>
<td>8.1</td>
<td>7.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Formal Employment – Net Creation in the Quarter (Thousand Jobs)</td>
<td>62.5</td>
<td>728.1</td>
<td>(64.5)</td>
</tr>
<tr>
<td>Formal Employment – Net Creation in 12 Months (thousand jobs)</td>
<td>995.1</td>
<td>2,269.9</td>
<td>2,524.3</td>
</tr>
<tr>
<td>Industrial Production (% YTD in 12 Months)</td>
<td>(7.4)</td>
<td>11.2</td>
<td>10.4</td>
</tr>
</tbody>
</table>

External Sector

| Current Transactions (% YTD in 12 Months)               | (1.6)| (2.4)| (2.3)|
| Direct Foreign Investment (US$ Billion)                | 8.3  | 10.5 | 25.9 |
| International Reserves (US$ Billion – Year Accumulated) | 239.1| 275.2| 288.6|
| Sovereign Risk (Base Points – EOP)                     | 196.0| 206.0| 189.0|
| Trade Balance (US$ Billion – Year Accumulated)         | 25.3 | 12.8 | 20.3 |
| Exports (US$ Billion – Year Accumulated)               | 153.0| 144.9| 201.9|
| Imports (US$ Billion – Year Accumulated)               | 127.6| 132.1| 181.6|
| Ptax Dollar Sale (EOP)                                  | 1.7  | 1.7  | 1.7  |
| Ptax Dollar Sale (% YTD in 12 Months)                   | (25.5)| (4.7)| (4.3)|

Monetary Ratios

<p>| IGP-DI FGV (% YTD in 12 Months)                         | (1.4)| 8.0  | 11.3 |
| IGP-M FGV (% YTD in 12 Months)                         | (1.7)| 7.8  | 11.3 |
| IPCA – IBGE (% YTD in 12 Months)                       | 4.3  | 4.7  | 5.9  |
| Selic (EOP %)                                          | 8.8  | 10.8 | 10.8 |
| Accumulated Selic (% YTD in 12 Months)                 | 9.9  | 9.3  | 9.8  |
| Accumulated TR (exBTN) (% YTD in 12 Months)            | 0.7  | 0.6  | 0.8  |
| TJLP – IBGE (EOP %)                                    | 6.0  | 6.0  | 6.0  |
| Libor (EOP %)                                          | 0.3  | 0.5  | 0.3  |</p>
<table>
<thead>
<tr>
<th>Public Finance</th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Surplus (% GDP 12 Months Accumulated)</td>
<td>2.1</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>PSGD (% GDP)</td>
<td>62.8</td>
<td>59.6</td>
<td>55.0</td>
</tr>
<tr>
<td>PSND (% GDP) – Without Petrobras</td>
<td>42.8</td>
<td>41.0</td>
<td>40.4</td>
</tr>
<tr>
<td><strong>Credit Ratios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit/GDP (% YTD in 12 months)</td>
<td>45.0</td>
<td>46.7</td>
<td>46.6</td>
</tr>
<tr>
<td>Total Default (% Past Due Loans Over 90 Days)</td>
<td>4.4</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Individuals</td>
<td>7.8</td>
<td>6.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Businesses</td>
<td>3.8</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Total Investment Rate (%)</td>
<td>34.3</td>
<td>35.1</td>
<td>35.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>42.7</td>
<td>39.4</td>
<td>40.6</td>
</tr>
<tr>
<td>Businesses</td>
<td>25.5</td>
<td>29.0</td>
<td>27.9</td>
</tr>
<tr>
<td>Total Spread (%)</td>
<td>24.3</td>
<td>23.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Individuals</td>
<td>31.6</td>
<td>28.0</td>
<td>28.5</td>
</tr>
<tr>
<td>Businesses</td>
<td>16.5</td>
<td>18.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Average Term (%)</td>
<td>17.3</td>
<td>18.0</td>
<td>18.7</td>
</tr>
<tr>
<td>Individuals</td>
<td>9.4</td>
<td>12.8</td>
<td>13.3</td>
</tr>
</tbody>
</table>
BB Shares

Shares

At the end of 2010, Banco do Brasil’s capital stock was R$33,077,996,200.75 made up of 2,860,729,247 ordinary shares, represented in dematerialized form and without any nominal value. The largest shareholder is the Federal Government, with 59.2% of the capital, followed by Caixa de Previdência dos Funcionários do Banco do Brasil (Previ) with 10.4%.

Public Offering of Shares

On 7.1.2010, Bacen ratified the capital increase in the amount of R$7.0 billion resulting from a public offering for primary distribution of 286 million new common shares and from the secondary distribution of 70.1 million instruments. In addition, 39.1 million shares were traded by means of a supplementary lot, totaling 396 million shares, with a traded volume of R$9.8 billion. The selling price of the shares, of R$24.65, was established after the closing of the book building, process on June 30, 2010 by the Banco do Brasil Board of Directors.

The funds obtained with the Offering by Banco do
Brasil will reinforce its capital structure, pave the way for its expansion strategy and increase the liquidity of shares in the secondary market. Moreover, with the Offering, Banco do Brasil anticipated the attainment of the minimum percentage of free float of 25% required by the New Market regulation planned for June 2011.

Institutional investors bought 48.3% of the offering and retail investors bought 21.4%. The remaining shares (30.3%) were earmarked for shareholders who have preemptive rights to buy shares.

The offering resulted in the addition of over 78 thousand new shareholders. The proportion of legal entities in the total number of Banco do Brasil’s shareholders, which was 3.1% before the public offering, went up to 4.0%, due to the increase of 6.4 thousand shareholding companies.

Number of Shareholders Before and After the Offering of Shares

<table>
<thead>
<tr>
<th></th>
<th>Shareholders</th>
<th></th>
<th>A - B</th>
<th>A / B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06.31.10 A</td>
<td>07.31.10 B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals(1)</td>
<td>330,974</td>
<td>402,787</td>
<td>71,813</td>
<td>21.7%</td>
</tr>
<tr>
<td>Companies</td>
<td>10,466</td>
<td>16,870</td>
<td>6,404</td>
<td>61.2%</td>
</tr>
<tr>
<td>Foreign Capital</td>
<td>1,076</td>
<td>1,129</td>
<td>213</td>
<td>19.8%</td>
</tr>
</tbody>
</table>

(1) Individuals who participated on Offering of Shares by Investment Funds are included.
BB’s biggest shareholder is the federal government of Brazil, whose ownership interest reduced from 65.3% to 59.2% of Banco do Brasil’s capital. The second largest ownership interest is that of Previ, the pension fund of Banco do Brasil employees, whose ownership interest was maintained at 10.4%.

Ownership structure

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>65.3</td>
<td>59.2</td>
<td>59.2</td>
</tr>
<tr>
<td>Finance Ministry</td>
<td>53.7</td>
<td>51.9</td>
<td>51.9</td>
</tr>
<tr>
<td>Fundo de Garantia a Exportação</td>
<td>8.9</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Fundo Garantidor PPP</td>
<td>2.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fundo de Inv. Caixa FGHAB</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fundo de Garantia para Construção Naval</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fundo Garantidor para Investimentos</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Fundo Fiscal de Inv e Estabilização</td>
<td>-</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Fundo de Garantia de Operações</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Caixa Fi Garantia Construção Naval</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Previ</td>
<td>10.4</td>
<td>10.4</td>
<td>10.4</td>
</tr>
<tr>
<td>BNDESPar</td>
<td>2.4</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Treasury Shares</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Free Float</td>
<td>21.8</td>
<td>30.4</td>
<td>30.4</td>
</tr>
<tr>
<td>Individuals</td>
<td>5.4</td>
<td>5.9</td>
<td>5.5</td>
</tr>
<tr>
<td>Companies</td>
<td>4.7</td>
<td>7.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Foreign Capital</td>
<td>11.8</td>
<td>17.0</td>
<td>17.5</td>
</tr>
<tr>
<td>Treasury Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The policy of compensation for the shareholders defined by the Board of Directors established distribution of 40% if net income to its shareholders, payout of 40%. The periodicity for payment of dividends and/or interest on own capital is quarterly periodicity, pursuant to Art. 43 of BB’s By-laws.

In this manner, in the fourth quarter of this year, Banco do Brasil distributed the amount of R$1,603.2 million to its stockholders, with R$685.8 million as interest on own capital (R$0.23972 per share in the period) and R$917.4 million as dividends (R$0.32069 per share).

Distribution of Dividends/Interest on Own Capital

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Treasury</td>
<td>1,085.4</td>
<td>621.4</td>
<td>948.9</td>
</tr>
<tr>
<td>PREVI</td>
<td>172.4</td>
<td>108.8</td>
<td>166.2</td>
</tr>
<tr>
<td>BNDES</td>
<td>40.4</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Individuals</td>
<td>89.5</td>
<td>57.8</td>
<td>88.3</td>
</tr>
<tr>
<td>Companies</td>
<td>77.4</td>
<td>77.7</td>
<td>118.7</td>
</tr>
<tr>
<td>Foreign Capital</td>
<td>196.0</td>
<td>184.0</td>
<td>281.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,662.2</td>
<td>1,049.9</td>
<td>1,603.2</td>
</tr>
</tbody>
</table>

BB’s shareholder base is characterized by the great number of shareholders with a small share in the capital. As can be seen from the table below, 362,745 shareholders (93.1%) account for 1.5% of the capital, while 26,930 shareholders (6.9%) hold 98.5% of the total of the shares. These numbers already contemplate the changes entailed by the public offering held in July 2010.
Shareholders by Range of Shares Owned

<table>
<thead>
<tr>
<th>Range of shares owned</th>
<th>No. Shareholders</th>
<th>% Shareholders</th>
<th>Qty. Shares</th>
<th>% Qty. Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Float</td>
<td>389,672</td>
<td>100.0</td>
<td>870,794,935</td>
<td>30.4</td>
</tr>
<tr>
<td>1 to 50 shares</td>
<td>211,300</td>
<td>54.2</td>
<td>3,091,559</td>
<td>0.1</td>
</tr>
<tr>
<td>51 to 100 shares</td>
<td>44,345</td>
<td>11.4</td>
<td>3,176,919</td>
<td>0.1</td>
</tr>
<tr>
<td>101 to 1,000 shares</td>
<td>107,100</td>
<td>27.5</td>
<td>36,721,798</td>
<td>1.3</td>
</tr>
<tr>
<td>Over 1,000 shares</td>
<td>26,927</td>
<td>6.9</td>
<td>827,804,659</td>
<td>28.9</td>
</tr>
<tr>
<td>Controlling Shareholders (Over 1,000 shares)</td>
<td>3</td>
<td>0.0</td>
<td>1,989,934,312</td>
<td>69.6</td>
</tr>
<tr>
<td>Total</td>
<td>389,675</td>
<td>100.0</td>
<td>2,860,729,247</td>
<td>100.0</td>
</tr>
</tbody>
</table>

With regard to the total of Banco do Brasil’s shares that are well spread out in the market (30.4%), that is, the free float, the predominance of foreign capital can be seen (57.6%), followed by Companies (24.3%) and Individuals (18.1%), percentages on 12.31.2010. The following figures portray the growth of the disposal of the free float among individuals, legal entities and foreign capital.

**Total Distribution of the Free Float**

<table>
<thead>
<tr>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>54.0% Foreign Capital</td>
<td>56.0% Foreign Capital</td>
<td>57.6% Foreign Capital</td>
</tr>
<tr>
<td>24.7% Companies</td>
<td>19.4% Companies</td>
<td>18.1% Companies</td>
</tr>
<tr>
<td>21.3% Individuals</td>
<td>24.6% Individuals</td>
<td>24.3% Individuals</td>
</tr>
</tbody>
</table>

**Equity Held by Foreign Investors**

From 2002 onwards, a noteworthy increase has been noted in the foreigners’ stake in Banco do Brasil’s capital. With BB’s Public Stock Offerings held in 2006, 2007, and the last occurred in Jun/10, and the ”B” and ”C” Bonus Subscription, the interest held by foreign parties significantly increased, from 0.9% in 2002 to 17.5% at the end of 2010.

By means of a presidential decree dated September 17, 2009, the equity held by foreign investors was increased from 12.5% to 20.0%, and also authorized the issue of American Depositary Receipts (ADR) backed by common shares of BB. BB had 9.4 million outstanding receipts on 12.31.2010.
Warrants

In 1996, on the occasion of BB’s capital increase, three series of warrants were issued: A, B, and C, maturing in 2001, 2006, and 2011, respectively. The exercise price for these warrants was established at R$8.50, with readjustment by the IGP-DI pro rata temporis.

In the Share Public Offering there was the exercising of 1,551,727 C bonuses (BBAS13), with 4,328,704 assets still left.

The distribution and some characteristics of the “C” Warrants are represented according to the following tables:

<table>
<thead>
<tr>
<th>Breakdown of the Warrant Holders (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec/09</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Companies</td>
</tr>
<tr>
<td>Foreign Capital</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Series “C” Warrants

<table>
<thead>
<tr>
<th>Warrant</th>
<th>Code</th>
<th>Exercise Date</th>
<th>Number</th>
<th>Exercise Price R$</th>
<th>Quote in R$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series “C”</td>
<td>BBAS 13</td>
<td>03.31.2011 to 06.30.2011</td>
<td>4,328,704</td>
<td>28.77</td>
<td>67.33</td>
</tr>
</tbody>
</table>

In a simulation, considering the total of 2,860.7 million shares, the potential dilution in Banco do Brasil’s capital is 0.5%, going from the assumption that until 2011 there will be no additional capital increases and that all the C warrants will be exercised by or before maturity (03.31 to 06.30.2011).

Conversion:
1 Warrant = 3.131799 shares
Total of Shares = 2,860,729,247

Expected Dilution of Capital

<table>
<thead>
<tr>
<th>Warrants</th>
<th>Qty. Warrants</th>
<th>Qty. Shares</th>
<th>Dilution of Capital – %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series “C”</td>
<td>4,328,704</td>
<td>13,556,631</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Performance of the Shares

Market

The year 2010 was marked by the slow pace of growth in developed countries, in contrast to the more significant recovery in the main emerging markets. In the United States and Japan there were clear signs of a cool-down of domestic economic activity. Deflation risks lead the North American monetary authority to adopt, inclusively, a new liquidity expansion package that produced additional devaluation of the US dollar in the international market as an adverse effect, triggering the adoption of supplementary measures to contain local currency appreciation against the dollar in some countries.

In the domestic market, the dynamism of the Brazilian economy remained anchored, mainly, to the good performance of the job and credit markets, chief vectors of impulse to domestic demand. However, in spite of the positive growth rates, the pace of expansion in the second six months was slower than that observed in the first half of the year.

The growth of demand, combined by supply shocks originating from foodstuff, led to inflation measured by the IPCA, of amplified consumer price index, which serves as a parameter for the system of inflation targets, for values accumulated in 12 months above the center of the target. In this environment, the Central Bank brought the basic interest rate up to 10.75% p.a. in July, keeping it at this level until the end of 2010.
BB Shares

As a result of the factors described above, the prices of the main shares of the Brazilian financial market underwent adjustments. BBAS3 experienced significant appreciation after the public share offering. BB’s shares closed the year 2010 quoted at R$31.42, up 12.71% (adjusted by profits) in twelve months, against appreciation of 1.00% of Ibovespa in the same period.

BB Shares vs. Ibovespa – Var. % in 12 Months

Share in Ibovespa

The Bovespa Index (Ibovespa) is a four-monthly index that represents the Brazilian stock market, made up of papers that were traded in at least 80% of the trading sessions carried out. From this, the Tradability Index is worked out, made up by the financial volume and by the quantity traded of each paper transacted, which determines the ranking of the paper’s share in the market. Out of the total of papers, the 80% with the highest Tradability index are determined, to represent the Ibovespa index.

The growth of Banco do Brasil’s share in the theoretical portfolio of Ibovespa can be verified in the following chart. In the theoretical portfolio of Ibovespa for the next four months (Jan/11 – Apr/11), Banco do Brasil improved the position of its instruments, and currently occupies the 11th place. Since 2006, Banco do Brasil has held 3 public offerings and one split in order to provide the instrument with more liquidity in the market and to favor access by small investors to BB’s shares. As a result of these measures, Banco do Brasil now has a free float of 30.4%.
The average number of shares traded in 4Q10 (9,511) showed once again a record in the performance, surpassed the levels observed in the same period of 2009 (5,323), and the number in the prior quarter (9,104). The average volume traded also followed this considerable progress, reaching R$150.0 million in 4Q10 as compared with R$69.7 million in 4Q09.

**Market Ratios**

The P/L ratio, which indicates a time estimate, in years, for investors to recover the capital invested in the purchase of shares, assuming the full distribution of company profits; attained 7.68x in December, as opposed to 7.52x in the same period of 2009.

The net income per share of Banco do Brasil reached R$1.40 in 4Q10, against R$1.62 in 4Q09. The Price/equity value per share (VPA) ratio of 1.78x in December 2010 denotes that BB’s shares are traded more than one time the VPA, i.e., BB is worth 78%, more than the amount of Shareholders’ Equity at Bovespa.

Market capitalization reached R$89,884 million at the end of December 2010, as opposed to R$76,291 million in the same period of the previous year, an increase of 17.8%. The capitalization of free float was R$27,360 million, higher than R$16,658 million in December 2009.

In 4Q10 Banco do Brasil distributed the amount of R$1,603.2 million to its shareholders, with R$685.8 million as interest on own capital (R$0.23972 per share in the period) and R$917.4 million as dividends (R$0.32069 per share in the period). The Dividend Yield in 4Q10, calculated on the basis of the division of the dividend distributed in the quarter by the market value of BB, reached 1.8%.

The following charts show the behavior of Banco do Brasil’s main multiples over the last quarters.
Corporate Governance

Banco do Brasil has achieved a prominent position due to practices that guarantee the balance of rights among shareholders and the rendering of accounts to the investors and society, as well as the sustainability of business and ethics in the relationship with its audiences. Proof of this is BB’s membership in BM&FBOvespa’s Novo Mercado, which is a special listing segment that assembles the institutions with the most stringent Corporate Governance practices, and its shares listing in the ITAG and IGC indexes, which respectively group companies with differentiated tag along, and those with the best corporate governance practices.

In July 2010, Banco do Brasil fulfilled the last of its commitments entered into with BM&FBOVESPA for adhesion to the New Market. Listed in that important trading segment since 2006, BB had negotiated a term with the Stock Exchange of up to June 2011 to attain the minimum percentage of 25% of free-float shares. With the liquidation of its offering of shares in July, BB anticipated the negotiated deadline, and began to fulfill all the conditions imposed by BM&FBOVESPA, which mirror best corporate governance practices observed in the Brazilian market.
Management of the businesses has been based not only on ensuring compliance with the applicable legislation, but also on providing the market with as many details on the activities as possible, always focusing on the quality of the information provided. In addition to the wide range of reports and information made available at the Brazilian Securities Commission (CVM) and on the Investor Relations website, Association of Capital Market Investment Analysts and Professionals (APIMEC) meetings and other events with shareholders, Banco do Brasil has been inviting the market to attend conferences whenever management finds it necessary to clarify specific topics concerning the company.

Management

BB’s management bodies are the Board of Directors, advised by the Audit Committee, and the Executive Board, made up of the Board of Officers (president and nine vice-presidents) and by 26 statutory directors. Banco do Brasil also has a permanent Board of Auditors.

Decisions are taken collectively at all levels of Banco do Brasil. With the purpose of involving all the executives in the definition of strategies and approval of proposals for BB’s different businesses, the Management uses committees, subcommittees and commissions at a strategic level, which guarantee agility and security for the decision taking.
The sophisticated governance structure developed by Banco do Brasil is reflected in the daily business management, the assumptions of which include a rigid structure of levels of decision-making authority and the segregation of duties. Loans, for example, are analyzed independently by the business areas, which evaluate the characteristics and the attractiveness of each operation, and by the Loan Directorate, which defines the maximum exposure by client, and sets individualized limits by business category. In this regard, the development of new products is submitted to all the intervening Senior Managements and Units, which analyze in a separate manner all the aspects involved in the deal, like its structure, pricing and risks involved.

**Highlights of the period**

**Public Offering of Shares**

Banco do Brasil held a Public Offering of 396 million common shares of its issue in June 2010. The operation involved a base offering of 356.8 million shares and a supplementary lot of 39.1 million shares.

In addition to the capital increase of Banco do Brasil, originating from the primary offering and ratified by the Central Bank on 7.1.2010, the offering of shares results in an increase of the percentage of free float shares to 30.4%, against a percentage of 21.9% observed at the end of June 2010 (before the liquidation of the offering of shares).

**Allocation of the surplus of Previ**

On 11.24.2010, Banco do Brasil signed a Memorandum of Understanding with Caixa de Previdência dos Funcionários do Banco do Brasil – Previ, an entity that represents employees and retirees, aiming at the allocation and use of part of the surplus of the Defined Benefit Plan (Plan 1), in compliance with the social security legislation in force.

After approval of the measures by the Deliberative Council of that entity on 11.30.2010, a Fund was set up on behalf of Banco do Brasil, as a sponsor, with another formed on behalf of the participants, where the amounts to which each party are entitled were invested on an equal basis. However, the consummation of these measures did not impact Banco do Brasil’s net income.

The result of the consultation held with the participants, which approved the proposals contained in the "Memorandum of Understanding", was made official on December 15, 2010.
## Key Statistics

<table>
<thead>
<tr>
<th>Balance Sheet Items – R$ billion</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>591.9</td>
<td>598.8</td>
<td>685.7</td>
<td>708.5</td>
<td>724.9</td>
<td>755.7</td>
<td>796.8</td>
<td>811.2</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>30.9</td>
<td>32.4</td>
<td>33.7</td>
<td>36.1</td>
<td>37.6</td>
<td>39.3</td>
<td>48.2</td>
<td>50.4</td>
</tr>
<tr>
<td><strong>Credit Portfolio</strong></td>
<td>241.9</td>
<td>252.5</td>
<td>285.5</td>
<td>300.8</td>
<td>305.6</td>
<td>326.5</td>
<td>338.8</td>
<td>358.4</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td>305.0</td>
<td>310.8</td>
<td>327.0</td>
<td>337.6</td>
<td>342.6</td>
<td>344.0</td>
<td>348.3</td>
<td>376.9</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>47.3</td>
<td>49.1</td>
<td>50.1</td>
<td>56.5</td>
<td>55.0</td>
<td>59.0</td>
<td>59.0</td>
<td>63.5</td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>70.6</td>
<td>69.0</td>
<td>72.2</td>
<td>75.7</td>
<td>78.7</td>
<td>81.5</td>
<td>85.7</td>
<td>89.3</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>178.5</td>
<td>185.1</td>
<td>194.7</td>
<td>193.5</td>
<td>197.9</td>
<td>192.7</td>
<td>192.0</td>
<td>204.7</td>
</tr>
<tr>
<td></td>
<td>1Q09</td>
<td>2Q09</td>
<td>3Q09</td>
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<td>3Q10</td>
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<td>------</td>
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<td><strong>Profitability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income per Share – R$</td>
<td>0.65</td>
<td>0.91</td>
<td>0.77</td>
<td>1.62</td>
<td>0.92</td>
<td>1.06</td>
<td>0.92</td>
<td>1.43</td>
</tr>
<tr>
<td>Recurring Income per Share – R$</td>
<td>0.59</td>
<td>0.67</td>
<td>0.69</td>
<td>0.71</td>
<td>0.80</td>
<td>0.91</td>
<td>0.90</td>
<td>1.29</td>
</tr>
<tr>
<td>ROE – Annual Basis %</td>
<td>23.8</td>
<td>33.2</td>
<td>26.2</td>
<td>56.8</td>
<td>28.0</td>
<td>31.5</td>
<td>26.2</td>
<td>36.6</td>
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## Key Statistics

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(*) Reserve Requirements at BB are directed to Rural Credit.

The following subtitles refer to the rates due in the 1Q09 – 4Q10.

1) a) until 03.02.2010: 5% rate;
   b) until the calculation period from 03.08.2010 to 12.03.2010, 8% rate;
   c) since 12.06.2010 12% rate.

2) a) until 01.02.2009: 5% rate;
   b) until the calculation period from 01.05.2009 to 03.05.2010 4% rate;
   c) Since 12.06.2010 12% rate.
# Summarized Financial Statements

## Summarized Balance Sheet

### Summarized Balance Sheet - Assets

(\(R\$\) million)

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Chg. %</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
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<tr>
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<td>Sep/10</td>
<td>Dec/10</td>
<td>On Dec/09</td>
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<td>332</td>
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### Summarized Balance Sheet – Liabilities

(R$ million)

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<th>Chg. %</th>
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<td><strong>Dec/10</strong></td>
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<tr>
<td><strong>LIABILITIES AND SHAREHOLDER’S EQUITY</strong></td>
<td><strong>708,549</strong></td>
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<td>Current and Long-term Liabilities</td>
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### Summarized Income Statement

#### Summarized Corporate Law Income Statement

(R$ million)

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<th>Annual Flow</th>
<th>Chg. %</th>
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<td>Financial Intermediation Expenses</td>
<td>(11,665)</td>
<td>17.3</td>
<td>(1,3)</td>
<td>(45,052)</td>
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<td>(7,997)</td>
<td>34.1</td>
<td>(10,727)</td>
<td>(30,146)</td>
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<tr>
<td>Borrowing, Assignments and Onlending</td>
<td>(718)</td>
<td>17.1</td>
<td>(841)</td>
<td>(2,510)</td>
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<tr>
<td>Allowance for Loan Losses</td>
<td>(2,950)</td>
<td>17.1</td>
<td>(2,112)</td>
<td>(1,223)</td>
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<td>Gross Income from Financial Intermediation</td>
<td>6,129</td>
<td>26.2</td>
<td>7,733</td>
<td>18,233</td>
</tr>
<tr>
<td>Other Operating Income (Expenses)</td>
<td>1,065</td>
<td></td>
<td>(31.2)</td>
<td>(4,641)</td>
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<tr>
<td>Fee Income</td>
<td>2,714</td>
<td>13.5</td>
<td>3,079</td>
<td>10,172</td>
</tr>
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<td>Banking Fees Income</td>
<td>892</td>
<td>28.5</td>
<td>1,147</td>
<td>3,333</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(3,271)</td>
<td>5.5</td>
<td>(3,452)</td>
<td>(11,838)</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(3,054)</td>
<td>14.7</td>
<td>(3,502)</td>
<td>(11,212)</td>
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<td>Taxes</td>
<td>(998)</td>
<td>5.1</td>
<td>(993)</td>
<td>(3,333)</td>
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<td>Equity Interest in the Results of Subsidiaries, and Affiliates</td>
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<td>(26.7)</td>
<td>(99)</td>
<td>(94.9)</td>
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<tr>
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<td>408</td>
<td>20.5</td>
<td>491</td>
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<td>40.6</td>
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<td>(1,115)</td>
<td>(9,327)</td>
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<td>43.2</td>
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<td>Non-operating Income</td>
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<td>(1,426)</td>
<td>(3,903)</td>
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<td>Statutory Profit Sharing</td>
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<td>(575)</td>
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<td>Corporate Profit Sharing</td>
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<td></td>
<td>-</td>
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<tr>
<td>Net Income</td>
<td>4,155</td>
<td>52.5</td>
<td>4,002</td>
<td>10,148</td>
</tr>
</tbody>
</table>
### Income Statement with Reallocations

**($ million)**

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Financial Intermediation Income</td>
<td>17,984</td>
<td>21,398</td>
<td>21,736</td>
<td>20.9</td>
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<tr>
<td>Loan Operations (4) (14)</td>
<td>11,963</td>
<td>14,332</td>
<td>14,376</td>
<td>20.2</td>
</tr>
<tr>
<td>Lease Operations</td>
<td>213</td>
<td>218</td>
<td>151</td>
<td>(29.2)</td>
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<tr>
<td>Securities</td>
<td>5,321</td>
<td>6,262</td>
<td>6,137</td>
<td>15.3</td>
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<tr>
<td>Financial Derivatives</td>
<td>(47)</td>
<td>(1,407)</td>
<td>(571)</td>
<td>1,124.6</td>
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<tr>
<td>Foreign Exchange Portfolio</td>
<td>265</td>
<td>491</td>
<td>538</td>
<td>103.2</td>
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<tr>
<td>Compulsory Investments</td>
<td>214</td>
<td>1,119</td>
<td>1,276</td>
<td>495.4</td>
</tr>
<tr>
<td>Financial Income from Insurance, Pension and Capitaliz. Operations</td>
<td>109</td>
<td>182</td>
<td>165</td>
<td>51.1</td>
</tr>
<tr>
<td>FX Gain (Loss) on Foreign Investments (1)</td>
<td>(74)</td>
<td>(104)</td>
<td>(58)</td>
<td>(21.3)</td>
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<td>Other Op. Inc. of a Fin. Intermed. Nature (2)</td>
<td>75</td>
<td>391</td>
<td>218</td>
<td>(29.2)</td>
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<td>Hedge Fiscal (5)</td>
<td>(58)</td>
<td>(86)</td>
<td>(54)</td>
<td>(6.0)</td>
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<tr>
<td>Financial Intermediation Expenses</td>
<td>(8,715)</td>
<td>(11,213)</td>
<td>(11,658)</td>
<td>32.7</td>
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<tr>
<td>Money Market Funds (3)</td>
<td>(7,997)</td>
<td>(10,481)</td>
<td>(10,727)</td>
<td>34.1</td>
</tr>
<tr>
<td>Borrowing, Assignments and Onlending</td>
<td>(718)</td>
<td>(732)</td>
<td>(841)</td>
<td>17.1</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
<td>9.7</td>
</tr>
<tr>
<td>Allowance for Loan Losses (6) (17)</td>
<td>(2,946)</td>
<td>(2,639)</td>
<td>(2,139)</td>
<td>(27.4)</td>
</tr>
<tr>
<td>Net Financial Margin</td>
<td>6,322</td>
<td>7,546</td>
<td>8,030</td>
<td>27.0</td>
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<td>Fee Income</td>
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<td>4,053</td>
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<td>2,962</td>
<td>3,079</td>
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<td>Banking Fee Income</td>
<td>892</td>
<td>1,091</td>
<td>1,147</td>
<td>28.5</td>
</tr>
<tr>
<td>Insurance, Pension Plan and Capitalization Income</td>
<td>408</td>
<td>488</td>
<td>491</td>
<td>20.5</td>
</tr>
<tr>
<td>Taxes on Revenues (5) (7)</td>
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<td>(911)</td>
<td>(968)</td>
<td>0.4</td>
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<td>Contribution Margin</td>
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<td>11,176</td>
<td>11,779</td>
<td>25.7</td>
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<tr>
<td>Administrative Expenses</td>
<td>(5,465)</td>
<td>(5,726)</td>
<td>(6,068)</td>
<td>11.0</td>
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<tr>
<td>Personnel Expenses (8) (21)</td>
<td>(2,844)</td>
<td>(3,186)</td>
<td>(3,270)</td>
<td>15.0</td>
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<tr>
<td>Other Administrative Expenses (8) (9)</td>
<td>(2,621)</td>
<td>(2,541)</td>
<td>(2,798)</td>
<td>6.8</td>
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<tr>
<td>Other Tax Expenses (7)</td>
<td>(27)</td>
<td>(29)</td>
<td>(19)</td>
<td>(30.3)</td>
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<td>Commercial Income</td>
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<td>5,421</td>
<td>5,693</td>
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<td>Legal Risk</td>
<td>(4)</td>
<td>(515)</td>
<td>127</td>
<td>-</td>
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<td>Legal Claims (8) (13) (16) (18)</td>
<td>46</td>
<td>259</td>
<td>35</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Labor Lawsuits (8) (16) (22)</td>
<td>(49)</td>
<td>(256)</td>
<td>92</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>(964)</td>
<td>(874)</td>
<td>368</td>
<td>-</td>
</tr>
<tr>
<td>Eq. Int. in Results of Subs. And Affil. (1)</td>
<td>24</td>
<td>15</td>
<td>22</td>
<td>(10.3)</td>
</tr>
<tr>
<td>FX Other Operating Income / Expenses</td>
<td>(989)</td>
<td>(889)</td>
<td>346</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Income (2) (3) (4) (10) (22)</td>
<td>1,165</td>
<td>1,319</td>
<td>1,692</td>
<td>45.3</td>
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<tr>
<td>PREVI (10) (11)</td>
<td>298</td>
<td>552</td>
<td>1,921</td>
<td>544.0</td>
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<tr>
<td>Other Operating Expenses (2) (6) (9) (13)</td>
<td>(2,452)</td>
<td>(2,760)</td>
<td>(3,267)</td>
<td>33.3</td>
</tr>
<tr>
<td>Operating Income</td>
<td>2,912</td>
<td>4,032</td>
<td>6,188</td>
<td>112.5</td>
</tr>
<tr>
<td>Non-operating Income (12) (20) (23)</td>
<td>22</td>
<td>26</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>2,934</td>
<td>4,057</td>
<td>6,186</td>
<td>110.8</td>
</tr>
<tr>
<td>Interest on Own Capital Tax Benefit</td>
<td>191</td>
<td>270</td>
<td>274</td>
<td>43.4</td>
</tr>
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</table>
### Details of Reallocations

In this chapter the adjustments made to the Summarized Income Statement to obtain the Income Statement with Reallocations are detailed. These adjustments aim to:

- Separate the One-Off items and present the recurring income in the period;
- Change the way that income and expenses are reported, in order to provide a better understanding of the business and the company’s performance;
- Allow the Net Interest Income (NII) recorded in the period to effectively reflect the income from all earning assets, seeking to inform the market what the spread achieved from the division of this margin by the assets, excluding permanent assets. To achieve this, it was necessary to:
  - Include in NII the income recorded in Other Operating Income that had financial intermediation characteristics and which was derived from earning assets recorded in the Balance Sheet Under Other Receivables;
  - Identify, in an specific item inside the NII, the FX Gain (Loss) over the Financial Assets and Liabilities Abroad, in the period;
  - Maintain under NII the amounts related to Negative Foreign Exchange Adjustments that were recorded under Other Operating Income and Expenses to avoid inverting the balance of accounts of a financial intermediation nature;
- d) Detect and cancel the effects of Tax Hedge transactions entered into as of 4Q08, on the Effective Tax Rate and Financial Margin. Regarding these transactions, it should be noted that:
  - The exchange variation on foreign investments impacts Banco do Brasil’s income through the equity income account. To reduce the effects of exchange fluctuations on the income, BB seeks to align its foreign exchange positions with transactions in the financial market or through commercial positions assumed with customers;
  - Pursuant to tax legislation in force, the equity income on overseas investments does not affect the tax calculation bases (IRPJ, CSLL, PIS/PASEP, and COFINS), as opposed to the profits arising from foreign exchange hedge transactions which produced R$183 million in gains during the 3rd quarter of 2008, and may create losses in the subsequent periods if the Brazilian real begins to appreciate consistently again;

<table>
<thead>
<tr>
<th>adjustments</th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Profit Sharing (24)</td>
<td>(262)</td>
<td>(408)</td>
<td>(559)</td>
<td>113.2</td>
<td>37.2</td>
<td>1,157</td>
</tr>
<tr>
<td>Corporate Profit Sharing</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(26)</td>
<td>(0)</td>
</tr>
<tr>
<td>Recurring Income</td>
<td>1,819</td>
<td>2,578</td>
<td>3,704</td>
<td>103.6</td>
<td>43.7</td>
<td>8,506</td>
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<td>Extraordinary Items</td>
<td>2,336</td>
<td>47</td>
<td>298</td>
<td>(87.2)</td>
<td>533.9</td>
<td>1,642</td>
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<td>Sale of Share in VISA Internacional (12)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>141</td>
<td>214</td>
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<td>Economic Plans (13)</td>
<td>530</td>
<td>84</td>
<td>(231)</td>
<td>-</td>
<td>157</td>
<td>(371)</td>
</tr>
<tr>
<td>Credit Assignment (14)</td>
<td>242</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>633</td>
<td>-</td>
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<tr>
<td>Tax Efficiency (15)</td>
<td>-</td>
<td>-</td>
<td>460</td>
<td>-</td>
<td>-</td>
<td>460</td>
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<td>Contingent Liabilities – BESC (16)</td>
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<td>-</td>
<td>-</td>
<td>250</td>
<td>-</td>
</tr>
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<td>PREVI - Non-Recognized Actuarial Gains (11)</td>
<td>3,030</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Additional Provision for Loan Losses (17)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(676)</td>
<td>332</td>
</tr>
<tr>
<td>Provision for Labor, Civil and Tax Claims (18)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,367)</td>
<td>-</td>
</tr>
<tr>
<td>Tax Credits – differential of CSLL rate (19)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1,213</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of Investments – Visanet Brasil (20)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,625</td>
<td>-</td>
</tr>
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<td>Voluntary Resignation Program – BNC (21)</td>
<td>(215)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(215)</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of Labor Liabilities (22)</td>
<td>644</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>644</td>
<td>568</td>
</tr>
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<td>Capital Gain – BB Seguros Participações (23)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>Tax FX and Statutory Profits over Extraord. Items (24)</td>
<td>(1,895)</td>
<td>(37)</td>
<td>70</td>
<td>-</td>
<td>(513)</td>
<td>(527)</td>
</tr>
<tr>
<td>Net Income</td>
<td>4,355</td>
<td>2,625</td>
<td>4,002</td>
<td>(3.7)</td>
<td>52.5</td>
<td>10,148</td>
</tr>
</tbody>
</table>
In order to reduce fluctuations in its profit figures, Banco do Brasil decided to assume a foreign currency short position, considering the amount required for effective protection, including tax effects pursuant to article 4 in Circular 3389 dated June 25, 2008; Circular 3,389 of 06.25.2008;

This short position is assumed by entering into a hedge transaction in excess of the assets being protected, by means of a transaction known as a Tax Hedge, or overhedge. The Tax Hedge’s value is specified in such a way that the outcome of the hedge transactions, net of their effects on taxes, will be equal to the impact of the exchange fluctuation on the income, which enhances protection and reduces the income’s volatility;

Reallocations under Net Interest Income

(1) The FX Gain (Loss) on Foreign Investments is reallocated from equity interest in the results of subsidiaries and affiliates for inclusion under NII. This adjustment is required to maintain the balance and coherence of the spread analysis, since assets and liabilities previously included in permanent assets are included in other balance sheet items after consolidation. Without the reallocation, the spread would be calculated incorrectly. The amounts of these relocations were (R$104 million) in 3Q10 and (R$58 million) in 3Q10.

(2) The reallocations of Other Operating Income/Expenses to Other Operating Income of a Financial Intermediation Nature are detailed below:

Reallocations – Other Operating Income/Expenses

<p>| (R$ million) |
|------------------|------------------|------------------|------------------|</p>
<table>
<thead>
<tr>
<th>Quartely Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Income from Special Operations</td>
<td>10</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Income from specific credits</td>
<td>22</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>FX Readjustment</td>
<td>44</td>
<td>354</td>
<td>(260)</td>
</tr>
<tr>
<td>FX Readjustment Income</td>
<td>315</td>
<td>766</td>
<td>67</td>
</tr>
<tr>
<td>FX Readjustment Expense</td>
<td>(272)</td>
<td>(412)</td>
<td>(327)</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>391</td>
<td>(224)</td>
</tr>
</tbody>
</table>

(3) Reallocation from Other Operating Income to Money Market Funds. It refers to the reversal of charges with the restatement of savings deposits recorded upon the closing of the semesters. In the months after the closing of the Balance Sheets, this reallocation is necessary in order to correctly state the NII. This reallocation is only performed in the first and third quarters of the year. The charges were R$387 million in 2009 and R$191 million in 2010. Since 3Q10 and from now on those charges have been recorded directly in the Financial Intermediation Expenses in the Income Statement and no further reallocations are required.

(4) Reallocation from Other Operating Income to Loan Operations corresponding to the equalization revenues of charges over loan operations. Since January/2008 these revenues are accounted for under Other Operating Income, and had to be reallocated to the group of Loan Operations for purposes of comparability. Equalization revenues amounted to R$631 million in 3Q10 and R$659 million in 4Q10.

(5) Reallocations were performed in order to cancel the effects from Tax Hedge. In the fourth quarter of 2010, in view of the appreciation in the Brazilian real against the U.S. dollar, the Tax Hedge adversely impacted the NII by R$54 million, an amount that we reallocated to replace the negative impact on Taxes on Revenues (R$6 million) and on Income and Social Contribution Taxes (CSLL) (R$48 million).

Reallocations under Net Financial Margin

(6) The expense with Allowance for Loan Losses includes credits without characteristics of financial intermediation, therefore this part of the allowance is reallocated to Other Operating Expenses. In 3Q10, this reallocation was of (R$9 million) and in 4Q10, R$27 million.

Reallocations under Contribution Margin

(7) Considering the model used for the Income Statement, tax expenses on revenues are reallocated and included
in the Contribution Margin. In 3Q10, this reallocation was of R$920 million and R$974 million in 4Q10.

**Reallocations under Operating Income**

(8) The expenses with Legal Claims and Labor Lawsuits were separated on the Income Statement with Reallocations, into a group called Legal Risk. In order to provide a better analysis of the Administrative Expenses and greater transparency for this kind of risk, amounts reallocated in 3Q10 and 4Q10 were, respectively:
- Labor claims: (R$256 million) and R$92 million.
- Civil claims: (R$174 million) and (R$195 million).

The amounts detailed in the "Civil Lawsuits" caption do not coincide with the amounts recorded under the same caption of the Income Statement with Reallocations. In this case, there is a reallocation of a share of the amounts to "Economic Plans", treated as an One-off Item. Further details about this reallocation should be consulted in item 13 of this section.

**Previ – Adjustments**

(R$ milhões)

<table>
<thead>
<tr>
<th>Monthly Amortization of Actuarial Gains/(Losses) (a)</th>
<th>1H10</th>
<th>2H10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Half-Yearly Amortization of Actuarial Gains/(Losses) (b)</td>
<td>389</td>
<td>1,369</td>
</tr>
<tr>
<td>Income/(Expense) Recognized in Income Statement with Reallocations (c) = (a) + (b)</td>
<td>1,827</td>
<td>2,473</td>
</tr>
</tbody>
</table>

(9) As of 1Q09, in compliance with the resolution of the Central Bank of Brazil, part of the premiums paid to customers began to be recorded in "Other Administrative Expenses". Aiming to maintain the comparability and considering the nature of the amounts disbursed, we reallocated the entire sum to "Other Operating Expenses", as recorded until December 2008. The amounts reallocated to 3Q10 and 4Q10 were R$503 million and R$505 million, respectively.

(10) As from the second quarter of 2009, the revenue arising from the revision of the actuarial assets and liabilities of Previ began to be recorded under a separate line in the Income Statement. The amounts were reallocated from "Other operating income" to “PREVI”. This reallocation does not interfere with the PREVI amounts recorded as One-off effects. The total includes the relocated update monthly surplus recorded over the revaluation of assets and liabilities semester. The details of the amount recognized in the semiannual adjustment are displayed on the item below.

(11) This item includes a statement of the revenue arising from the revision of the actuarial assets and liabilities at the end of each half year (Previ and benefits under the exclusive responsibility of Banco do Brasil, which are included in accompanying note "Employee Benefits"), pursuant to CVM Resolution No.600/09. In the fourth quarter of 2009, this item was considered as an One-off item (view on a quarterly basis) only for purposes of comparison and also considering that the figure corresponded to the 2009 fiscal year. From 2010, the revaluation of assets and liabilities are performed every six months, which reduces the volatility of the outcome of BB. Thus, all values are considered as recurring.

**One-off Items**

(12) Sale of part of the stake held by BB Group (Multiple Bank, Cielo and Visavale), corresponding to 12% of the shares in the company Visa Inc., generating positive extraordinary result of R$141 million in 2009 and R$214 million in 2010.

(13) Civil claims of Economic Plans generating extraordinary gains in the amount of R$84 million in 3Q10. In 4Q10, with the increase in the balance of the provision, Net Income was adversely impacted by R$231 million. In 12 months, the amounts reallocated were R$157 million in 2009 and (R$371 million) in 2010.

(14) Assignment of credits written-off to Ativos SA, generating extraordinary income in the amount of R$242 million in 4Q09. In 12 months, the gains were R$633 million in 2009.

(15) Tax efficiency generated by BB in a periodic review as to the treatment of the deductibility of tax expenses used until then. In view of this review, it was feasible to obtain tax efficiency in 4Q10 in the amount of R$460 million.

(16) Extraordinary revenue, in the amount of R$250 million, arising from the reversal of a reserve for labor, civil and tax lawsuits arising from Banco do
Estado de Santa Catarina (BESC), in 2Q10. Since the merger, BB has been recording these lawsuits in order for the reserve to be calculated in accordance with the systems and methodologies in force at BB. The recording of the lawsuits was completed in 2Q10.

(17) In 2Q09, Additional Allowance for Loan Losses was formed in the amount of R$676 million. The increase in the provision was caused by adjustments to the statistical models of BB, as well as by the external macroeconomic scenario. In the second quarter of 2010, as a result of the improvement in the risk profile of the agribusiness portfolio, the amount of R$332 was reversed from this provision.

(18) As a result of the process of periodic reevaluations of the equity impacts originating from the lawsuits in which Banco do Brasil figures as complainant, plaintiff or stakeholder, an expense of R$1,367 million before taxes was realized in 1Q09, that refers to the supplementation of provision to cover labor, civil and fiscal claims.

(19) Also on account of the reevaluation of the expected impacts of lawsuits, income of R$1,213 million was realized in 1Q09, relating to the recognition of tax credits originating from the alteration of the rate of Social Contribution on Net Income – CSLL from 9% to 15%. The recognition of this tax credit results from the reassessment of the prospect of success of the Direct Unconstitutionality Action (ADIN), number 4101/DF, against the raise of the rate of CSLL of the financial sector.

(20) Sale of shares representing 8.1% of the capital stock of CIELO (former VISANET – Companhia Brasileira de Meios de Pagamento), an affiliate of BB Banco de Investimento S.A. – BB-BI, a wholly-owned subsidiary of Banco do Brasil, generating positive extraordinary result of R$1,415 in 2Q09 and R$209 million in 3Q09 (due to greenshoe exercise, that was only accounted for in 3Q09, accumulating a positive amount in 9M09 of R$1,625 million. Banco do Brasil remains as one of the main shareholders of this company, and currently holds 23.61% of its shares.

(21) Expense arising from Voluntary Resignation Program for employees of Banco Nossa Caixa – BNC.

(22) Reversal of provisions for labor claims, generating extraordinary income in the amount of R$568 million in 1Q10, since as from the 4Q09, the balance of provisions was calculated so as to cover the average of the amounts effectively disbursed by BB in judicial lawsuits of the same nature (up to that date the provision was determined based on the amount claimed by the claimant). The amount recorded as extraordinary in 1Q10 resulted from the migration of the base of labor claims recorded in the controls of Banco Nossa Caixa to the methods and systems of Banco do Brasil.

(23) Extraordinary revenue of R$114 million, in the second quarter of 2010, due to the increase in the BB’s holding in the company Brasilprev. The holding increased from 50% to 75%.

(24) As of 4Q08 the Statement of Income with Reallocations started to segregate the effects of extraordinary items of the period on the payment of Statutory Profit Sharing (PLR), and to unify the effects of these items on taxes (Income and Social Contribution Taxes). The table below shows separately the effect of each One-off item on taxes and on PLR.

### Tax Impacts and PLR on Extraordinary Items

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quartely Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Sale of Shares in VISA International</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Economic Plans</td>
<td>(237)</td>
<td>(37)</td>
<td>70</td>
<td>-</td>
</tr>
<tr>
<td>Credit Assignment</td>
<td>(108)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contingent Liabilities (BESC)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Previ – Non-recognized Actuarial Gains</td>
<td>(1,357)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additional Provision for Loan Losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for Labor, Civil and Tax Claims</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of Investments – Visanet Brasil</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Voluntary Resignation Program – BNC</td>
<td>96</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of Labor Liabilities</td>
<td>(289)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Gain – BB Seguros Participações</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(1,895)</td>
<td>(37)</td>
<td>70</td>
<td>-</td>
</tr>
</tbody>
</table>
Banco do Brasil consolidates its position as the largest financial institution in Brazil with total assets of R$811,172 million at the end of 2010. The assets recorded an expansion of 14.5% in 12 months and 1.8% in the quarter. These figures already consider consolidation of all the interests in financial and non-financial companies, in addition to mergers (Banco Nossa Caixa, BESC, and BEP), and a 50% interest in the capital of Banco Votorantim (BV).

The earning assets recorded a change of 1.4% in the quarter and 11.5% in 12 months. In relation to the mix, we can highlight an increase in loan operations (19.5% in 12 months) and in compulsory loans; the latter were influenced by an increase in the collection rate throughout last year. We can observe that these assets accounted for 80.5% of total assets at the end of 2010, as compared with 80.8% at the end of September 2010 and 82.7% in December 2009.

As regards the liabilities, interest-bearing liabilities increased by 0.7% in the quarter and by 9.1% in relation to December 2010. In relation to the mix, we can highlight an increase in the share of...
savings account operations and onlendings. Interest-bearing liabilities accounted for 68.6% of total liabilities at the end of 2010, representing a reduction in comparison to the previous quarter (69.4%) and in the same period of 2009 (72.0%).  

**Earning Assets**(1) vs. **Interest Bearing Liabilities**(2)  

<table>
<thead>
<tr>
<th></th>
<th>mar/10</th>
<th>jun/10</th>
<th>sep/10</th>
<th>dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earn. As.</td>
<td>19.0</td>
<td>18.4</td>
<td>18.4</td>
<td>19.5</td>
</tr>
<tr>
<td>Other As.</td>
<td>28.1</td>
<td>28.8</td>
<td>28.0</td>
<td>28.8</td>
</tr>
<tr>
<td>Int. Lbl.</td>
<td>61.0</td>
<td>61.6</td>
<td>62.7</td>
<td>61.5</td>
</tr>
<tr>
<td>Other Lbl.</td>
<td>30.5</td>
<td>31.9</td>
<td>71.9</td>
<td>30.3</td>
</tr>
</tbody>
</table>

---

(1) Cash and cash equivalents in foreign currency, marketable securities, financial investments, loan operations Leasing, Remunerated Compulsory Deposit and Other Earning Assets.  

**Analysis of Assets**

In the yearly comparison of the assets of Banco do Brasil, we can highlight the growth of Loans and Leasing Operations, which reached R$321.6 million, representing an increase of 20.7% in 12 months. In relation to the total assets, we can observe that there was an expansion, reaching 39.6% at the end of 2010, against 38.3% in September 2010 and 37.6% in December 2009.

Liquidity Assets except Securities, continued to present a downward trend in its share of the Bank’s Assets, representing 14.5% in December 2010, as compared with 18.2% in September 2010 and 24.9% in December 2009. On the other hand, the share of “Other assets” group increased to 25.4% of the total, growth of 200 base points in relation to the previous quarter.

Just like in the previous quarter, the growth in Other Assets is explained by an increase in compulsory deposits, whose rate was raised throughout 2010. These deposits totaled R$87,035 million in December, with a growth of 24.2% in the quarter and of 258.5% in twelve months.
Securities Portfolio

The securities portfolio showed an increase of 4.6% in relation to 3Q10 and of 15.7% in relation to the amount of December 2009. The portfolio’s expansion in the quarter was concentrated on securities available for trading, which recorded a 13.5% expansion over September 2010.

As to the securities portfolio breakdown by maturities, it is noted that in the quarter there was an increase in the proportion of securities with maturity under one year, which is in line with the growth of the portfolio of securities for trading.

Securities Portfolio by Maturities – Market Value

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Up to 1 year</th>
<th>1 to 10 years</th>
<th>5 to 10 years</th>
<th>Over 10 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Share %</td>
<td>Balance</td>
<td>Share %</td>
<td>Balance</td>
</tr>
<tr>
<td>Mar/09</td>
<td>35,555</td>
<td>32.5</td>
<td>55,949</td>
<td>51.1</td>
<td>12,295</td>
</tr>
<tr>
<td>Jun/09</td>
<td>31,277</td>
<td>28.7</td>
<td>64,016</td>
<td>58.7</td>
<td>7,301</td>
</tr>
<tr>
<td>Sep/09</td>
<td>35,354</td>
<td>27.6</td>
<td>72,607</td>
<td>56.6</td>
<td>14,683</td>
</tr>
<tr>
<td>Dec/09</td>
<td>29,640</td>
<td>24.2</td>
<td>70,531</td>
<td>57.5</td>
<td>15,720</td>
</tr>
<tr>
<td>Mar/10</td>
<td>28,025</td>
<td>23.7</td>
<td>68,219</td>
<td>57.9</td>
<td>14,581</td>
</tr>
<tr>
<td>Jun/10</td>
<td>31,311</td>
<td>23.9</td>
<td>79,737</td>
<td>60.9</td>
<td>10,925</td>
</tr>
<tr>
<td>Sep/10</td>
<td>37,653</td>
<td>27.7</td>
<td>77,062</td>
<td>56.6</td>
<td>11,298</td>
</tr>
<tr>
<td>Dec/10</td>
<td>40,618</td>
<td>28.6</td>
<td>79,681</td>
<td>56.1</td>
<td>11,006</td>
</tr>
</tbody>
</table>
**Tax Credits**

In 1998, BB went to court with an application for the full carryforward of accumulated tax loss of IT and of negative bases of Social Contribution. Since then, BB has offset these tax losses fully against income tax and social contribution taxable income and has made judicial deposits of the taxes otherwise due (on 70% of the amount offset).

In May 2007, the tax credits that had been written off since the beginning of the lawsuit were reactivated, in the sum of R$4,913,2 million, in contra account to the re-formation of provision relating to the portion of 70% of Income Tax and Social Contribution, for which judicial deposits were formed.

The tax credit balance (CT) in Banco do Brasil’s consolidated balance sheet reached R$21,970 million in December 2010, 0.3% above the balance in December 2009 and 2.7% below that observed in September 2010.

Tax credits originating from time differences represent 82.6% of the stock. Time differences result from the fact that the tax legislation does not allow the inclusion of certain expenses in the calculation basis of taxes at the time they occur (accrual basis), but rather at the time they are financially settled (cash basis).

**Breakdown of Tax Credits**

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Differences</td>
<td>17,644</td>
<td>17,244</td>
<td>17,514</td>
<td>18,076</td>
<td>18,614</td>
<td>18,148</td>
<td>18,148</td>
<td>18,148</td>
</tr>
<tr>
<td>Social contribution on net income (18% according to MP 2158/2001)</td>
<td>3,247</td>
<td>3,188</td>
<td>3,097</td>
<td>2,967</td>
<td>2,848</td>
<td>2,809</td>
<td>2,809</td>
<td>2,809</td>
</tr>
<tr>
<td>Tax Loss/Negative Base</td>
<td>937</td>
<td>949</td>
<td>1,014</td>
<td>990</td>
<td>710</td>
<td>618</td>
<td>618</td>
<td>618</td>
</tr>
<tr>
<td>Excess Depreciation</td>
<td>433</td>
<td>529</td>
<td>375</td>
<td>399</td>
<td>399</td>
<td>394</td>
<td>394</td>
<td>394</td>
</tr>
<tr>
<td><strong>Total Tax Credit</strong></td>
<td>22,261</td>
<td>21,910</td>
<td>22,000</td>
<td>22,431</td>
<td>22,571</td>
<td>21,970</td>
<td>21,970</td>
<td>21,970</td>
</tr>
<tr>
<td>Income Tax/Pre-tax Income – %</td>
<td>29.2</td>
<td>31.9</td>
<td>33.9</td>
<td>33.9</td>
<td>29.4</td>
<td>34.2</td>
<td>34.2</td>
<td>34.2</td>
</tr>
</tbody>
</table>

The ratio between income tax/social contribution tax and income before taxes on income closed the 4Q10 at 34.2%, showing an increase in relation to the previous quarter and to the same period in 2009.

Also in relation to the tax aspects, it is important to emphasize the contracting of a Tax Hedge operation as from 4Q08. Banco do Brasil contracted hedge operations in a higher sum than that of investments maintained abroad (over hedge), with the objective of annulling the effect of exchange variance on the result, considering the fiscal impacts of these operations. Further details about the Tax Hedge and about the motives that led Banco do Brasil to contract it can be consulted in chapter 5.3.1 (Details of the Reallocations).

The accrued 2010 figure displays tax credits totaling R$6,267 million. This amount corresponds to 174.1% of the projections of utilization of tax credits in 2010, a technical study carried out in 12.31.2009 (R$3,599 million).

**Loan Portfolio**

As of 3Q10, we show our credit portfolio with the joint balances of BB and BNC, which will make it easier to compare figures.

We show below a table with the growth of credit in the Brazilian Banking Industry.

<table>
<thead>
<tr>
<th>Credit in the Brazilian Banking Industry</th>
<th>Balance</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sep/09</td>
<td>Dec/09</td>
</tr>
<tr>
<td>Banking Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>. Individuals</td>
<td>1,348</td>
<td>1,414</td>
</tr>
<tr>
<td>. Businesses</td>
<td>610</td>
<td>636</td>
</tr>
<tr>
<td></td>
<td>738</td>
<td>778</td>
</tr>
</tbody>
</table>
BB's domestic loan portfolio, showed expansion of 5.0% in the quarter and 19.2% in 12 months. The following tables show the share of each credit portfolio area in the total portfolio. It may be seen that individual loans have expanded in detriment of agribusiness.

### Loan Portfolio

*(R$ million)*

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>270,748</td>
<td>285,360</td>
<td>288,044</td>
<td>307,018</td>
<td>321,822</td>
<td>337,921</td>
<td>19.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>85,717</td>
<td>91,791</td>
<td>95,092</td>
<td>101,122</td>
<td>107,368</td>
<td>113,096</td>
<td>23.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Business</td>
<td>116,994</td>
<td>125,336</td>
<td>128,080</td>
<td>135,575</td>
<td>140,502</td>
<td>149,810</td>
<td>19.5</td>
<td>6.6</td>
</tr>
<tr>
<td>SME</td>
<td>41,159</td>
<td>44,920</td>
<td>45,215</td>
<td>47,382</td>
<td>48,496</td>
<td>50,916</td>
<td>13.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Corporate, Medium and Large</td>
<td>75,834</td>
<td>80,416</td>
<td>82,865</td>
<td>88,193</td>
<td>92,006</td>
<td>98,894</td>
<td>23.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>68,038</td>
<td>66,434</td>
<td>64,872</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
<td>12.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Individual</td>
<td>47,574</td>
<td>47,265</td>
<td>47,663</td>
<td>47,839</td>
<td>47,986</td>
<td>48,907</td>
<td>3.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Business</td>
<td>20,464</td>
<td>19,169</td>
<td>17,210</td>
<td>22,482</td>
<td>25,966</td>
<td>26,107</td>
<td>36.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Foreign</td>
<td>14,769</td>
<td>17,268</td>
<td>17,507</td>
<td>19,304</td>
<td>18,004</td>
<td>20,445</td>
<td>18.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Total</td>
<td>285,517</td>
<td>300,829</td>
<td>305,551</td>
<td>326,522</td>
<td>339,826</td>
<td>358,366</td>
<td>19.1</td>
<td>5.5</td>
</tr>
</tbody>
</table>

### Loan portfolio – Participation

*(%)*

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>94.8</td>
<td>94.3</td>
<td>94.3</td>
<td>94.0</td>
<td>94.7</td>
<td>94.3</td>
</tr>
<tr>
<td>Individuals</td>
<td>30.0</td>
<td>30.5</td>
<td>31.1</td>
<td>31.0</td>
<td>31.6</td>
<td>31.6</td>
</tr>
<tr>
<td>Business</td>
<td>41.0</td>
<td>41.7</td>
<td>41.9</td>
<td>41.5</td>
<td>41.3</td>
<td>41.8</td>
</tr>
<tr>
<td>SME</td>
<td>14.4</td>
<td>14.9</td>
<td>14.8</td>
<td>14.5</td>
<td>14.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Corporate, Medium and Large</td>
<td>26.6</td>
<td>26.7</td>
<td>27.1</td>
<td>27.0</td>
<td>27.1</td>
<td>27.6</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>23.8</td>
<td>22.1</td>
<td>21.2</td>
<td>21.5</td>
<td>21.8</td>
<td>20.9</td>
</tr>
<tr>
<td>Individual</td>
<td>16.7</td>
<td>15.7</td>
<td>15.6</td>
<td>14.7</td>
<td>14.1</td>
<td>13.6</td>
</tr>
<tr>
<td>Business</td>
<td>7.2</td>
<td>6.4</td>
<td>5.6</td>
<td>6.9</td>
<td>7.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Foreign</td>
<td>5.2</td>
<td>5.7</td>
<td>5.7</td>
<td>6.0</td>
<td>5.3</td>
<td>5.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Extended loan portfolio

*(R$ million)*

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>285,973</td>
<td>302,956</td>
<td>309,371</td>
<td>329,613</td>
<td>345,685</td>
<td>365,186</td>
</tr>
<tr>
<td>Individuals</td>
<td>85,718</td>
<td>91,793</td>
<td>95,094</td>
<td>101,122</td>
<td>107,368</td>
<td>113,097</td>
</tr>
<tr>
<td>Business</td>
<td>134,480</td>
<td>144,024</td>
<td>148,660</td>
<td>157,455</td>
<td>163,728</td>
<td>176,382</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>68,775</td>
<td>67,139</td>
<td>65,618</td>
<td>71,035</td>
<td>74,588</td>
<td>75,707</td>
</tr>
<tr>
<td>Foreign</td>
<td>16,180</td>
<td>18,441</td>
<td>18,722</td>
<td>20,853</td>
<td>19,400</td>
<td>23,038</td>
</tr>
<tr>
<td>Total</td>
<td>302,153</td>
<td>321,397</td>
<td>328,093</td>
<td>350,466</td>
<td>365,085</td>
<td>388,224</td>
</tr>
</tbody>
</table>

(1) Garantees and securities are included

---

Balance Sheet Analysis 373
**Individual Loan Portfolio**

The individual loan portfolio accounted for 31.6% of the total loan portfolio of BB in December 2010, same percentage of September 2010, against 30.5% in December 2009.

**Business Loan Portfolio**

(\(R\$\) million)

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Consumer Credit (CDC)</td>
<td>48,999</td>
<td>52,149</td>
<td>54,990</td>
<td>57,835</td>
<td>60,105</td>
<td>63,438</td>
<td>21.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Payroll Loan</td>
<td>33,973</td>
<td>36,514</td>
<td>38,550</td>
<td>40,476</td>
<td>42,178</td>
<td>44,976</td>
<td>23.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Consumer Finance</td>
<td>6,161</td>
<td>6,458</td>
<td>5,263</td>
<td>5,712</td>
<td>5,463</td>
<td>5,585</td>
<td>(13.3)</td>
<td>2.2</td>
</tr>
<tr>
<td>Consumer Loan Backed by Direct Deposits</td>
<td>8,865</td>
<td>9,177</td>
<td>11,177</td>
<td>11,647</td>
<td>12,464</td>
<td>12,878</td>
<td>40.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Mortgage</td>
<td>1,290</td>
<td>1,530</td>
<td>1,914</td>
<td>2,105</td>
<td>2,453</td>
<td>2,951</td>
<td>92.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Vehicles Loan</td>
<td>19,255</td>
<td>20,738</td>
<td>21,037</td>
<td>22,774</td>
<td>25,304</td>
<td>27,395</td>
<td>32.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Credit Card</td>
<td>8,050</td>
<td>9,382</td>
<td>8,940</td>
<td>9,383</td>
<td>10,403</td>
<td>11,867</td>
<td>26.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Overdraft Accounts</td>
<td>2,870</td>
<td>2,434</td>
<td>2,735</td>
<td>3,199</td>
<td>3,030</td>
<td>2,598</td>
<td>6.7</td>
<td>(14.3)</td>
</tr>
<tr>
<td>Microcredits</td>
<td>549</td>
<td>674</td>
<td>870</td>
<td>1,046</td>
<td>1,126</td>
<td>1,123</td>
<td>66.7</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other</td>
<td>4,704</td>
<td>4,884</td>
<td>4,606</td>
<td>4,780</td>
<td>4,947</td>
<td>3,724</td>
<td>(23.7)</td>
<td>(24.7)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85,717</td>
<td>91,791</td>
<td>95,092</td>
<td>101,122</td>
<td>107,368</td>
<td>113,096</td>
<td>23.2</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Payroll loans continue with its relevance, with a balance of \(R\$44,976\) million in 4Q10, 39.8% of the total individuals loan portfolio of BB. This amount represents 32.7% of the total loans granted in the Banking Industry (\(R\$137,417\) million).

In the 4Q10, there were 1,391.8 thousand payroll loans, with an average term of 46 months and a monthly average interest rate of 2.15%; in the same period of 2009, 904.8 thousand payroll loans were granted, with an average term of 42 months and an monthly average interest rate of 2.26%. The loans granted to civil servants are still the most representative of BB’s payroll loan portfolio, accounting for 84.5% of the total loans. The remaining loans were granted to INSS’s retirees and pensioners (8.8%) and employees from the private sector (6.7%).

The balance of vehicle financing operations attained \(R\$27,395\) million, an increase of 32.1% in twelve months and 8.3% over Sep/10. Of this amount, \(R\$15,990\) millions are loans arising from BV. The participation of BB in operations for acquisition of vehicles of the Banking Industry (\(R\$188,638\) million) reached 14.5%, 10 base points higher than in the 3Q10. The following table displays terms and average rates of automobile loans, real estate loans, and payroll-based loans.
### Balance Sheet Analysis

#### Portfolios acquired

**(R$ million)**

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Set/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Loans</td>
<td>2,655</td>
<td>3,003</td>
<td>2,616</td>
<td>3,552</td>
<td>7,604</td>
<td>8,636</td>
<td>19.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Vehicle Financing</td>
<td>1,850</td>
<td>2,668</td>
<td>2,476</td>
<td>3,956</td>
<td>4,799</td>
<td>5,877</td>
<td>11.4</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,505</td>
<td>5,672</td>
<td>5,093</td>
<td>7,508</td>
<td>12,403</td>
<td>14,514</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As of Sept/10 the information includes loan operations acquired by Banco Nossa Caixa.

#### Business Loan Portfolio

The following table displays key corporate credit lines, including transactions by BV. The business loan portfolio accounted for 41.8% of BB’s total loan portfolio in 4Q10, against 41.7% in 4Q09.

### Other

As to the mortgages with funds from the FGTS (Government Severance Indemnity Fund for Employees) under the rules of the "Programa Minha Casa Minha Vida" ("Programa Minha Casa Minha Vida" is a government housing program), the building of 5,490 popular houses was financed in 2010.

The outlook for 2011 is that 44 thousand housing units will be financed by the Program. It is important to note the automation in processing data for placing this service, with priority on alternative business channels, real estate correspondents, and firms specialized in sourcing real estate transactions for individuals.

The table below evidences the balances of the portfolios acquired for payroll loans and vehicle financing. The change observed between June 2010 and September 2010 is mainly due to the inclusion of Banco Nossa Caixa figures.
Together, the working capital and investments lines represent 72.5% of the total business portfolio. The investment line deserves a highlight, which grew 31.3% in the last 12 months.

BB remained as the leading bank in global onlending of the BNDES/Finame system, with a disbursement of R$18,206 million, an accrued position in 2010. With this performance, BB held 19.4% of the total share.

**Private Securities** – Banco do Brasil, operates in the capital market, as an alternative to the traditional credit lines, by means of issues of debentures, promissory notes and bank credit bills. The balances of these securities are presented in the table below:

<table>
<thead>
<tr>
<th>Private securities – Companies (R$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACC/ACE Average Volume per Contract</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACC/ACE</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
<th>On 4Q09</th>
<th>On 3Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted Amount (US$ million)</td>
<td>2,653</td>
<td>2,722</td>
<td>3,296</td>
<td>2,920</td>
<td>2,640</td>
<td>3,784</td>
<td>39.0</td>
<td>43.3</td>
</tr>
<tr>
<td>Quantity of Contracts</td>
<td>4,332</td>
<td>4,473</td>
<td>4,263</td>
<td>4,682</td>
<td>4,037</td>
<td>4,177</td>
<td>(8.0)</td>
<td>2.0</td>
</tr>
<tr>
<td>Average Volume per Contract (US$ thousand)</td>
<td>612</td>
<td>609</td>
<td>773</td>
<td>624</td>
<td>654</td>
<td>919</td>
<td>51.0</td>
<td>40.5</td>
</tr>
</tbody>
</table>

| Loans to SMEs – In the relationship with SMEs, Banco do Brasil continued to act as the main partner of the segment. At the end of the fourth quarter of 2010, BB had 2.13 million checking accounts, with 2 million micro and small business clients. Around 567 thousand were assisted by specialized relationship managers. BB has also been consolidating its share of the cooperativist credit segment, delivering products and services tailored to the requirements of this market. The products include the Compe/SPB Integration Service, whereby credit cooperatives and its cooperative members have access to the System for the Clearing of Checks and Other Instruments and to the Payment Settlement and Transfer System (SPB). This service allowed bank products to be made available to 390 thousand cooperative members, associated with 335 credit cooperatives, contributes to innovation in the supply of solutions in products and sale formats, essential functions for the growth of BB’s competitiveness and maintenance of partnerships. In December 2010, BB supported 192 Local Productive Arrangements (APL), delivering services to 19.9 thousand ventures. A sum of R$2.0 billion was made available that contributed toward the sustainable growth of the locations where the APLs are included, with R$1.6 billion in loans for working |

**Foreign Trade Loans** – The pre-shipment/post-shipment export financing (ACC/ACE) closed the quarter with R$8,997 million, higher than the balance observed in the 4Q09, with a growth of 10.6%. Regarding the 3Q10, there was a growth of 12.4%. This credit line is strongly influenced by the behavior of the foreign exchange rate (American dollar). In Dec 2010 the Brazilian currency, considering the exchange rate for the sale of the US dollar (Ptax) devalued by 2.3% as compared to Sept 2010, and 4.3% in 12 months.

In 4Q10 Banco do Brasil maintained its high share in the export and import exchange market, with volumes of US$27.5 billion and US$11.5 billion respectively. The market share by these lines rose to 23.0% for imports and 31.8% for exports in 4Q10 over the last quarter. In a yearly comparison, BB obtained a 31.0% market share in export exchange, having traded in US$57.1 billion as opposed to US$47.1 billion in 2009. As to import exchange, market share ended 2010 with 24.0%, totaling US$42.7 billion as compared to US$34.1 billion in 2009.

In December 2010, BB supported 192 Local Productive Arrangements (APL), delivering services to 19.9 thousand ventures. A sum of R$2.0 billion was made available that contributed toward the sustainable growth of the locations where the APLs are included, with R$1.6 billion in loans for working
capital to finance investments, R$149.0 million in funds for foreign trade, with R$203.0 million earmarked for operations geared toward agribusiness. Banco do Brasil Working Capital Local Productive Arrangement (BB Giro APL) should also be mentioned, an exclusive credit facility provided to companies that participate in Arrangement, of which R$94.0 million had been granted by the fourth quarter of 2010.

The balance of loans with SMEs in December 2010 was of R$50.9 billion, a 17.6% increase as compared to the same period in 2009.

Considering working capital and investment loans, R$11.9 billion was allocated to manufacturing industries (23.9%), R$24.2 billion to trade (48.1%), and R$14.1 billion to the services segment (28.0%).

**SME Credit Products**

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>28,151</td>
<td>31,250</td>
<td>31,001</td>
<td>34,920</td>
<td>34,867</td>
<td>37,038</td>
<td>18.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Investment</td>
<td>10,840</td>
<td>11,466</td>
<td>12,254</td>
<td>11,967</td>
<td>12,857</td>
<td>13,137</td>
<td>14.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Foreign Trade(1)</td>
<td>667</td>
<td>596</td>
<td>481</td>
<td>495</td>
<td>772</td>
<td>740</td>
<td>24.2</td>
<td>(4.1)</td>
</tr>
<tr>
<td>BNC</td>
<td>1,501</td>
<td>1,608</td>
<td>1,479</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41,159</td>
<td>44,920</td>
<td>45,215</td>
<td>47,382</td>
<td>48,496</td>
<td>50,916</td>
<td>13.3</td>
<td>5.0</td>
</tr>
</tbody>
</table>

(1) The rating methodology of operations in such credit line was reviewed as of Q3Q9.

It is worth emphasizing the allocation, at the end of December 2010, of R$37.0 billion for working capital, which represented growth of 18.5% in relation to the same period of 2009. Among the credit facilities, the following should be highlighted:

a) BB Giro Rápido aims to satisfy the need for working capital of the segment of micro and small businesses, without requiring tangible collateral. In 4Q10, this credit line reached a balance of R$6.1 billion, representing 16.4% of the working capital category;

b) the “BB Giro Empresa Flex”, whose purpose is supplying working capital and financing for acquisition of goods and services. In this credit facility, the customer can determine the form of loan repayment in accordance with the company’s cash flow. The credit facility reached a balance of R$9.4 billion, representing 25.5% of the working capital category;

c) BB Giro Receivables, a line launched in May, 2010, which provides working capital loans with a revolving credit limit, backed by receivables (post-dated checks and trade notes), rose to a balance of R$879.0 million by 4Q10.

**Balance Sheet Analysis**

Financing investments to SMEs reached R$13.1 billion in the 4Q10, an increase of 14.6% in relation to the same period of 2009. These also deserve highlighting:

a) at the end of December, the BNDES card, a product in which BB is a total leader (in terms of amounts disbursed, number of cards and transactions), reached R$5.3 billion of disbursements accumulated since the beginning of its commercialization, representing an increase of R$2.9 billion in the last 12 months, with 66.0% of cards issued in the market.

b) the Proger Urbano Empresarial program, the key credit facility for investments by SMEs, which showed a record balance of R$4.6 billion;

c) FINAME operations with micro and small businesses reached a balance of R$2.6 billion in December 2010.

BB Crédito Empresa was launched in November, this being a line for companies with gross annual billings of not more than R$60.0 million. This line is suitable for financing new vehicles, trucks, pick-ups, minibuses and buses, passenger cars and utilitarians. Loans may cover as much as 100.0% of the assets, limited to 90.0% of the agreement.

The FGO is a guarantee fund that supplements, by up to 80.0%, the guarantees required from legal entities for loans and financing, and expands credit supply to companies, particularly micro and small-sized companies, with yet more competitive rates. By the end of 4Q10, 353.6 thousand operations had been carried out under the FGO, totaling the balance of R$7.0 billion. The operations backed by this Fund represent approximately 24.7% of the expenses observed in the credit facilities that accept this kind of collateral.
Agribusiness Loan Portfolio

Agribusiness is one of the main sectors of the Brazilian economy, of fundamental importance to the growth of the Country. In its role as an agent of public policies, Banco do Brasil represents a link between the government and the rural producer, acting as the largest financier of Brazilian agribusiness in all its segments and in all stages of the productive chain, from the small farmer to the large agroindustrial companies.

The figure below shows both the importance of the share of agribusiness in the Brazilian GDP and the share of jobs generated by agribusiness in the Brazilian job market.

---

Share of Agribusiness in the GDP and in the job market

- **73.6%** – % GPD – Other Activities
- **26.4%** – % GPD – Agribusiness
- **28.9%** Cattle
- **71.1%** Agribusiness
- **67.0%** Other Jobs
- **33.0%** Agriculture Jobs

---

Source: MAPA Strategic Plan (2008 data)

The Brazilian agribusiness sector closed 2010 with a US$63.1 billion surplus and the trade balance showed a US$20.3 billion surplus. For 2010/2011, the outlook for Brazilian agribusiness is better than in the prior crop, due to the following assumptions: lower prices for inputs; availability of funding for the crop; a recovery in the price of grains, and; an improved market for meat (chicken, pork and beef). The following illustration shows the increase of the Brazilian Trade Balance.

---

Trade Balance (FOB)

(US$ billion)

- Agri-business
- Brazil

---

Source: MAPA – Ministério da Agricultura, Pecuária e Abastecimento.
The following tables show the exports flows broken down by the main products and Brazil's share in international agribusiness.

### Exports (US$ million)

<table>
<thead>
<tr>
<th>Product</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybeans and Related Products</td>
<td>9,308</td>
<td>11,381</td>
<td>17,980</td>
<td>17,240</td>
<td>17,107</td>
</tr>
<tr>
<td>Meat</td>
<td>8,641</td>
<td>11,295</td>
<td>14,545</td>
<td>11,787</td>
<td>13,630</td>
</tr>
<tr>
<td>Leather, Hides and Shoes</td>
<td>3,471</td>
<td>3,554</td>
<td>3,140</td>
<td>2,041</td>
<td>2,639</td>
</tr>
<tr>
<td>Sugar</td>
<td>7,772</td>
<td>6,578</td>
<td>7,873</td>
<td>9,716</td>
<td>13,776</td>
</tr>
<tr>
<td>Forest Products</td>
<td>7,881</td>
<td>8,819</td>
<td>9,326</td>
<td>7,223</td>
<td>9,282</td>
</tr>
<tr>
<td>Coffee, Mate and Spices</td>
<td>3,535</td>
<td>4,093</td>
<td>4,971</td>
<td>4,470</td>
<td>5,962</td>
</tr>
<tr>
<td>Fruit Juice</td>
<td>1,570</td>
<td>2,374</td>
<td>2,152</td>
<td>1,752</td>
<td>1,925</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1,752</td>
<td>2,262</td>
<td>2,752</td>
<td>3,046</td>
<td>2,762</td>
</tr>
<tr>
<td>Other Products</td>
<td>5,495</td>
<td>8,059</td>
<td>9,066</td>
<td>7,480</td>
<td>9,358</td>
</tr>
<tr>
<td>Total</td>
<td>49,424</td>
<td>58,416</td>
<td>71,806</td>
<td>64,756</td>
<td>76,441</td>
</tr>
</tbody>
</table>

Source: MAPA – Ministério da Agricultura, Pecuária e Abastecimento.

### Brazil’s share in world agribusiness

<table>
<thead>
<tr>
<th>Product</th>
<th>Production</th>
<th>Export</th>
<th>% World Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>1°</td>
<td>1°</td>
<td>30.5</td>
</tr>
<tr>
<td>Orange Juice</td>
<td>1°</td>
<td>1°</td>
<td>86.6</td>
</tr>
<tr>
<td>Cattle</td>
<td>2°</td>
<td>1°</td>
<td>23.1</td>
</tr>
<tr>
<td>Sugar Cane</td>
<td>1°</td>
<td>1°</td>
<td>5.8</td>
</tr>
<tr>
<td>Soybeans</td>
<td>2°</td>
<td>2°</td>
<td>32.0</td>
</tr>
<tr>
<td>Poultry</td>
<td>3°</td>
<td>1°</td>
<td>38.7</td>
</tr>
<tr>
<td>Cotton</td>
<td>5°</td>
<td>5°</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Source: USDA – PSD Online

The sector’s performance in the last few years is due to the permanent quest for new technologies and for valuing the services provided by the professionals from this area, always aiming at improving profitability and continuity in the enterprises. In the following chart, the increased productivity per planted area, as a result of gains in productivity, can be visualized.

---

### Production vs. Planted Area

- Production (million ton)
- Area (million ha)
- Yield (ton/ha)

[Graph showing production, area, and yield from 1996/97 to 2010/11]
Agribusiness at BB

In relation to the distribution of agribusiness operations by region of the country, continuity was verified in the distribution among Brazilian regions, with the South and Southeast regions appearing as most relevant, while the North and Northeast continue being the least relevant regions.

Agribusiness Loan Portfolio by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Share – %</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>2.6</td>
</tr>
<tr>
<td>Northeast</td>
<td>5.3</td>
</tr>
<tr>
<td>Midwest</td>
<td>18.8</td>
</tr>
<tr>
<td>Southeast</td>
<td>40.0</td>
</tr>
<tr>
<td>South</td>
<td>33.3</td>
</tr>
</tbody>
</table>

The rural loan finances the working capital for input purchase and crop trading of agricultural products, stimulates rural investments, including warehousing, processing and the industrial transformation of agricultural products. Furthermore, it encourages the introduction of rational methods in the productive system.

Agricultural and cattle breeding activity follows the agricultural calendar, known as the crop-year, which begins in July of each year and ends in June of the following year. Hence, the current 2010/2011 crop began in Jul/2010 and will end in Jun/2011.

In the first quarter of the crop year, funds will required for planting (funding) the summer crop. Also during this period there is a concentration of payments of the costing loans for the summer crop in the preceding crop-year.

From October to December, the demand for working capital for input purchase continues, however, at a lower volume than in the first quarter of the crop. During the crop’s third quarter (January to March) demand begins for the winter crop’s working capital for input purchase loans, and for the summer crop in the northern and northeastern regions.

And demand grows during the crop-year’s last quarter for working capital to fund sales, as this is a crop period.

The rural portfolio of Brazilian Banking Industry attained R$123,774 million in Dec/10, an increase of 10.3% in twelve months and of 3.3% in relation to Sep/10. At BB, the balance of the agribusiness portfolio attained R$75,015 million, increase of 1.4% over Sep/10 and 12.9% in twelve months. In this quarter, the agribusiness portfolio represented 20.9% of BB’s total portfolio as opposed to 22.1% in Dec/09.

The following table shows a breakdown of BB’s agribusiness portfolio, divided into funding for working capital, investments, and sales.

Agribusiness Loan Portfolio by Purpose

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sep/09</td>
<td>Dec/09</td>
</tr>
<tr>
<td>Working Capital for Input Purchase</td>
<td>24,484</td>
<td>27,478</td>
</tr>
<tr>
<td>Investment</td>
<td>22,098</td>
<td>21,965</td>
</tr>
<tr>
<td>Crop Trading</td>
<td>18,802</td>
<td>14,403</td>
</tr>
<tr>
<td>Other(1)</td>
<td>2,655</td>
<td>2,589</td>
</tr>
<tr>
<td>Total</td>
<td>68,038</td>
<td>66,434</td>
</tr>
</tbody>
</table>

(1) BNC portfolio was included as of Mar/09.

Pronamp is a product that offers fixed loans for agricultural and cattle breeding funding, besides financial support for fixed and semi-fixed investments; And the National Family Agriculture Empowerment Program – Pronaf is aimed at the financing of agricultural activity funding. These two products added up to R$22,0847 million in December 2010, growing 20.8% in relation to the same period of 2009, and 6.2% in relation to the previous quarter.

FCO Rural offers a financial supplement for working capital and investment for the rural producer of the Middle-west region of Brazil. The operations of this product showed a small increase in 12 months (6.3%) and remained almost unchanged in Sep 2010, totaling R$5,732 million in last December.

The BNDES/Finame Rural products have the objective of financing investments in the modernization of machinery and equipment intended for rural production. Transactions with these products...
toted R$6,749 million, with positive variations of only 0.6% in 12 months and a negative variation of 25.1% in relation to Sep/10. BNDES Procer line financing working capital for agribusiness was responsible for such performance.

Financial support to agribusinesses involved in selling and processing agricultural and livestock goods are emphasized in Sales and Processing of Agricultural Goods, that ended Dec 2010 with a balance of R$16,689 million. In the 4Q09, part of the balance was reclassified to the BNDES Procer line, which also changed the line of BNDES Finame Rural operations.

Balances of the remaining products are consolidated into the line Other that, during the period Mar/09-Mar/10, includes the amount of BNC portfolio. As of Jun/10 balances from BNC already compose the segmentation presented in the following table.

### Agribusiness Loan Portfolio by Type of Loans
(R$ million)

<table>
<thead>
<tr>
<th>Item Financed</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural and Livestock Working Capital</td>
<td>17,670</td>
<td>17,737</td>
<td>17,391</td>
<td>16,637</td>
<td>16,023</td>
<td>16,704</td>
<td>(5.8)</td>
<td>4.2</td>
</tr>
<tr>
<td>Loans to Companies</td>
<td>16,334</td>
<td>12,333</td>
<td>10,855</td>
<td>15,684</td>
<td>16,689</td>
<td>35.3</td>
<td>(7.6)</td>
<td></td>
</tr>
<tr>
<td>Pronaf/Pronamp</td>
<td>17,645</td>
<td>18,279</td>
<td>19,998</td>
<td>20,763</td>
<td>22,084</td>
<td>20.8</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>FCO Rural</td>
<td>5,617</td>
<td>5,390</td>
<td>5,490</td>
<td>5,593</td>
<td>5,732</td>
<td>6.3</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>BNDES/Finame Rural(1)</td>
<td>4,378</td>
<td>6,706</td>
<td>6,676</td>
<td>9,013</td>
<td>6,749</td>
<td>0.6</td>
<td>(25.1)</td>
<td></td>
</tr>
<tr>
<td>Other(2)</td>
<td>6,394</td>
<td>5,989</td>
<td>5,580</td>
<td>4,595</td>
<td>7,057</td>
<td>17.8</td>
<td>56.6</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>68,038</td>
<td>66,434</td>
<td>64,872</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
<td>12.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>

(1) Includes amounts from the BB Investimento Agropecuário (Agricultural and Livestock Investment) line.

(2) BNC portfolio was included as of Mar/09.

The following table shows the balance of the loan transactions intended for agribusiness by item financed.

### Agribusiness Loan Portfolio by Product
(R$ million)

<table>
<thead>
<tr>
<th>Item Financed</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td>10,588</td>
<td>15.9</td>
<td>13,102</td>
<td>17.7</td>
<td>12,344</td>
<td>16.5</td>
<td>16.6</td>
<td>(5.8)</td>
</tr>
<tr>
<td>Soybeans</td>
<td>6,057</td>
<td>9.1</td>
<td>5,007</td>
<td>6.8</td>
<td>6,080</td>
<td>8.1</td>
<td>0.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Coffee</td>
<td>2,315</td>
<td>3.5</td>
<td>2,439</td>
<td>3.3</td>
<td>1,987</td>
<td>2.6</td>
<td>(14.2)</td>
<td>(18.5)</td>
</tr>
<tr>
<td>Corn</td>
<td>3,095</td>
<td>4.7</td>
<td>2,351</td>
<td>3.2</td>
<td>2,489</td>
<td>3.3</td>
<td>(19.6)</td>
<td>5.9</td>
</tr>
<tr>
<td>Sugar Cane</td>
<td>3,137</td>
<td>4.7</td>
<td>2,237</td>
<td>3.0</td>
<td>2,373</td>
<td>3.2</td>
<td>(24.4)</td>
<td>6.1</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>1,511</td>
<td>2.3</td>
<td>1,959</td>
<td>2.6</td>
<td>1,770</td>
<td>2.4</td>
<td>17.1</td>
<td>(9.6)</td>
</tr>
<tr>
<td>Rice</td>
<td>2,260</td>
<td>2.8</td>
<td>2,258</td>
<td>2.6</td>
<td>1,848</td>
<td>2.5</td>
<td>29.2</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Poultry</td>
<td>1,689</td>
<td>2.5</td>
<td>1,435</td>
<td>1.9</td>
<td>855</td>
<td>1.1</td>
<td>(49.4)</td>
<td>(40.4)</td>
</tr>
<tr>
<td>Pork</td>
<td>723</td>
<td>1.1</td>
<td>855</td>
<td>1.2</td>
<td>710</td>
<td>0.9</td>
<td>(1.8)</td>
<td>(17.0)</td>
</tr>
<tr>
<td>Cotton</td>
<td>683</td>
<td>1.0</td>
<td>773</td>
<td>1.0</td>
<td>869</td>
<td>1.2</td>
<td>27.1</td>
<td>12.4</td>
</tr>
<tr>
<td>Manioc</td>
<td>526</td>
<td>0.8</td>
<td>504</td>
<td>0.7</td>
<td>473</td>
<td>0.6</td>
<td>(10.1)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>249</td>
<td>0.4</td>
<td>224</td>
<td>0.3</td>
<td>227</td>
<td>0.3</td>
<td>(9.0)</td>
<td>0.9</td>
</tr>
<tr>
<td>Other(6)</td>
<td>34,432</td>
<td>51.8</td>
<td>41,148</td>
<td>55.6</td>
<td>42,991</td>
<td>57.3</td>
<td>24.9</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>66,434</td>
<td>100.0</td>
<td>73,952</td>
<td>100.0</td>
<td>75,015</td>
<td>100.0</td>
<td>12.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>
In its work of financing Brazilian agribusiness, Banco do Brasil reaches all the segments, from the small producer to the large agro-industrial companies. The table below reveals this work, showing that while financing mini and small producers accounts for 81.9% of the total of contracts (23.4% of the amount contracted), the transactions with the other agents show a 76.6% share of the amount contracted. The information in the following table includes sums loaned during the current crop but not actually disbursed, which information is explained in this 2010/2011 Crop Plan table.

### Resources Contracted in the 10/11 Crop by Size of Customer  
(R$ million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Qty, Contracts</th>
<th>Qty, Contracts - %</th>
<th>Amount Contracted</th>
<th>Amount Contracted - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mini</td>
<td>224,074</td>
<td>34.9</td>
<td>1,443,660,815</td>
<td>5.6</td>
</tr>
<tr>
<td>Small</td>
<td>301,922</td>
<td>47.0</td>
<td>4,555,995,271</td>
<td>17.8</td>
</tr>
<tr>
<td>Medium and Large Sized</td>
<td>115,962</td>
<td>18.1</td>
<td>18,430,078,821</td>
<td>71.9</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>381</td>
<td>0.1</td>
<td>1,188,081,650</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td>642,339</td>
<td>100.0</td>
<td>25,617,816,557</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The following table shows the view by size of customer in relation to the total balance of the agribusiness loan portfolio.

### Agribusiness portfolio by size  
(R$ million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mini</td>
<td>11,083</td>
<td>11,262</td>
<td>11,329</td>
<td>12,008</td>
<td>11,488</td>
<td>5,338</td>
</tr>
<tr>
<td>Pequeno</td>
<td>10,243</td>
<td>10,675</td>
<td>11,050</td>
<td>12,043</td>
<td>12,290</td>
<td>16,150</td>
</tr>
<tr>
<td>Médio e Grande</td>
<td>43,152</td>
<td>40,952</td>
<td>38,966</td>
<td>42,730</td>
<td>46,635</td>
<td>50,337</td>
</tr>
<tr>
<td>Cooperativas</td>
<td>2,759</td>
<td>2,763</td>
<td>2,738</td>
<td>3,540</td>
<td>3,539</td>
<td>3,191</td>
</tr>
<tr>
<td>BNC</td>
<td>800</td>
<td>783</td>
<td>759</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>68,038</td>
<td>66,434</td>
<td>64,872</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
</tr>
</tbody>
</table>

In the figure below we present the distribution of the balance of the Agribusiness Loan Portfolio by type of client.
Next, the Agribusiness Loan Portfolio by Funding Sources is shown.

The main funding source of funds for the agribusiness portfolio continued to be saving deposits which in Dec/10 reached the sum of R$43.0 billion, as the figure above. Those resources accounted for 57.3% of the total for the quarter.

BB uses funding from Poupança Ouro (savings) and Demand Deposits, Fund for Worker Assistance - FAT, the Federal Treasury, Fund for Worker Assistance - Funcafé, and Constitutional Fund for the Financing of the Center-West - FCO, for low-rate agricultural loans. In order to make this intermediation feasible, the National Treasury or Fundo Constitucional pays BB an equalization fee which is the difference between the sum charged to the borrower and the funding costs, credit risk and administrative costs and taxes.

Moreover, weighting factor is set for financing obtained with funds from demand and savings deposits. The weighting factor is a multiplier that helps to fulfill liabilities and raise revenues upon the release of funds in BB’s cash for investments. The following figure shows a history of the revenues received by way of interest rate equalization and weighting factor.
In this quarter the balance of equalization revenues, including the weighting factor, grew 15.6% in comparison with 3Q10 and 57.8% in 12 months, boosted by the 162.2% increase in the weighting factor quarterly comparison.

Weighting factor is a multiplier applied to certain rural loan operations for compliance of bank liabilities. This instrument gains profitability to BB through the release of funds for cash.

Using the weighting factor, for every R$1.00 applied to rural loan operations subject to this mechanism, BB is authorized to use the multiplier (variable due to the category of loan and as stipulated in Resolution CMN). The difference between the results of applying the weighting factor and the amount originally applied is released for use as cash.

For the 2010/11 crop, BB returned to use the weighting factor more intensively, since the projections of resources Demand Deposits and Savings Deposits.

The following table below evidences the distribution of equalizable funds from BB’s Agribusiness portfolio.

### Equalizable Funds of the Agribusiness Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equalizable Resources</td>
<td>20,065</td>
<td>22,249</td>
<td>24,162</td>
<td>26,328</td>
<td>25,648</td>
<td>27,130</td>
<td>21.9</td>
<td>5.8</td>
</tr>
<tr>
<td>Working Capital for Input Purchase</td>
<td>12,235</td>
<td>13,284</td>
<td>14,392</td>
<td>15,440</td>
<td>14,508</td>
<td>15,350</td>
<td>15.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Investments</td>
<td>7,249</td>
<td>7,897</td>
<td>8,594</td>
<td>9,259</td>
<td>9,663</td>
<td>10,157</td>
<td>28.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Crop Trading</td>
<td>582</td>
<td>1,068</td>
<td>1,177</td>
<td>1,629</td>
<td>1,477</td>
<td>1,623</td>
<td>52.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Non-Equalizationable Resources</td>
<td>47,972</td>
<td>44,185</td>
<td>40,710</td>
<td>43,992</td>
<td>48,304</td>
<td>47,885</td>
<td>8.4</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Total Loan Portfolio</td>
<td>68,038</td>
<td>66,434</td>
<td>64,872</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
<td>12.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>

BB has mechanisms for mitigating risks from agriculture loan portfolio. For the 2010/2011 crop (up to December 2010) 62.1% of the working capital for input purchase loans (R$6,201 million) was contracted by using mitigators. Of this amount, R$3,135 million were guaranteed by Proagro and R$2,450 million at the company Aliança do Brasil and at the reinsurance companies indicated below, beyond R$616 million of prices protection.
The following chart shows the increase in percentage in the use of Agriculture Insurance and Proagro.

**Agricultural Insurance and Proagro**

*Amounts in R$ billion*

- **R$25.6 bi**
  - 39.5% Working Capital for Input Purchase – R$10.1 bi
  - 18.4% Working Capital - Cattle Raising – R$3.9 bi
  - 13.7% Investment – R$3.4 bi
  - 13.3% Investment – R$3.5 bi
  - 15.2% Agroindustrial Credit / Procer – 4.7 bi

- **R$10.1 bi**
  - 79.2% Corporate Agricultural Costs
  - 20.8% Corporate Agricultural Costs

- **R$2.1 bi**
  - 87.4% Corporate Agricultural Costs
  - 9.1% With Proagro
  - 1.2% With PGPAF
  - 2.3% Without Mitigation

---

### Reinsurance

<table>
<thead>
<tr>
<th>Reinsurance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRB</td>
<td>30</td>
</tr>
<tr>
<td>Partner RE</td>
<td>12</td>
</tr>
<tr>
<td>Swiss RE</td>
<td>12</td>
</tr>
<tr>
<td>Scor RE</td>
<td>12</td>
</tr>
<tr>
<td>Münchener Rück do Brasil</td>
<td>9</td>
</tr>
<tr>
<td>Mapfre RE</td>
<td>12</td>
</tr>
<tr>
<td>Catlin RE</td>
<td>3</td>
</tr>
<tr>
<td>Hannover RE</td>
<td>2</td>
</tr>
<tr>
<td>Everest RE</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>93</td>
</tr>
</tbody>
</table>

---

- **R$8 bi**
  - 34.6% With Insurance/Proagro
  - 11.5% Companies Risk/Cooperatives
  - 6.7% Hedge Price
  - 47.1% Without Insurance/Proagro
The figure below evidences the percentage of agricultural funding transactions operations contracted with risk mitigators since the crop of 2008/09.

### Percentage of operations contracted with risk mitigators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>62% Working Capital for Input Purchase with Mitigation</td>
<td>62% Working Capital for Input Purchase with Mitigation</td>
<td>61% Working Capital for Input Purchase with Mitigation</td>
</tr>
<tr>
<td>38% Working Capital for Input Purchase without Mitigation</td>
<td>38% Working Capital for Input Purchase without Mitigation</td>
<td>39% Working Capital for Input Purchase without Mitigation</td>
</tr>
</tbody>
</table>

The following table shows a comparative funding of the current crop (10/11) with the previous year (09/10), describing the purpose of the loans.

#### 2010/2011 Crop Plan
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Crop 09/10 (A)(1)</th>
<th>Crop 10/11 (B)(1)</th>
<th>Chg. (%) (B/A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familiar</td>
<td>5,053</td>
<td>5,188</td>
<td>2.7</td>
</tr>
<tr>
<td>Working Capital for Input Purchase</td>
<td>3,157</td>
<td>3,164</td>
<td>0.2</td>
</tr>
<tr>
<td>Investment</td>
<td>1,895</td>
<td>2,024</td>
<td>6.8</td>
</tr>
<tr>
<td>Corporate</td>
<td>14,418</td>
<td>16,942</td>
<td>17.5</td>
</tr>
<tr>
<td>Working Capital for Input Purchase</td>
<td>10,102</td>
<td>11,443</td>
<td>13.3</td>
</tr>
<tr>
<td>Investment</td>
<td>1,476</td>
<td>2,099</td>
<td>42.2</td>
</tr>
<tr>
<td>Crop Trading</td>
<td>2,840</td>
<td>3,400</td>
<td>19.7</td>
</tr>
<tr>
<td>Total</td>
<td>19,471</td>
<td>22,130</td>
<td>13.7</td>
</tr>
</tbody>
</table>

(1) As of December 31.

We detail below the four key crops subject to agricultural funding, with the percentage share of funding for the 2010/2011 crop and the concentration per state regarding each of these crops.

#### Defrayal – Contracting Profile

<table>
<thead>
<tr>
<th>Soybeans</th>
<th>Corn</th>
<th>Rice</th>
<th>Cotton</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.2%</td>
<td>11.1%</td>
<td>6.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>PR</td>
<td>32.9%</td>
<td>RS</td>
<td>23.4%</td>
</tr>
<tr>
<td>RS</td>
<td>20.5%</td>
<td>SC</td>
<td>21.0%</td>
</tr>
<tr>
<td>GO</td>
<td>12.7%</td>
<td>PR</td>
<td>19.6%</td>
</tr>
<tr>
<td>MS</td>
<td>10.5%</td>
<td>MG</td>
<td>19.4%</td>
</tr>
</tbody>
</table>
We show below a breakdown of price and cost of the corn and soybean crops for the 2010/2011 crops. The margin is represented by the percentage of revenues net of the costs involved in each crop, i.e., the part designed for the producer. The figures regarding the plantations' price and costs are referenced based on the state of Parana, with the key municipalities serving to find a proportional average.

### Ratio Price/Cost of soybean and maize

#### Margin - Soybean (%)

<table>
<thead>
<tr>
<th>Crops</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
<th>09/10</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>35.8</td>
<td>51.9</td>
<td>65.0</td>
<td>47.1</td>
<td>34.8</td>
<td>52.9</td>
</tr>
</tbody>
</table>

#### Evolution Price and Cost - Soybean (R$/kg)

<table>
<thead>
<tr>
<th>Crops</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
<th>09/10</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0.43</td>
<td>0.59</td>
<td>0.74</td>
<td>0.76</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>0.28</td>
<td>0.24</td>
<td>0.26</td>
<td>0.40</td>
<td>0.54</td>
<td>0.33</td>
</tr>
</tbody>
</table>

#### Margin - Corn (%)

<table>
<thead>
<tr>
<th>Crops</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
<th>09/10</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>16.8</td>
<td>45.6</td>
<td>52.8</td>
<td>24.0</td>
<td>22.4</td>
<td>40.8</td>
</tr>
</tbody>
</table>

#### Evolution Price and Cost - Corn (R$/kg)

<table>
<thead>
<tr>
<th>Crops</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
<th>08/09</th>
<th>09/10</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0.19</td>
<td>0.25</td>
<td>0.34</td>
<td>0.27</td>
<td>0.23</td>
<td>0.29</td>
</tr>
<tr>
<td>Cost</td>
<td>0.16</td>
<td>0.13</td>
<td>0.16</td>
<td>0.21</td>
<td>0.18</td>
<td>0.17</td>
</tr>
</tbody>
</table>

### Analysis of Liabilities

The volume of deposits taken by Banco do Brasil ended the quarter at R$376,851 million, growth of 8.2% in the quarter and of 11.6% in twelve months. One of the reasons for this growth was the increase in savings deposits,
with a 17.9% rise as compared to the volume found for December 2009, equal to 23.7% of total deposit at year-end 2010. Another important factor was the growing trend of time deposits in 2010. Such deposits grow by 5.8% as compared to the same period in 2009, and totaled R$204.7 billion.

The indicators of the following table show the relationship between funding sources and investments in Banco do Brasil.

Both in the quarterly and in the twelve-month comparison, we can note that the increase in the net loan portfolio outpaces that of total funding, which explains the reduction in cash and cash equivalents and the increase in the ratio between loans and total funding. In addition, the amendments to the rules for compulsory deposits by the Brazilian Central Bank in 2010 had material impacts on funding.

BB continues to present cash and cash equivalents exceeding 12% of the total funding and the net loan portfolio continues to represent for less than 88% of funding, growth of 190 base points in relation to the previous quarter.

### Liabilities

(R$ million)

<table>
<thead>
<tr>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>305,002</td>
<td>310,846</td>
<td>326,958</td>
<td>337,564</td>
<td>342,624</td>
<td>343,961</td>
<td>348,336</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>47,276</td>
<td>49,075</td>
<td>50,107</td>
<td>56,459</td>
<td>54,973</td>
<td>59,025</td>
<td>59,018</td>
</tr>
<tr>
<td>Savings Deposits</td>
<td>70,567</td>
<td>69,011</td>
<td>72,233</td>
<td>75,742</td>
<td>78,719</td>
<td>81,541</td>
<td>85,703</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>8,406</td>
<td>7,459</td>
<td>9,627</td>
<td>11,169</td>
<td>10,749</td>
<td>10,436</td>
<td>11,169</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>178,487</td>
<td>185,072</td>
<td>194,707</td>
<td>193,516</td>
<td>197,934</td>
<td>192,715</td>
<td>192,042</td>
</tr>
<tr>
<td>Investment Deposits</td>
<td>266</td>
<td>228</td>
<td>284</td>
<td>229</td>
<td>249</td>
<td>243</td>
<td>358</td>
</tr>
<tr>
<td>Money Market Funding</td>
<td>106,452</td>
<td>101,508</td>
<td>153,603</td>
<td>160,821</td>
<td>157,866</td>
<td>166,603</td>
<td>165,594</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>13,065</td>
<td>11,209</td>
<td>15,086</td>
<td>13,733</td>
<td>19,539</td>
<td>24,248</td>
<td>22,254</td>
</tr>
<tr>
<td>Domestic Onlending</td>
<td>22,220</td>
<td>22,626</td>
<td>26,761</td>
<td>31,390</td>
<td>32,995</td>
<td>36,308</td>
<td>48,849</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>114,327</td>
<td>120,290</td>
<td>129,615</td>
<td>128,922</td>
<td>134,212</td>
<td>145,245</td>
<td>163,578</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>30,859</td>
<td>32,360</td>
<td>33,661</td>
<td>36,119</td>
<td>37,646</td>
<td>48,204</td>
<td>50,441</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>591,925</td>
<td>598,839</td>
<td>685,684</td>
<td>708,549</td>
<td>724,881</td>
<td>755,706</td>
<td>796,815</td>
</tr>
</tbody>
</table>

### Sources and Uses

(R$ million)

<table>
<thead>
<tr>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Total</td>
<td>381,944</td>
<td>374,684</td>
<td>388,788</td>
<td>1.8</td>
</tr>
<tr>
<td>Total Funding</td>
<td>337,564</td>
<td>348,336</td>
<td>376,851</td>
<td>11.6</td>
</tr>
<tr>
<td>Domestic Onlending</td>
<td>31,390</td>
<td>48,849</td>
<td>50,764</td>
<td>61.7</td>
</tr>
<tr>
<td>Financial and Development Funds</td>
<td>4,135</td>
<td>3,506</td>
<td>3,568</td>
<td>13.7</td>
</tr>
<tr>
<td>FCO (Subordinated Debt)</td>
<td>18,553</td>
<td>22,090</td>
<td>23,412</td>
<td>26.2</td>
</tr>
<tr>
<td>Foreign Borrowing(1)</td>
<td>14,582</td>
<td>22,090</td>
<td>22,090</td>
<td>45.6</td>
</tr>
<tr>
<td>Compulsory Deposits</td>
<td>(24,280)</td>
<td>(70,054)</td>
<td>(87,035)</td>
<td>258.5</td>
</tr>
<tr>
<td>Net Loan Portfolio</td>
<td>281,231</td>
<td>320,782</td>
<td>340,169</td>
<td>21.0</td>
</tr>
<tr>
<td>Loan Portfolio</td>
<td>300,829</td>
<td>339,826</td>
<td>358,366</td>
<td>19.1</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(19,598)</td>
<td>(19,044)</td>
<td>(18,197)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Available Funds</td>
<td>100,713</td>
<td>53,902</td>
<td>48,619</td>
<td>(51.7)</td>
</tr>
</tbody>
</table>

### Indicators - %

<table>
<thead>
<tr>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Loan Portfolio / Total Deposits</td>
<td>83.3</td>
<td>92.1</td>
</tr>
<tr>
<td>Net Loan Portfolio / Total Funding</td>
<td>73.6</td>
<td>85.6</td>
</tr>
<tr>
<td>Available Funds / Total Funding</td>
<td>26.4</td>
<td>14.4</td>
</tr>
</tbody>
</table>

(1) Includes Foreign Borrowings, Obligations for Securities Abroad, Obligations for Foreign Onlendings and Hybrid Capital and Debt Instruments.
Liquidity Analysis

The liquidity of Banco do Brasil, determined by the difference between Liquidity Assets and Liabilities, attained R$100,017 million at the end of December 2010, a decrease of 5.3% in the quarter and a decrease of 21.9% in 12 months.

The decline in liquidity during the quarter is a result mainly of the 20.5% decrease in interbank investments and the 69.4% rise in inter-bank deposits. For annual performance, the reasons for the decline were the same but with a 36.1% decrease and a 63.5% increase respectively.

Other information on the management of BB’s liquidity position can be obtained on chapter 8.1.

<table>
<thead>
<tr>
<th>Liquidity Balance (R$ million)</th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Assets (A)</td>
<td>234,520</td>
<td>232,221</td>
<td>295,699</td>
<td>300,578</td>
<td>279,323</td>
<td>274,327</td>
<td>282,440</td>
<td>261,190</td>
</tr>
<tr>
<td>Available Funds</td>
<td>7,516</td>
<td>6,212</td>
<td>8,340</td>
<td>7,843</td>
<td>7,364</td>
<td>9,535</td>
<td>9,545</td>
<td>9,745</td>
</tr>
<tr>
<td>Interbank Investments</td>
<td>131,796</td>
<td>132,438</td>
<td>157,541</td>
<td>168,398</td>
<td>152,595</td>
<td>132,543</td>
<td>135,300</td>
<td>107,579</td>
</tr>
<tr>
<td>Securities (except linked to Bacen)</td>
<td>95,208</td>
<td>93,571</td>
<td>129,818</td>
<td>124,337</td>
<td>119,364</td>
<td>132,249</td>
<td>137,595</td>
<td>143,867</td>
</tr>
<tr>
<td>Liquidity Liabilities (B)</td>
<td>114,858</td>
<td>108,967</td>
<td>163,230</td>
<td>172,440</td>
<td>168,615</td>
<td>177,039</td>
<td>176,810</td>
<td>161,173</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>8,406</td>
<td>7,459</td>
<td>9,627</td>
<td>11,619</td>
<td>10,749</td>
<td>10,436</td>
<td>11,216</td>
<td>18,998</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>106,452</td>
<td>101,508</td>
<td>153,603</td>
<td>160,821</td>
<td>157,866</td>
<td>166,603</td>
<td>165,594</td>
<td>142,175</td>
</tr>
<tr>
<td>Liquidity Balance (A - B)</td>
<td>119,662</td>
<td>123,254</td>
<td>132,469</td>
<td>128,138</td>
<td>110,708</td>
<td>97,288</td>
<td>105,630</td>
<td>100,017</td>
</tr>
</tbody>
</table>

Deposits and Money Market Funding

Banco do Brasil’s Money Market Funding reached R$519,026 million at the end of December 2010, a growth of 1.0% in the quarter leveraged by the increase in the volume obtained in savings deposits and interbank deposits.

In the twelve-month comparison, money market funding increased by 4.1%, mainly due to the saving deposits evolution, as well as of demand and interbank deposits.

<table>
<thead>
<tr>
<th>Deposits and Market Funding (R$ million)</th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>47,276</td>
<td>49,075</td>
<td>50,107</td>
<td>56,459</td>
<td>54,973</td>
<td>59,025</td>
<td>59,018</td>
<td>63,503</td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>70,567</td>
<td>69,011</td>
<td>71,233</td>
<td>75,742</td>
<td>78,719</td>
<td>81,541</td>
<td>85,703</td>
<td>89,288</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>8,406</td>
<td>7,459</td>
<td>9,627</td>
<td>11,619</td>
<td>10,749</td>
<td>10,436</td>
<td>11,216</td>
<td>18,998</td>
</tr>
<tr>
<td>Time and Investment Deposits</td>
<td>178,753</td>
<td>185,300</td>
<td>194,991</td>
<td>193,745</td>
<td>198,183</td>
<td>192,958</td>
<td>192,400</td>
<td>205,062</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>106,452</td>
<td>101,508</td>
<td>153,603</td>
<td>160,821</td>
<td>157,866</td>
<td>166,603</td>
<td>165,594</td>
<td>142,175</td>
</tr>
<tr>
<td>TOTAL</td>
<td>411,455</td>
<td>412,353</td>
<td>480,561</td>
<td>498,385</td>
<td>500,490</td>
<td>510,563</td>
<td>513,931</td>
<td>519,026</td>
</tr>
</tbody>
</table>
We present below the market shares of Banco do Brasil in the deposits and money market funding of the Brazilian Banking Industry\(^1\).

### Market Share of BB Funding

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>mar/09</th>
<th>jun/09</th>
<th>sep/09</th>
<th>dec/09</th>
<th>mar/10</th>
<th>jun/10</th>
<th>sep/10</th>
<th>dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand Deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share - %</td>
<td>33.5</td>
<td>33.4</td>
<td>33.2</td>
<td>32.8</td>
<td>33.1</td>
<td>33.2</td>
<td>32.5</td>
<td>63.503</td>
</tr>
<tr>
<td>Values</td>
<td>47,276</td>
<td>49,075</td>
<td>50,107</td>
<td>56,459</td>
<td>54,973</td>
<td>59,025</td>
<td>59,018</td>
<td>63,003</td>
</tr>
<tr>
<td><strong>Savings Deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share - %</td>
<td>25.4</td>
<td>24.4</td>
<td>24.1</td>
<td>23.7</td>
<td>24.0</td>
<td>23.9</td>
<td>23.7</td>
<td>89,288</td>
</tr>
<tr>
<td>Values</td>
<td>70,567</td>
<td>69,011</td>
<td>72,233</td>
<td>75,742</td>
<td>78,190</td>
<td>81,541</td>
<td>85,703</td>
<td>89,288</td>
</tr>
<tr>
<td><strong>Time Deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share - %</td>
<td>23.4</td>
<td>24.2</td>
<td>24.8</td>
<td>25.8</td>
<td>26.3</td>
<td>25.4</td>
<td>24.6</td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td>178,487</td>
<td>185,072</td>
<td>194,707</td>
<td>193,516</td>
<td>197,934</td>
<td>192,715</td>
<td>192,042</td>
<td>204,652</td>
</tr>
<tr>
<td><strong>Savings Deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share - %</td>
<td>24.1</td>
<td>23.9</td>
<td>25.8</td>
<td>26.2</td>
<td>25.7</td>
<td>25.0</td>
<td>24.2</td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td>414,455</td>
<td>412,353</td>
<td>480,561</td>
<td>496,385</td>
<td>500,490</td>
<td>510,563</td>
<td>519,931</td>
<td>519,026</td>
</tr>
</tbody>
</table>

\(^1\) Information about participation in the Banking industry comes from the top 50 banks of the Central Bank of Brazil site. The latest available position at the time of publishing this report was in Sep/2010.

### Foreign Funding

The sum obtained by Banco do Brasil abroad reached US$25,348 million at the end of December, a growth of 4.6% in relation to September and of 16.9% in relation to December 2009. In the comparison with the amounts observed at the end of previous quarter, the growth was led by interbank deposits, that grew 18.0%.
In the comparison with the same prior-year period, special emphasis is placed on the interbank market fundings and for issues in the international capital market, which recorded the largest absolute and percentual growths.

**Foreign Borrowing (US$ million)**

<table>
<thead>
<tr>
<th>Products</th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbanking</td>
<td>3,618</td>
<td>4,084</td>
<td>5,123</td>
<td>6,195</td>
<td>7,087</td>
<td>7,176</td>
<td>7,433</td>
<td>8,769</td>
</tr>
<tr>
<td>Repo</td>
<td>2,722</td>
<td>1,588</td>
<td>2,354</td>
<td>2,609</td>
<td>2,294</td>
<td>2,266</td>
<td>1,706</td>
<td>1,824</td>
</tr>
<tr>
<td>Companies</td>
<td>6,613</td>
<td>5,415</td>
<td>5,328</td>
<td>6,161</td>
<td>6,187</td>
<td>5,176</td>
<td>6,060</td>
<td>4,899</td>
</tr>
<tr>
<td>Special</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>155</td>
<td>44</td>
<td>182</td>
<td>175</td>
<td>201</td>
</tr>
<tr>
<td>Individuals</td>
<td>1,943</td>
<td>1,939</td>
<td>1,966</td>
<td>1,976</td>
<td>1,931</td>
<td>1,932</td>
<td>1,975</td>
<td>2,067</td>
</tr>
<tr>
<td>Issues</td>
<td>2,097</td>
<td>2,103</td>
<td>2,500</td>
<td>4,592</td>
<td>6,545</td>
<td>6,905</td>
<td>6,893</td>
<td>7,588</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16,994</td>
<td>15,129</td>
<td>17,471</td>
<td>21,688</td>
<td>24,088</td>
<td>23,637</td>
<td>24,242</td>
<td>25,348</td>
</tr>
</tbody>
</table>

The table below shows Banco do Brasil issues in the international capital market. During the period, a US$660 million subordinated debt transaction was completed, which ratifies a more active position by BB in the overseas market in recent years, with relatively low financial costs (see spread for US treasury bonds), which factors witness the market’s interest in securities issued by BB.

**Overseas Issues**

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Volume in US$ million</th>
<th>Term in years</th>
<th>Cupom (%)</th>
<th>Interest interval</th>
<th>Issue price</th>
<th>Return for investor (%)</th>
<th>Premium over Treasury</th>
<th>Rating</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>07.10.2003</td>
<td>178</td>
<td>8</td>
<td>5.911</td>
<td>Quarterly</td>
<td>100.00</td>
<td>5.911</td>
<td>350</td>
<td>A-/A2</td>
<td>Visanet</td>
</tr>
<tr>
<td>07.10.2003</td>
<td>45</td>
<td>8</td>
<td>4.777</td>
<td>Quarterly</td>
<td>95.00</td>
<td>5.565</td>
<td>350</td>
<td>A-/A2</td>
<td>Visanet</td>
</tr>
<tr>
<td>12.19.2003</td>
<td>250</td>
<td>10</td>
<td>6.550</td>
<td>Quarterly</td>
<td>100.00</td>
<td>6.550</td>
<td>292</td>
<td>A-/A2</td>
<td>MT 100</td>
</tr>
<tr>
<td>09.20.2004</td>
<td>300</td>
<td>10</td>
<td>8.500</td>
<td>Half-Yearly</td>
<td>99.17</td>
<td>8.625</td>
<td>447</td>
<td>A2</td>
<td>Stand Alone</td>
</tr>
<tr>
<td>01.23.2006</td>
<td>500</td>
<td>-</td>
<td>7.95</td>
<td>Quarterly</td>
<td>100.00</td>
<td>7.950</td>
<td>0</td>
<td>Baa3</td>
<td>Stand Alone</td>
</tr>
<tr>
<td>07.18.2007</td>
<td>187</td>
<td>10</td>
<td>9.75</td>
<td>Semestral</td>
<td>100.00</td>
<td>9.750</td>
<td>0</td>
<td>Baa3</td>
<td>GMTN **</td>
</tr>
<tr>
<td>03.06.2008</td>
<td>250</td>
<td>6</td>
<td>L3M+0.55</td>
<td>Quarterly</td>
<td>100.00</td>
<td>L3M+0.55</td>
<td>0</td>
<td>AAA/Aa2</td>
<td>MT 100</td>
</tr>
<tr>
<td>04.29.2008</td>
<td>150</td>
<td>10</td>
<td>5.25</td>
<td>Quarterly</td>
<td>100.00</td>
<td>5.250</td>
<td>0</td>
<td>A-/A2</td>
<td>MT 100</td>
</tr>
<tr>
<td>09.05.2008</td>
<td>200</td>
<td>7</td>
<td>L3M+1.2</td>
<td>Quarterly</td>
<td>100.00</td>
<td>L3M+1.2</td>
<td>0</td>
<td>A-/A2</td>
<td>MT 100</td>
</tr>
<tr>
<td>07.02.2009</td>
<td>100</td>
<td>5</td>
<td>L6M+2.55</td>
<td>Half-Yearly</td>
<td>98.25</td>
<td>L6M+2.55</td>
<td>0</td>
<td>Baa3</td>
<td>GMTN</td>
</tr>
<tr>
<td>10.20.2009</td>
<td>1,500</td>
<td>-</td>
<td>8,500</td>
<td>Half-Yearly</td>
<td>100.00</td>
<td>8,500</td>
<td>0</td>
<td>Baa2</td>
<td>Stand Alone</td>
</tr>
<tr>
<td>01.22.2010</td>
<td>500</td>
<td>5</td>
<td>4,500</td>
<td>Half-Yearly</td>
<td>99.33</td>
<td>4,651</td>
<td>220</td>
<td>Baa2</td>
<td>GMTN</td>
</tr>
<tr>
<td>01.22.2010</td>
<td>500</td>
<td>10</td>
<td>6,000</td>
<td>Half-Yearly</td>
<td>99.45</td>
<td>6,074</td>
<td>237.5</td>
<td>Baa2</td>
<td>GMTN</td>
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<tr>
<td>04.29.2010</td>
<td>450</td>
<td>5</td>
<td>4,500</td>
<td>Half-Yearly</td>
<td>100.68</td>
<td>4,337</td>
<td>180</td>
<td>Baa2</td>
<td>GMTN</td>
</tr>
<tr>
<td>10.05.2010</td>
<td>660</td>
<td>10</td>
<td>5,375</td>
<td>Annual</td>
<td>99.36</td>
<td>5,464</td>
<td>300</td>
<td>Baa2</td>
<td>Stand Alone</td>
</tr>
</tbody>
</table>
## Analysis of Results

### Net Interest Income

#### Net Interest Income

**(R$ million)**

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Intermediation Income</strong></td>
<td>17,984</td>
<td>21,398</td>
<td>21,736</td>
<td>20.9</td>
</tr>
<tr>
<td>Loans</td>
<td>11,963</td>
<td>14,332</td>
<td>14,376</td>
<td>20.2</td>
</tr>
<tr>
<td>Leasing</td>
<td>213</td>
<td>218</td>
<td>151</td>
<td>(29.2)</td>
</tr>
<tr>
<td>Securities</td>
<td>5,321</td>
<td>6,262</td>
<td>6,137</td>
<td>15.3</td>
</tr>
<tr>
<td>Financial Derivatives</td>
<td>(47)</td>
<td>(1,407)</td>
<td>(571)</td>
<td>(1,124.6)</td>
</tr>
<tr>
<td>Foreign Exchange Portfolio</td>
<td>265</td>
<td>491</td>
<td>538</td>
<td>103.2</td>
</tr>
<tr>
<td>Compulsory Investments</td>
<td>214</td>
<td>1,191</td>
<td>1,276</td>
<td>495.4</td>
</tr>
<tr>
<td>Financial Income from Insur., Pension and Savings Bonds</td>
<td>109</td>
<td>182</td>
<td>165</td>
<td>51.1</td>
</tr>
<tr>
<td>FX Gain (Loss) on Foreign Investments</td>
<td>(74)</td>
<td>(104)</td>
<td>(58)</td>
<td>(213)</td>
</tr>
<tr>
<td>Other Op, Inc, of a Fin, Intermed, Nature</td>
<td>75</td>
<td>391</td>
<td>324</td>
<td>-</td>
</tr>
<tr>
<td>Over Hedge</td>
<td>(48)</td>
<td>(86)</td>
<td>(54)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Financial Intermediation Expenses</td>
<td>(8,715)</td>
<td>(11,213)</td>
<td>(11,568)</td>
<td>32.7</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>(7,997)</td>
<td>(10,481)</td>
<td>(10,727)</td>
<td>34.1</td>
</tr>
<tr>
<td>Borrowing, Assignments and Onlending</td>
<td>(718)</td>
<td>(732)</td>
<td>(841)</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
<td>9.7</td>
</tr>
</tbody>
</table>
The Net Interest Income (NII) – which is the income from the financial intermediation before provisions for credit risk – totaled R$10,169 million in 4Q10, in line in relation to the previous quarter, but with an increase of 9.7% in comparison to 4Q09. In the yearly comparison, there was an increase of 18.5% in the Net Interest Income (NII), totaling R$39,171 million.

To enable a better understanding of the information, considering that in 2009 there was the acquisition of the controlling interest of Nossa Caixa and of 50.0% of the total capital of Banco Votorantim, we present below a list of the impacts of these corporate transactions on BB’s NII:

• Nossa Caixa (BNC) – The balance sheet items of BNC began to integrate Banco do Brasil’s in March 2009, but the income accounts only affected BB’s as from the 2Q09. period when all the accounts of BNC started to compose the financial statements of BB and to integrate the ratios and calculations in chapters Net Interest Income to Analysis of Volume and Spread of the present report. There is no further distortion in the quarterly comparisons, since BNC is already included in the comparison basis. In order to avoid distortions in the monitoring of the spread over a nine-month period, the March 2009 asset consolidation had its impact segregated, since income started being consolidated only in April of that year.

• Banco Votorantim (BV) – BV’s balance sheet items sensitized those of Banco do Brasil as of September 2009, and income accounts were recorded throughout 4Q09. In order to prevent distortions in the determination of the spread, the effect of the asset consolidation in September 2009 was segregated, since the consolidation of the income began only as of October in that year.

Together, loan operations and transactions with securities accounted for more than 94% of the revenues from financial intermediation and are the most significant revenues for the calculation of the NII.

Loan operations increased 30.1% in the 2010/2009 comparison, basically as a result of the growth of the average balance of these operations. During the quarter, the revenues from loan operations remained practically stable (+0.3%) in relation to 3Q10. The behavior of both loan operations and the NII, which expanded at a rate lower than that observed in prior periods and did not follow the increase in volumes, is explained by a reduction of the Net Interest Margin, which is detailed later in this chapter.

The result from operations with securities decreased by 2.0% this quarter and increased by 8.8% during the year. The average balance of the operations with securities and interbank investments increased 0.4% in relation to the previous quarter, but the fewer business days and the behavior of the interest rates for the period (which impacted the prices of the securities held in portfolio) adversely impacted revenues.

The behavior of foreign exchange rates brings volatility to the lines that comprise the NII. This occurs because BB has a significant amount of funding and investments in foreign currency, in addition to the net equity of the branches and subsidiaries based abroad. These changes affects all the main lines that comprise the margin, particularly loan operations, securities and funding expenses.

The existence of derivative financial instruments used as a hedge to offset exchange rate changes and their effects on taxes virtually eliminates the effect of exchange rate changes on the NII. However, this dynamics makes the separate analysis of each line that comprises the NII a complex procedure precisely because the effects of exchange rate changes impacts both the revenues and expenses from financial intermediation.

The following tables demonstrate the formation of the Net Interest Income from the behavior of the spread and from the growth in the earning assets volume.

Analysis of Volume (Earning Assets) and Quarterly Spread – 3Q10 and 4Q10
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>3Q10</th>
<th>4Q10</th>
<th>Abs. Chg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume: Assets – Earning Assets(1)</td>
<td>638,046</td>
<td>663,039</td>
<td>24,993</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>10.185</td>
<td>10.169</td>
<td>(17)</td>
</tr>
<tr>
<td>Spread – %(2)</td>
<td>1.5963</td>
<td>1.5336</td>
<td>(0.0627)</td>
</tr>
<tr>
<td>Gain/(Loss) with Volume</td>
<td>10,584</td>
<td>399</td>
<td></td>
</tr>
<tr>
<td>Gain/(Loss) with Spread</td>
<td>9,785</td>
<td>(400)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

(1) Average Balances.
(2) Net Interest Income/(Earning Assets).
Net Interest Margin (NIM)

In annualized rates, the NIM (Net Interest Income over average Earning Assets) ended 4Q10 at 6.3%, lower than the observed in 3Q10 (6.5%) and in 4Q09 (6.7%). In the quarter, the NIM reduction of the spread is basically explained by the following factors:

• Lower revenues from recovery of write-offs in 4Q10 (R$863.4 million) in comparison with the previous quarter (R$1,052.1) which adversely impacts the account “loans”;

• Reduction of the spread of loan operations, detailed further on, resulting from fiercer competition in the Banking Industry, and mainly from the continuity of the process of changing the mix of the portfolios, with higher concentration in lower risk loans;

• Increase in compulsory deposits as a result of measures enacted by the Brazilian Central Bank throughout 2010, which reduce the spread to the extent that they prevent the allocation of treasury resources in more profitable investments.

In the 2010/2009 comparison, there was also a reduction in the NIM, from 6.7% to 6.3%. In the yearly comparison, the behavior of the spread is a result of a reduction in the margins of loan operations and an increase in compulsory deposits, described above, as well as the strategic partnership with Banco Votorantim.

BV’s activity is the credit concession for specific segments, such as wholesale (middle market and corporate) and payroll loans and vehicle financing operations for individual clients. Such segments present less risk and, therefore, lower spread. Besides, due to the fact of BV not having a low cost retail deposit funding, it contributes for increasing the average funding cost of consolidated financial statements.

The understanding that one of the main factors that limits the spread of Banco do Brasil NIM is the change in the mix of portfolios, with a higher concentration in lower risk operations, is corroborated by the “Risk-Adjusted NIM” indicator, calculated based on the ratio between the net financial margin and earning assets. Besides the net interest income, the risk-adjusted NIM also takes into consideration expenses with allowance for possible loan losses. The indicator ended 4Q10 at 4.9%, 10 basis points higher than the previous quarter. In the yearly comparison, the risk-adjusted NIM also showed a recovery, increasing from 4.3% in 2009 to 4.6% in 2010.

Analysis of Spread
### Margin, Net of Interest and Profit Margin

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Earning Assets (AEA)</td>
<td>567,049</td>
<td>638,046</td>
<td>663,039</td>
<td>496,841</td>
<td>622,995</td>
</tr>
<tr>
<td>Average Interest Bearing Liabilities (AIBL)</td>
<td>493,843</td>
<td>546,421</td>
<td>565,416</td>
<td>430,224</td>
<td>538,692</td>
</tr>
<tr>
<td>Net Interest Gain(1)</td>
<td>8,533</td>
<td>9,790</td>
<td>9,625</td>
<td>30,606</td>
<td>36,936</td>
</tr>
<tr>
<td>Interest Income</td>
<td>17,161</td>
<td>20,909</td>
<td>21,097</td>
<td>62,549</td>
<td>78,600</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(8,628)</td>
<td>(11,120)</td>
<td>(11,472)</td>
<td>(31,943)</td>
<td>(41,664)</td>
</tr>
<tr>
<td>Net Interest Income Other Items(2)</td>
<td>735</td>
<td>396</td>
<td>544</td>
<td>2,454</td>
<td>2,236</td>
</tr>
<tr>
<td>NII</td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
<td>33,060</td>
<td>39,171</td>
</tr>
<tr>
<td>AIBL/AEA – %</td>
<td>87.1</td>
<td>85.6</td>
<td>85.3</td>
<td>86.6</td>
<td>86.5</td>
</tr>
<tr>
<td>Interest Rate on AEA(3)(7) – %</td>
<td>12.7</td>
<td>13.8</td>
<td>13.3</td>
<td>12.6</td>
<td>12.6</td>
</tr>
<tr>
<td>Interest Rate on AIBL(4)(7) – %</td>
<td>7.2</td>
<td>8.4</td>
<td>8.4</td>
<td>7.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Net Interest Rate(5) – %</td>
<td>5.5</td>
<td>5.4</td>
<td>5.0</td>
<td>5.2</td>
<td>4.9</td>
</tr>
<tr>
<td>Adjusted NIM(6)(7) – %</td>
<td>6.2</td>
<td>6.3</td>
<td>5.9</td>
<td>6.2</td>
<td>5.9</td>
</tr>
<tr>
<td>NIM(7) – %</td>
<td>6.7</td>
<td>6.5</td>
<td>6.3</td>
<td>6.7</td>
<td>6.3</td>
</tr>
</tbody>
</table>

(1) Defined as interest income less interest expenses.
(2) Contains derivatives, debt assumption contracts, foreign exchange portfolio, recovery of write-offs, gold loans, credit guarantor fund, foreign exchange gain/loss abroad and other income of a financial intermediation nature.
(3) Total interest income divided by the average balance of assets generating income.
(4) Total interest expenses divided by the average balance of liabilities generating expenses.
(5) Difference between the average rate of assets generating assets and the average rate of liabilities generating expenses.
(6) Income net of interest divided by the average balance of assets generating income.
(7) Rates are annualized.

### Analysis of Investments

#### Loan Operations

Loan and lease operation revenues, disregarding recovery of write-offs, reached R$13,663 million in 4Q10, a growth of 1.2% in relation to the previous quarter and 18.5% over the 4Q09. Disregarding the effect of exchange variation on operations under the terms of CMN Resolution 2770, these revenues amounted to R$13,657 million, with growth of 1.3% over 3Q10 and of 17.6% over 4Q09.

#### Income from Loans Net of Exchange Impact (Res. 2770)

(R$ milhões)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Loans and Leasing Revenues – Average Balance(8)</td>
<td>275,174</td>
<td>313,273</td>
<td>328,775</td>
<td>19.5</td>
</tr>
<tr>
<td>Loans and Leasing Revenues</td>
<td>11,530</td>
<td>13,498</td>
<td>13,663</td>
<td>18.5</td>
</tr>
<tr>
<td>FX Impact in Loan Portfolio (Res. 2,770)</td>
<td>(79)</td>
<td>14</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Loans and Leasing Rev. before FX Impact (Res. 2,770)</td>
<td>11,609</td>
<td>13,483</td>
<td>13,657</td>
<td>17.6</td>
</tr>
<tr>
<td>Annualized Interest Rate</td>
<td>18.0</td>
<td>18.4</td>
<td>17.7</td>
<td>-</td>
</tr>
</tbody>
</table>

(8) It does not consider recovery of write-offs

#### Spread by Portfolio

Loans spread was 8.7% in 4Q10, recording a downslide of 50 basis points in relation to the previous quarter. The downward trend presented by the spread of loan operations basically results from the behavior of the Individual and Business portfolios. The performance of those portfolios in terms of margin was driven in the last quarters by the following factors:
- The increase in the share of lower risk/spread loans in the individuals portfolio, mainly vehicle financing, real estate financing and payroll loan operations;
• The fact that the Business Portfolio had a higher growth in transactions with the middle and corporate segments, in addition to a change in the mix of products, with more significant growth in investment lines in the quarter;
• BB’s strategy of increasing the use of the Lending Guarantee Fund (FGO) as an instrument to guarantee lending transactions to micro and small companies. A portion of the risk reduction benefit provide by the FGO is transferred to customers as reduced rates.

The mix changes cause a slight reduction in the spread, but are very important to improve the quality of the loan portfolio, helping to reduce default and the expenses with allowances for loan losses. These changes reflect, therefore, in the significant advance in net financial margin observed over the last quarters (refer to risk-adjusted NIM in chapter Net Interest Income).

In addition to the mix changes, it must be emphasized that the management spread shown on the following table is calculated using management information as a basis. The Net Interest Income (NII) of the portfolios is calculated by starting from financial income, less financial expenses and opportunity costs. NII is divided by the daily average balance of the portfolios.

It is to emphasize that the increase of costs represented by the TMS uptrend is gradually transferred by BB at the rates applied to the lines of credit. However, considering the statistical significance of the prefixed part of the loan portfolio, until this portion is repriced there is a reduction in the management spread, on account of the immediate increase in the opportunity cost.

As detailed in the chapter Risk Management, BB has more asset than liability positions in the CDI/TMS, and therefore benefits from interest rate uptrends. However, the movements in interest rates can cause volatility in net income in short term, as well as distortions in the calculation of the management spread.

As regards the spread of agribusiness operations there was an increase of 10 basis points over 3Q10 and 30 points in the annual comparison. The increase in the operations subject to equalization (which provide better spread) in the total portfolio positively affect the spread.

 Management Spread

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Operations</td>
<td>10.1</td>
<td>9.2</td>
<td>8.7</td>
<td>9.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>18.6</td>
<td>16.4</td>
<td>15.5</td>
<td>18.7</td>
<td>15.9</td>
</tr>
<tr>
<td>Businesses</td>
<td>7.4</td>
<td>6.2</td>
<td>5.6</td>
<td>7.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
<td>5.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Other</td>
<td>3.4</td>
<td>4.0</td>
<td>3.9</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Global Spread</td>
<td>6.7</td>
<td>6.5</td>
<td>6.3</td>
<td>6.7</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Securities Income

The income with securities and short-term interbank investments totaled R$6,137 million in 4Q10 and R$23,238 in 2010.

The average balance of Securities remained in line with 3Q10, recording a slight increase of 0.37%. However, there was a decrease in income from these operations. This resulted from the fewer business days and the behavior of the interest rates, which impacted the prices of the securities in portfolio, leading to a reduction in income from trading and mark to market.

It is important to note that the table below does not represent the result of Banco do Brasil’s treasury department. The results from the operations of the entire Conglomerate (including non-financial companies, BB Banco de Investimento, Banco Votorantim, subsidiaries and branches based abroad) are only evidenced in the operations classified by the Brazilian Central Bank as Securities/Short-term Interbank Investments.
### Securities Income  
**($R million)**

<table>
<thead>
<tr>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securities Income</strong></td>
<td><strong>4Q09</strong></td>
<td><strong>3Q10</strong></td>
<td><strong>4Q10</strong></td>
</tr>
<tr>
<td>Securities Income</td>
<td>5,321</td>
<td>6,262</td>
<td>6,137</td>
</tr>
<tr>
<td>Fixed Income Securities</td>
<td>5,256</td>
<td>6,200</td>
<td>6,032</td>
</tr>
<tr>
<td>Revaluation – Curve</td>
<td>2,392</td>
<td>2,669</td>
<td>2,771</td>
</tr>
<tr>
<td>Income/Loss from Negotiation</td>
<td>102</td>
<td>126</td>
<td>8</td>
</tr>
<tr>
<td>Mark to Market</td>
<td>(191)</td>
<td>54</td>
<td>(37)</td>
</tr>
<tr>
<td>Interbank Accounts</td>
<td>2,951</td>
<td>3,351</td>
<td>3,259</td>
</tr>
<tr>
<td>Foreign Income</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>66</td>
<td>62</td>
<td>104</td>
</tr>
</tbody>
</table>

The figure below presents the classification of BB’s portfolio of securities by type of index. The classification below includes the portfolio of securities of Banco Nossa Caixa, but does not include the information of Banco Votorantim.

---

**Securities Portfolio by Index**  
(Multiple Bank)

- **73.1%** CDI/Average Selic Rate
- **25.4%** Fixed
- **1.5%** Other

---

**Avg.Balance of the BS Accounts and Info. on Interest Rates – Earning Assets (quarterly)**  
**($R million)**

<table>
<thead>
<tr>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earning Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Average Balance</td>
<td>Interest</td>
</tr>
<tr>
<td>Available Funds in Foreign Currency</td>
<td>612</td>
</tr>
<tr>
<td>Securities + Interbank Investments on Hedge</td>
<td>274,899</td>
</tr>
<tr>
<td>Loans + Leasing</td>
<td>313,273</td>
</tr>
<tr>
<td>Remunerated Compulsory Deposits</td>
<td>49,262</td>
</tr>
<tr>
<td>Total</td>
<td>638,046</td>
</tr>
<tr>
<td><strong>Non Earning Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Tax Credits</td>
<td>22,579</td>
</tr>
<tr>
<td>Other Assets</td>
<td>100,254</td>
</tr>
<tr>
<td>Permanent Assets</td>
<td>27,632</td>
</tr>
<tr>
<td>Total</td>
<td>150,464</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>788,511</strong></td>
</tr>
</tbody>
</table>
### Avg. Balance of the BS Accounts and Info. on Interest Rates – Earning Assets (annual) (R$ million)

<table>
<thead>
<tr>
<th>Earning Assets</th>
<th>3Q10</th>
<th>4Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Balance</td>
<td>Interest</td>
<td>Annualized Rate (%)</td>
<td>Average Balance</td>
<td>Interest</td>
</tr>
<tr>
<td>Available Funds in Foreign Currency</td>
<td>633</td>
<td>139</td>
<td>22.0</td>
<td>743</td>
</tr>
<tr>
<td>Securities + Interbank Investments on Hedge</td>
<td>247,751</td>
<td>21,350</td>
<td>8.6</td>
<td>274,676</td>
</tr>
<tr>
<td>Loans + Leasing</td>
<td>236,124</td>
<td>40,244</td>
<td>17.0</td>
<td>305,339</td>
</tr>
<tr>
<td>Remunerated Compulsory Deposits</td>
<td>12,332</td>
<td>816</td>
<td>6.6</td>
<td>42,237</td>
</tr>
<tr>
<td>Total</td>
<td>496,841</td>
<td>62,549</td>
<td>12.6</td>
<td>622,995</td>
</tr>
</tbody>
</table>

### Non Earning Assets

<table>
<thead>
<tr>
<th>Non Earning Assets</th>
<th>3Q10</th>
<th>4Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credits</td>
<td>20,525</td>
<td>-</td>
<td>-</td>
<td>22,349</td>
</tr>
<tr>
<td>Other Assets</td>
<td>75,309</td>
<td>-</td>
<td>-</td>
<td>96,194</td>
</tr>
<tr>
<td>Permanent Assets</td>
<td>19,824</td>
<td>-</td>
<td>-</td>
<td>27,235</td>
</tr>
<tr>
<td>Total</td>
<td>115,658</td>
<td>-</td>
<td>-</td>
<td>145,778</td>
</tr>
<tr>
<td>Total Assets</td>
<td>612,499</td>
<td>-</td>
<td>-</td>
<td>768,773</td>
</tr>
</tbody>
</table>

### Analysis of Funding

The average balance of the Interest Bearing Liabilities reached R$565,416 million in the 4Q10, growth of 3.5% in relation to the previous quarter and 14.5% over 4Q09. Average funding costs totaled 8.4% in the quarter, same level as recorded in 3Q10.

### Avg Bal. of the BS Accounts and Info. on Interest Rates – Int. Bearing Liabilities (quarterly) (R$ million)

<table>
<thead>
<tr>
<th>Interest Bearing Liabilities</th>
<th>3Q10</th>
<th>4Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Balance</td>
<td>Interest</td>
<td>Annualized Rate (%)</td>
<td>Average Balance</td>
<td>Interest</td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>84,507</td>
<td>(1,522)</td>
<td>7.4</td>
<td>87,738</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>11,794</td>
<td>(197)</td>
<td>6.8</td>
<td>19,514</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>191,403</td>
<td>(4,064)</td>
<td>8.8</td>
<td>200,077</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>167,074</td>
<td>(4,411)</td>
<td>11.0</td>
<td>157,531</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>9,362</td>
<td>(42)</td>
<td>1.8</td>
<td>9,129</td>
</tr>
<tr>
<td>Onlending</td>
<td>42,877</td>
<td>(644)</td>
<td>6.1</td>
<td>50,123</td>
</tr>
<tr>
<td>Financial and Development Funds + Subordinated Debt</td>
<td>25,481</td>
<td>(63)</td>
<td>1.0</td>
<td>26,721</td>
</tr>
<tr>
<td>Foreign Securities Borrowing</td>
<td>12,088</td>
<td>(107)</td>
<td>3.6</td>
<td>12,132</td>
</tr>
<tr>
<td>Mortgage-backed Security</td>
<td>1,834</td>
<td>(71)</td>
<td>16.4</td>
<td>2,451</td>
</tr>
<tr>
<td>Total</td>
<td>546,421</td>
<td>(11,120)</td>
<td>8.4</td>
<td>565,416</td>
</tr>
</tbody>
</table>

### Other Liabilities

<table>
<thead>
<tr>
<th>Other Liabilities</th>
<th>3Q10</th>
<th>4Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Balance</td>
<td>Interest</td>
<td>Annualized Rate (%)</td>
<td>Average Balance</td>
<td>Interest</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>57,687</td>
<td>-</td>
<td>-</td>
<td>60,851</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>136,635</td>
<td>-</td>
<td>-</td>
<td>143,987</td>
</tr>
<tr>
<td>Shareholder’s Equity</td>
<td>47,768</td>
<td>-</td>
<td>-</td>
<td>50,169</td>
</tr>
<tr>
<td>Total</td>
<td>242,090</td>
<td>-</td>
<td>-</td>
<td>255,008</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>788,511</td>
<td>-</td>
<td>-</td>
<td>820,424</td>
</tr>
</tbody>
</table>
### Avg Balance of the BS Accounts and Info. on Interest Rates – Int. Bearing Liabilities (annual)

(R$ million)

<table>
<thead>
<tr>
<th>Interest Bearing Liabilities</th>
<th>3Q10 Average Balance</th>
<th>Interest Annualized Rate (%)</th>
<th>4Q10 Average Balance</th>
<th>Interest Annualized Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving Deposits</td>
<td>68,410</td>
<td>6.4</td>
<td>82,697</td>
<td>6.8</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>10,269</td>
<td>7.7</td>
<td>13,396</td>
<td>8.0</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>179,790</td>
<td>7.5</td>
<td>195,492</td>
<td>8.0</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>115,837</td>
<td>9.2</td>
<td>159,325</td>
<td>9.6</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>5,405</td>
<td>3.5</td>
<td>8,688</td>
<td>6.4</td>
</tr>
<tr>
<td>Onlending</td>
<td>27,519</td>
<td>6.5</td>
<td>40,154</td>
<td>6.6</td>
</tr>
<tr>
<td>Financial and Development Funds + Subordinated Debt</td>
<td>18,622</td>
<td>2.8</td>
<td>25,265</td>
<td>1.8</td>
</tr>
<tr>
<td>Foreign Securities Borrowing</td>
<td>3,833</td>
<td>3.4</td>
<td>11,743</td>
<td>3.8</td>
</tr>
<tr>
<td>Mortgage-backed Security</td>
<td>540</td>
<td>3.4</td>
<td>1,652</td>
<td>13.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>430,224</td>
<td>7.4</td>
<td>538,692</td>
<td>7.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>48,397</td>
<td>-</td>
<td>57,033</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>101,319</td>
<td>-</td>
<td>129,575</td>
<td>-</td>
</tr>
<tr>
<td>Shareholder’s Equity</td>
<td>32,559</td>
<td>-</td>
<td>43,473</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>182,275</td>
<td>-</td>
<td>230,080</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>612,499</td>
<td>-</td>
<td>768,773</td>
<td>-</td>
</tr>
</tbody>
</table>

### Analysis of Volume and Spread

The table below shows the appropriation of changes in interest income and expenses due to the change in the average volume of earning assets and interest bearing liabilities and the change in the average interest rate on such assets and liabilities, in the periods under analysis.

The changes in volume and interest rate were calculated based on changes in average balances in the period and the changes in the average interest rates on assets generating income and liabilities generating expenses. The Average Rate variation was calculated by the variation in the interest rate in the period multiplied by the average quantity of assets generating income or by the average quantity of liabilities generating expenses in the first period. The Net Variation is the difference between the interest income of the present period and that of the previous period. The variation by Average Volume is the difference between the Net Variation and that resulting from the Average Rate.

In the quarterly comparison, the positive effect of the volume of earning assets offset the effect of the rate and contributed towards the growth in income from intermediation. Yet, due to the change in the mix of the lines that comprise remunerated liabilities, the expenses increased at a higher pace than income.
In the comparison with the same period of the prior year, the expansion in the average volumes remained as the main factor responsible for the increase in the financial margin. The effect of interest rate variation helped expand income from assets, but resulted in an even more substantial increase in financial expenses, thus constraining the margins and accounting for the observed reduction in the NIM.

**Int. Increase and Decrease (inc. and exp.) due to Changes in Vol. and Rates (quarterly)**

($R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q10/3Q10</th>
<th>4Q10/3Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Volume(1)</td>
<td>Rate(2)</td>
<td>Change(3)</td>
</tr>
<tr>
<td>Earning Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available Funds in Foreign Currency</td>
<td>4</td>
<td>(13)</td>
</tr>
<tr>
<td>Securities + Interbank Investments on Hedge</td>
<td>22</td>
<td>(148)</td>
</tr>
<tr>
<td>Loans + Leasing</td>
<td>644</td>
<td>(479)</td>
</tr>
<tr>
<td>Remunerated Compulsory Deposits</td>
<td>185</td>
<td>(28)</td>
</tr>
<tr>
<td>Total</td>
<td>795</td>
<td>(608)</td>
</tr>
<tr>
<td>Interest Bearing Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>(57)</td>
<td>22</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>(142)</td>
<td>(20)</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>(186)</td>
<td>(44)</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>255</td>
<td>(57)</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Onlending</td>
<td>(107)</td>
<td>11</td>
</tr>
<tr>
<td>Financial and Development Funds + Subord. Debt</td>
<td>(5)</td>
<td>(42)</td>
</tr>
<tr>
<td>Foreign Securities Borrowing</td>
<td>(0)</td>
<td>31</td>
</tr>
<tr>
<td>Mortgage-backed Security</td>
<td>(23)</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>(385)</td>
<td>33</td>
</tr>
</tbody>
</table>

(1) Net Change - Average Rate
(2) (Interest of Current Period / Balance of Current Period) x Balance of Previous Period - (Interest of Previous Period)
(3) Current Interest - Interest for Previous Period
### Analysis of Results

#### 2010/2009

<table>
<thead>
<tr>
<th>Earning Assets</th>
<th>2010/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Volume</td>
</tr>
<tr>
<td>Available Funds in Foreign Currency</td>
<td>13</td>
</tr>
<tr>
<td>Securities + Interbank Investments on Hedge</td>
<td>2,278</td>
</tr>
<tr>
<td>Loans + Leasing</td>
<td>11,717</td>
</tr>
<tr>
<td>Remunerated Compulsory Deposits</td>
<td>2,539</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,916</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest Bearing Liabilities</th>
<th>2010/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Volume</td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>(967)</td>
</tr>
<tr>
<td>Interbank Deposits</td>
<td>(188)</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>(1,249)</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>(4,193)</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>(229)</td>
</tr>
<tr>
<td>Onlending</td>
<td>(832)</td>
</tr>
<tr>
<td>Financial and Development Funds + Subord. Debt</td>
<td>(120)</td>
</tr>
<tr>
<td>Foreign Securities Borrowing</td>
<td>(304)</td>
</tr>
<tr>
<td>Mortgage-backed Security</td>
<td>(149)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(8,345)</strong></td>
</tr>
</tbody>
</table>

(1) Net Change - Average Rate
(2) (Interest of Current Period / Balance of Current Period) x Balance of Previous Period - (Interest of Previous Period)
(3) Current Interest - Interest for Previous Period

#### Provision for Credit Risk

The analysis of the provision for losses included in this chapter already takes into account the figures of Banco Votorantim.

#### Net Financial Margin

(R$ million)

<table>
<thead>
<tr>
<th>Quartely Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>9,268</td>
<td>10,185</td>
<td>10,169</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(2,946)</td>
<td>(2,639)</td>
<td>(2,139)</td>
</tr>
<tr>
<td>Net Financial Margin</td>
<td>6,322</td>
<td>7,546</td>
<td>8,030</td>
</tr>
</tbody>
</table>

The net financial margin is obtained by deducting expenses with allowances for loan losses from the Net Interest Income. A growth of 6.4% was observed in the net financial margin over 3Q10.

Allowance for Loan Losses expenses maintained their downward trend and ended 4Q10 with a balance of R$2,139 million, an amount lower than that observed in 3Q10 (R$2,639 million) and in 4Q09 (R$2,946 million).
The ratio between allowance for loans losses and the average total portfolio – both accumulated in 12 months – went from 4.6% in 4Q09 to 3.3% in 4Q10, showing an improvement of 130 basis points in the period, and an improvement of 50 basis points when compared to the immediately prior quarter.

Expenses with Allowance for Loan Losses over Portfolio

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Allowance for Loan Losses – Quarterly</td>
<td>(2,491)</td>
<td>(3,172)</td>
<td>(3,017)</td>
<td>(2,950)</td>
<td>(3,026)</td>
<td>(2,871)</td>
<td>(2,639)</td>
<td>(2,139)</td>
</tr>
<tr>
<td>(B) Allowance for Loan Losses – 12 Months</td>
<td>(7,757)</td>
<td>(9,241)</td>
<td>(10,919)</td>
<td>(11,629)</td>
<td>(12,164)</td>
<td>(11,864)</td>
<td>(11,486)</td>
<td>(10,675)</td>
</tr>
<tr>
<td>(C) Loan Portfolio</td>
<td>228,101</td>
<td>252,485</td>
<td>265,019</td>
<td>300,829</td>
<td>305,551</td>
<td>326,522</td>
<td>339,826</td>
<td>358,366</td>
</tr>
<tr>
<td>(D) Average Portfolio – 3 Months</td>
<td>225,528</td>
<td>246,363</td>
<td>257,948</td>
<td>282,405</td>
<td>304,936</td>
<td>316,005</td>
<td>334,640</td>
<td>352,699</td>
</tr>
<tr>
<td>(E) Average Portfolio – 12 Months</td>
<td>203,591</td>
<td>219,071</td>
<td>234,430</td>
<td>250,888</td>
<td>269,466</td>
<td>287,413</td>
<td>306,075</td>
<td>325,051</td>
</tr>
<tr>
<td>Expenses over Portfolio (A/D) – %</td>
<td>1.1</td>
<td>1.3</td>
<td>1.2</td>
<td>1.0</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Expenses over Portfolio (B/E) – %</td>
<td>3.8</td>
<td>4.2</td>
<td>4.7</td>
<td>4.6</td>
<td>4.5</td>
<td>4.1</td>
<td>3.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>

The figure below details the allowance for loan losses, segregating the minimum provisions required by CMN Resolution 2,682/99 from the total booked. It is noted a 4.5% drop last December in the total provision of last December when compared to Sep/2010, and 7.0% decrease in 12 months. This behavior is in line with the risk improvement in the loan portfolio, which grew faster in the AA-C risk levels.

Breakdown of Allowances

<table>
<thead>
<tr>
<th></th>
<th>Required Provision</th>
<th>Additional Provision</th>
<th>Total Provision</th>
</tr>
</thead>
</table>

The transactions rated at risk levels AA-C in this quarter (93.7%) showed improvement in relation to Sept/10 (92.8%) and Dec/09 (91.6%). BB presented, in this same classification, better levels when compared to the Banking Industry.
### Loan Portfolio by Risk Level

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09 Balance</th>
<th>Dec/09 Provision Share</th>
<th>SeP/10 Balance</th>
<th>SeP/10 Provision Share</th>
<th>DeC/10 Balance</th>
<th>SFN(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>75,508</td>
<td>-</td>
<td>25.1</td>
<td>91,714</td>
<td>-</td>
<td>27.3</td>
</tr>
<tr>
<td>A</td>
<td>95,115</td>
<td>476</td>
<td>31.6</td>
<td>73,072</td>
<td>365</td>
<td>21.5</td>
</tr>
<tr>
<td>B</td>
<td>79,428</td>
<td>794</td>
<td>26.4</td>
<td>111,373</td>
<td>1,114</td>
<td>32.8</td>
</tr>
<tr>
<td>C</td>
<td>25,449</td>
<td>763</td>
<td>8.5</td>
<td>39,067</td>
<td>1,172</td>
<td>11.5</td>
</tr>
<tr>
<td>D</td>
<td>9,073</td>
<td>907</td>
<td>3.0</td>
<td>8,764</td>
<td>876</td>
<td>2.6</td>
</tr>
<tr>
<td>E</td>
<td>2,943</td>
<td>883</td>
<td>1.0</td>
<td>2,541</td>
<td>762</td>
<td>0.7</td>
</tr>
<tr>
<td>F</td>
<td>1,715</td>
<td>857</td>
<td>0.6</td>
<td>1,624</td>
<td>812</td>
<td>0.5</td>
</tr>
<tr>
<td>G</td>
<td>1,480</td>
<td>1,036</td>
<td>0.5</td>
<td>1,290</td>
<td>903</td>
<td>0.4</td>
</tr>
<tr>
<td>H</td>
<td>10,118</td>
<td>10,118</td>
<td>3.4</td>
<td>10,381</td>
<td>10,381</td>
<td>3.1</td>
</tr>
<tr>
<td>Total</td>
<td>300,829</td>
<td>15,835</td>
<td>100.0</td>
<td>339,826</td>
<td>16,386</td>
<td>100.0</td>
</tr>
<tr>
<td>AA-C</td>
<td>275,500</td>
<td>2,033</td>
<td>91.6</td>
<td>315,226</td>
<td>2,651</td>
<td>92.8</td>
</tr>
<tr>
<td>D-H</td>
<td>25,329</td>
<td>13,802</td>
<td>8.4</td>
<td>24,600</td>
<td>13,735</td>
<td>12.2</td>
</tr>
</tbody>
</table>

(1) Prior data from December/2010.

The volume overdue above 15 days of the portfolio amounted to R$13,437 million, reaching 3.7% of the total portfolio in Dec/10, 140 basis points lower than that observed in 4Q09. The delinquency ratio overdue above 60 days reached 2.7%, 40 basis points below the recorded in 3Q10. The delinquency ratio overdue above 90 days dropped to 2.3%, a percentage below the 3.2% recorded in Banking Industry.

### Delinquency Ratio

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09(1)</th>
<th>3Q09(2)</th>
<th>4Q09(3)</th>
<th>1Q10(3)</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Portfolio</td>
<td>228,101</td>
<td>252,485</td>
<td>285,517</td>
<td>300,829</td>
<td>305,551</td>
<td>326,522</td>
<td>339,826</td>
<td>358,366</td>
</tr>
<tr>
<td>Loans overdue</td>
<td>10,692</td>
<td>13,204</td>
<td>16,571</td>
<td>15,457</td>
<td>15,576</td>
<td>14,875</td>
<td>15,099</td>
<td>13,437</td>
</tr>
<tr>
<td>Past Due Loans/Loan Portfolio</td>
<td>4.7</td>
<td>5.2</td>
<td>5.8</td>
<td>5.1</td>
<td>5.1</td>
<td>4.6</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Past Due Loans + 15 days</td>
<td>7,450</td>
<td>9,485</td>
<td>11,838</td>
<td>11,192</td>
<td>10,941</td>
<td>10,268</td>
<td>10,588</td>
<td>9,505</td>
</tr>
<tr>
<td>Past Due Loans + 15 days/Loan Portfolio</td>
<td>3.3</td>
<td>3.8</td>
<td>4.1</td>
<td>3.7</td>
<td>3.6</td>
<td>3.1</td>
<td>3.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Past Due Loans + 60 days</td>
<td>6,197</td>
<td>8,299</td>
<td>10,399</td>
<td>9,783</td>
<td>9,408</td>
<td>8,871</td>
<td>9,025</td>
<td>8,164</td>
</tr>
<tr>
<td>Past Due Loans + 60 days/Loan Portfolio</td>
<td>2.7</td>
<td>3.3</td>
<td>3.6</td>
<td>3.3</td>
<td>3.1</td>
<td>2.7</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Write-off</td>
<td>1,606</td>
<td>1,888</td>
<td>2,377</td>
<td>3,402</td>
<td>3,298</td>
<td>2,800</td>
<td>2,577</td>
<td>2,962</td>
</tr>
<tr>
<td>Recovery of Write-offs(4)</td>
<td>(357)</td>
<td>(802)</td>
<td>(686)</td>
<td>(847)</td>
<td>(631)</td>
<td>(757)</td>
<td>(1,052)</td>
<td>(863)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>1,250</td>
<td>1,086</td>
<td>1,691</td>
<td>2,555</td>
<td>2,668</td>
<td>2,043</td>
<td>1,525</td>
<td>2,099</td>
</tr>
<tr>
<td>Net Loss/Loan Portfolio – % annualized</td>
<td>2.2</td>
<td>1.7</td>
<td>2.4</td>
<td>3.4</td>
<td>3.5</td>
<td>2.5</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Allowance</td>
<td>14,674</td>
<td>17,759</td>
<td>19,070</td>
<td>18,617</td>
<td>18,316</td>
<td>18,088</td>
<td>18,140</td>
<td>17,315</td>
</tr>
<tr>
<td>Allowance/Loan Portfolio-%</td>
<td>6.4</td>
<td>7.0</td>
<td>6.7</td>
<td>6.2</td>
<td>6.0</td>
<td>5.5</td>
<td>5.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Allowance/Past Due Loans + 15 days – %</td>
<td>137.2</td>
<td>134.5</td>
<td>115.1</td>
<td>120.4</td>
<td>117.6</td>
<td>121.6</td>
<td>120.1</td>
<td>128.9</td>
</tr>
<tr>
<td>Allowance/Past Due Loans + 60 days – %</td>
<td>197.0</td>
<td>187.2</td>
<td>161.1</td>
<td>166.3</td>
<td>167.4</td>
<td>176.1</td>
<td>171.3</td>
<td>182.2</td>
</tr>
<tr>
<td>Allowance/Past Due Loans + 90 days – %</td>
<td>236.8</td>
<td>214.0</td>
<td>183.4</td>
<td>190.3</td>
<td>194.7</td>
<td>203.9</td>
<td>201.0</td>
<td>212.1</td>
</tr>
</tbody>
</table>

(1) As of 2Q09, Banco Nossa Caixa was included.
(2) Includes R$271 million in assigned loans in 2Q09, R$119 million in 3Q09, R$242 million in 4Q09 and R$9.3 million in 1Q10.
(3) As of 3Q09, Banco Votorantim was included.

Analysis of Results
The following graph shows the monthly behavior of delinquency ratios in Banco do Brasil’s domestic loan portfolio, excluding BV’s portfolio, for loans past due over 15 and 90 days. We can see that the behavior of those ratios keeps a downtrend.

**Delinquency: 15 and 90 days**

![Graph showing monthly delinquency ratios](image)

The following graph shows the ratio between the required provision for loans overdue over 90 days of BB and of the Banking Industry. It can be observed that BB has a level of required provision that is more than enough to cover transactions overdue for more than 90 days. Considering the total provision (required + additional), the provision’s coverage rate on loans overdue over 90 days at BB ended Dec/10 at 212.1%.

**Allowance / Past Due loan + 90 days – BB x BI (%)**

<table>
<thead>
<tr>
<th></th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>90 Days BB</td>
<td>186.1</td>
<td>178.4</td>
<td>163.3</td>
<td>166.8</td>
<td>161.9</td>
<td>163.7</td>
<td>181.6</td>
<td>190.5</td>
</tr>
<tr>
<td>90 Days SFN</td>
<td>210.3</td>
<td>211.2</td>
<td>214.7</td>
<td>216.7</td>
<td>217.2</td>
<td>217.2</td>
<td>217.2</td>
<td>217.2</td>
</tr>
</tbody>
</table>

The decline trend in average risk was maintained in Dec/10 as in BB or BI. In BB the decrease in average risk was 50 basis points in the quarterly comparison and 100 basis points when comparing with Dec/09; in the Banking Industry it was observed decreases of 20 and 130 basis points, respectively, as shown below:

**Average Portfolio Risk (%)**

<table>
<thead>
<tr>
<th></th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Risk BB</td>
<td>5.7</td>
<td>5.9</td>
<td>5.7</td>
<td>5.3</td>
<td>5.1</td>
<td>5.0</td>
<td>4.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Average Risk BI</td>
<td>6.6</td>
<td>7.2</td>
<td>7.2</td>
<td>6.9</td>
<td>6.7</td>
<td>6.2</td>
<td>5.8</td>
<td>5.6</td>
</tr>
</tbody>
</table>
Retail Loan Portfolio

The Retail Loan Portfolio consists, essentially, of individual operations, without taking into consideration the operations of the partnership with BV.

In December 2010, the Retail Loan Portfolio grew 53.2% in relation to the same prior-year period and 7.1% in relation to September 2010. Twelve-month performance is influenced by the comparison basis effect, since BNC’s portfolio migration to BB occurred mostly in 1Q10. The portfolio risk showed improvement in Dec 2010, and transactions with levels AA-C were 93.5%, against 93.1% in Sept 2010, and 91.8% in December 2009.

Retail Loan Portfolio by Risk Level
($R million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Dec/10</th>
<th>Sep/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Provision</td>
<td>Share</td>
<td>Balance</td>
<td>Provision</td>
</tr>
<tr>
<td>AA</td>
<td>174</td>
<td>-</td>
<td>0.3</td>
<td>290</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>26,056</td>
<td>130</td>
<td>41.6</td>
<td>12,678</td>
<td>63</td>
</tr>
<tr>
<td>B</td>
<td>21,666</td>
<td>217</td>
<td>34.6</td>
<td>45,577</td>
<td>456</td>
</tr>
<tr>
<td>C</td>
<td>9,640</td>
<td>289</td>
<td>15.4</td>
<td>24,951</td>
<td>748</td>
</tr>
<tr>
<td>D</td>
<td>1,561</td>
<td>156</td>
<td>2.5</td>
<td>2,131</td>
<td>213</td>
</tr>
<tr>
<td>E</td>
<td>511</td>
<td>153</td>
<td>0.8</td>
<td>517</td>
<td>155</td>
</tr>
<tr>
<td>F</td>
<td>411</td>
<td>206</td>
<td>0.7</td>
<td>427</td>
<td>214</td>
</tr>
<tr>
<td>G</td>
<td>335</td>
<td>235</td>
<td>0.5</td>
<td>354</td>
<td>248</td>
</tr>
<tr>
<td>H</td>
<td>2,345</td>
<td>2,345</td>
<td>3.7</td>
<td>2,758</td>
<td>2,758</td>
</tr>
<tr>
<td>Total</td>
<td>62,700</td>
<td>3,732</td>
<td>100.0</td>
<td>89,683</td>
<td>4,855</td>
</tr>
<tr>
<td>AA-C</td>
<td>57,535</td>
<td>636</td>
<td>91.8</td>
<td>83,496</td>
<td>1,268</td>
</tr>
<tr>
<td>D-H</td>
<td>5,165</td>
<td>3,095</td>
<td>8.2</td>
<td>6,187</td>
<td>3,588</td>
</tr>
</tbody>
</table>

(1) As of September 2010, it includes Banco Nossa Caixa’s operations. Excludes Banco Votorantim’s operations.

The retail loan portfolio average risk was improved and went from 6.0% in Dec 2009 to 5.0% in Dec 2010. The improvement was of 40 bps when compared to Sep 2010. The following table shows the changes in the retail loan portfolio allowance for loan losses.

Changes in the Allowance for Loan Losses – Retail
($R million)

<table>
<thead>
<tr>
<th></th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Loan Portfolio (1)</td>
<td>57,737</td>
<td>62,700</td>
<td>72,709</td>
<td>79,832</td>
<td>89,683</td>
<td>96,060</td>
</tr>
<tr>
<td>Initial Allowance</td>
<td>3,511</td>
<td>3,544</td>
<td>3,732</td>
<td>4,163</td>
<td>4,582</td>
<td>4,855</td>
</tr>
<tr>
<td>1 - Risk Migration</td>
<td>394</td>
<td>485</td>
<td>312</td>
<td>438</td>
<td>421</td>
<td>282</td>
</tr>
<tr>
<td>a) Risk Deterioration</td>
<td>1,240</td>
<td>1,292</td>
<td>1,165</td>
<td>1,396</td>
<td>1,416</td>
<td>1,319</td>
</tr>
<tr>
<td>b) Risk Improvement</td>
<td>(845)</td>
<td>(807)</td>
<td>(853)</td>
<td>(958)</td>
<td>(995)</td>
<td>(1,038)</td>
</tr>
<tr>
<td>2 – New Transactions</td>
<td>245</td>
<td>259</td>
<td>793</td>
<td>380</td>
<td>526</td>
<td>343</td>
</tr>
<tr>
<td>3 – Write-offs</td>
<td>(883)</td>
<td>(799)</td>
<td>(960)</td>
<td>(806)</td>
<td>(917)</td>
<td>(887)</td>
</tr>
<tr>
<td>Total (1 + 2 + 3):</td>
<td>(244)</td>
<td>(55)</td>
<td>145</td>
<td>12</td>
<td>31</td>
<td>(263)</td>
</tr>
<tr>
<td>Other Impacts (2)</td>
<td>277</td>
<td>242</td>
<td>287</td>
<td>407</td>
<td>242</td>
<td>226</td>
</tr>
<tr>
<td>Final Allowance</td>
<td>3,544</td>
<td>3,732</td>
<td>4,163</td>
<td>4,582</td>
<td>4,855</td>
<td>4,818</td>
</tr>
<tr>
<td>Allowance Required by CMN Resolution 2,682</td>
<td>3,544</td>
<td>3,732</td>
<td>4,163</td>
<td>4,582</td>
<td>4,855</td>
<td>4,818</td>
</tr>
<tr>
<td>Provision Flow – $R million</td>
<td>33</td>
<td>987</td>
<td>1,391</td>
<td>1,226</td>
<td>1,189</td>
<td>850</td>
</tr>
<tr>
<td>a) Added Provision</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>b) Provision Expenses</td>
<td>-</td>
<td>987</td>
<td>1,391</td>
<td>1,226</td>
<td>1,189</td>
<td>850</td>
</tr>
<tr>
<td>Provision/Portfolio – %</td>
<td>6.1</td>
<td>6.0</td>
<td>5.7</td>
<td>5.7</td>
<td>5.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Provision Flow/Portfolio – %</td>
<td>0.1</td>
<td>1.6</td>
<td>1.9</td>
<td>1.5</td>
<td>1.3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

(1) As of the 3Q10, includes all operations of Banco Nossa Caixa. Excludes Banco Votorantim’s portfolio.
(2) Amortization, settlement, release of installments and charge debt.
Vintage

We present the vintage of the individual loan portfolio in the graphs below. This methodology, known abroad as Vintage, affords greater detailing and closer monitoring of the portfolio than traditional indicators.

Vintage makes possible to monitor how the default of the set of operations contracted in a particular period behaves over time. In the first graph, for example, the vintage is performed in the quarterly view. The lines show how the default of operations contracted in each quarter behaved in the subsequent periods. The longer lines, therefore, refer to the oldest vintage period.

In the case of the graphs below, we consider loans overdue above 90 days at default, and for determination of the Loan portfolio for individual customers, the overdraft accounts and credit card operations do not appear in these charts.

The vintage shows how the operations contracted most recently present a more favorable default curve than those contracted at the beginning of the monitoring. This result reflects the constant optimization in the credit analysis, concession and vintage models.

The second graph contains the vintage with annual periodicity, helping the viewing and interpretation of data. The inflections presented in the previous figure curves refer to loan assignments.

In the graphs below, we present detailing of the vehicle loan portfolio, segmented by the loans production contracting origin: Arena I – operations contracted in BB’s branches. In line with BB strategy when partnering with BV, the transactions entered into Arena II (loans granted in vehicle dealers) were assumed by that institution.
SMEs Loan Portfolio

Foreign trade loans granted to SMEs are not included in this portfolio.

The SME loan portfolio showed a 19.1% growth over the last 12 months whereas the allowance for loan losses decreased 12.6% in the same period, reflecting a risk improvement in this portfolio. The participation of operations classified into risk levels AA-C increased from 90.1% of the total portfolio in Dec 2009 to 93.1% in Dec 2010.

Micro and Small Company Portfolio by Risk Level
($R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Provision</td>
<td>Share</td>
</tr>
<tr>
<td>AA</td>
<td>7,350</td>
<td>18.6</td>
<td>11,688</td>
</tr>
<tr>
<td>A</td>
<td>15,384</td>
<td>39.0</td>
<td>14,143</td>
</tr>
<tr>
<td>B</td>
<td>11,823</td>
<td>29.9</td>
<td>13,690</td>
</tr>
<tr>
<td>C</td>
<td>1,018</td>
<td>2.6</td>
<td>1,222</td>
</tr>
<tr>
<td>D</td>
<td>1,094</td>
<td>2.8</td>
<td>857</td>
</tr>
<tr>
<td>E</td>
<td>437</td>
<td>1.1</td>
<td>494</td>
</tr>
<tr>
<td>F</td>
<td>309</td>
<td>0.8</td>
<td>277</td>
</tr>
<tr>
<td>G</td>
<td>298</td>
<td>0.8</td>
<td>262</td>
</tr>
<tr>
<td>H</td>
<td>1,766</td>
<td>4.5</td>
<td>1,790</td>
</tr>
<tr>
<td>Total</td>
<td>39,478</td>
<td>2,595</td>
<td>44,423</td>
</tr>
<tr>
<td>AA-C</td>
<td>35,574</td>
<td>226</td>
<td>40,743</td>
</tr>
<tr>
<td>D-H</td>
<td>3,903</td>
<td>9.9</td>
<td>3,680</td>
</tr>
</tbody>
</table>

As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.

The following table details the changes in Allowance for Loan Losses for the Micro and small businesses Portfolio:

Changes in the Allowance for Loan Losses – SMEs
($R$ million)

<table>
<thead>
<tr>
<th></th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME’s Loan Portfolio(1)</td>
<td>35,311</td>
<td>39,478</td>
<td>40,548</td>
<td>44,966</td>
<td>44,423</td>
<td>47,037</td>
</tr>
<tr>
<td>Initial Allowance</td>
<td>2,309</td>
<td>2,625</td>
<td>2,595</td>
<td>2,470</td>
<td>2,732</td>
<td>2,590</td>
</tr>
<tr>
<td>1 - Risk Migration</td>
<td>387</td>
<td>65</td>
<td>(2)</td>
<td>198</td>
<td>47</td>
<td>(154)</td>
</tr>
<tr>
<td>a) Risk Deterioration</td>
<td>951</td>
<td>899</td>
<td>907</td>
<td>977</td>
<td>879</td>
<td>799</td>
</tr>
<tr>
<td>b) Risk Improvement</td>
<td>(565)</td>
<td>(833)</td>
<td>(909)</td>
<td>(778)</td>
<td>(833)</td>
<td>(953)</td>
</tr>
<tr>
<td>2 – New Transactions</td>
<td>200</td>
<td>183</td>
<td>143</td>
<td>311</td>
<td>126</td>
<td>121</td>
</tr>
<tr>
<td>3 – Write-offs</td>
<td>(531)</td>
<td>(815)</td>
<td>(895)</td>
<td>(694)</td>
<td>(783)</td>
<td>(859)</td>
</tr>
<tr>
<td>Total (1 + 2 + 3):</td>
<td>56</td>
<td>(267)</td>
<td>(755)</td>
<td>(185)</td>
<td>(61)</td>
<td>(892)</td>
</tr>
<tr>
<td>Other Impacts(2)</td>
<td>260</td>
<td>537</td>
<td>629</td>
<td>448</td>
<td>469</td>
<td>570</td>
</tr>
<tr>
<td>Final Allowance</td>
<td>2,625</td>
<td>2,595</td>
<td>2,470</td>
<td>2,732</td>
<td>2,590</td>
<td>2,268</td>
</tr>
<tr>
<td>Allowance Required by CMN Resolution 2,682</td>
<td>2,625</td>
<td>2,595</td>
<td>2,470</td>
<td>2,732</td>
<td>2,590</td>
<td>2,268</td>
</tr>
<tr>
<td>Provision Flow – R$ million</td>
<td>316</td>
<td>(30)</td>
<td>(126)</td>
<td>262</td>
<td>(142)</td>
<td>(323)</td>
</tr>
<tr>
<td>a) Added Provision</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b) Provision Expenses</td>
<td>316</td>
<td>(30)</td>
<td>(126)</td>
<td>262</td>
<td>(142)</td>
<td>(323)</td>
</tr>
<tr>
<td>Provision/Portfolio – %</td>
<td>7.4</td>
<td>6.6</td>
<td>6.1</td>
<td>6.1</td>
<td>5.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Provision Flow/Portfolio – %</td>
<td>0.9</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>0.6</td>
<td>(0.3)</td>
<td>(0.7)</td>
</tr>
</tbody>
</table>

(1) As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.
(2) Amortization, settlement, release of installments and charge debt
The following table details the changes in allowance for loan losses for the commercial portfolio.

### Changes in the Allowance – Commercial

<table>
<thead>
<tr>
<th></th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Loan Portfolio</td>
<td>52,573</td>
<td>57,189</td>
<td>59,799</td>
<td>65,805</td>
<td>67,460</td>
<td>70,030</td>
</tr>
<tr>
<td>Initial Allowance</td>
<td>838</td>
<td>1,005</td>
<td>1,085</td>
<td>901</td>
<td>960</td>
<td>934</td>
</tr>
<tr>
<td>1 - Risk Migration</td>
<td>215</td>
<td>78</td>
<td>(142)</td>
<td>22</td>
<td>(4)</td>
<td>(121)</td>
</tr>
<tr>
<td>a) Risk Deterioration</td>
<td>348</td>
<td>373</td>
<td>193</td>
<td>299</td>
<td>247</td>
<td>185</td>
</tr>
<tr>
<td>b) Risk Improvement</td>
<td>(133)</td>
<td>(295)</td>
<td>(335)</td>
<td>(277)</td>
<td>(251)</td>
<td>(306)</td>
</tr>
<tr>
<td>2 - New Transactions</td>
<td>109</td>
<td>233</td>
<td>111</td>
<td>151</td>
<td>128</td>
<td>166</td>
</tr>
<tr>
<td>3 - Write-offs</td>
<td>(75)</td>
<td>(180)</td>
<td>(259)</td>
<td>(163)</td>
<td>(102)</td>
<td>(105)</td>
</tr>
<tr>
<td>Total (1 + 2 + 3):</td>
<td>249</td>
<td>132</td>
<td>290</td>
<td>10</td>
<td>22</td>
<td>(61)</td>
</tr>
<tr>
<td>Other Impacts(*)</td>
<td>(82)</td>
<td>(51)</td>
<td>106</td>
<td>49</td>
<td>(48)</td>
<td>(137)</td>
</tr>
<tr>
<td>Final Allowance</td>
<td>1,005</td>
<td>1,085</td>
<td>901</td>
<td>960</td>
<td>934</td>
<td>736</td>
</tr>
<tr>
<td>Allowance Required by CMN Resolution</td>
<td>1,005</td>
<td>1,085</td>
<td>901</td>
<td>960</td>
<td>934</td>
<td>736</td>
</tr>
<tr>
<td>Changes in the Provision – in R$ million</td>
<td>242</td>
<td>260</td>
<td>75</td>
<td>223</td>
<td>75</td>
<td>(93)</td>
</tr>
<tr>
<td>a) Additional Provision</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b) Provision Expense</td>
<td>242</td>
<td>260</td>
<td>75</td>
<td>223</td>
<td>75</td>
<td>(93)</td>
</tr>
<tr>
<td>Provision/Portfolio – %</td>
<td>1.9</td>
<td>1.9</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Changes in the Provision – % of Portfolio</td>
<td>0.5</td>
<td>0.5</td>
<td>0.1</td>
<td>0.3</td>
<td>0.1</td>
<td>(0.1)</td>
</tr>
</tbody>
</table>

(*) Amortization, settlement, release of installments and charge debt.

(*) As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.

---

### Commercial Loan Portfolio by Risk Level

*(R$ million)*

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Dec/09 Balance</th>
<th>Provision</th>
<th>Share</th>
<th>Sep/10 Balance</th>
<th>Provision</th>
<th>Share</th>
<th>Dec/10 Balance</th>
<th>Provision</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>33,006</td>
<td>-</td>
<td>57.7</td>
<td>37,371</td>
<td>-</td>
<td>55.4</td>
<td>39,143</td>
<td>-</td>
<td>55.9</td>
</tr>
<tr>
<td>A</td>
<td>8,940</td>
<td>45</td>
<td>15.6</td>
<td>12,781</td>
<td>64</td>
<td>18.9</td>
<td>14,172</td>
<td>71</td>
<td>20.2</td>
</tr>
<tr>
<td>B</td>
<td>11,123</td>
<td>111</td>
<td>19.4</td>
<td>13,124</td>
<td>131</td>
<td>19.5</td>
<td>13,281</td>
<td>133</td>
<td>19.0</td>
</tr>
<tr>
<td>C</td>
<td>1,929</td>
<td>58</td>
<td>3.4</td>
<td>2,099</td>
<td>63</td>
<td>3.1</td>
<td>1,909</td>
<td>57</td>
<td>2.7</td>
</tr>
<tr>
<td>D</td>
<td>1,266</td>
<td>127</td>
<td>2.2</td>
<td>1,324</td>
<td>132</td>
<td>2.0</td>
<td>982</td>
<td>98</td>
<td>1.4</td>
</tr>
<tr>
<td>E</td>
<td>158</td>
<td>47</td>
<td>0.3</td>
<td>220</td>
<td>66</td>
<td>0.3</td>
<td>156</td>
<td>47</td>
<td>0.2</td>
</tr>
<tr>
<td>F</td>
<td>89</td>
<td>44</td>
<td>0.2</td>
<td>100</td>
<td>50</td>
<td>0.1</td>
<td>87</td>
<td>43</td>
<td>0.1</td>
</tr>
<tr>
<td>G</td>
<td>85</td>
<td>60</td>
<td>0.1</td>
<td>44</td>
<td>31</td>
<td>0.1</td>
<td>44</td>
<td>31</td>
<td>0.1</td>
</tr>
<tr>
<td>H</td>
<td>593</td>
<td>593</td>
<td>1.0</td>
<td>396</td>
<td>396</td>
<td>0.6</td>
<td>256</td>
<td>256</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>57,189</td>
<td>1,085</td>
<td>100.0</td>
<td>67,460</td>
<td>934</td>
<td>100.0</td>
<td>70,030</td>
<td>736</td>
<td>100.0</td>
</tr>
</tbody>
</table>

AA-C       | 54,998         | 214       | 96.2  | 65,375         | 258       | 96.9  | 68,505         | 261       | 97.8  |

D-H        | 2,191          | 871       | 3.8   | 2,085          | 676       | 3.1   | 1,525          | 475       | 2.2   |

*As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.*
Agribusiness Loan Portfolio

In the 4Q10, the agribusiness portfolio increased by 14.3% as compared to 4Q09. Agroindustrial lending operations stood out with its 35.3% growth over the same basis period and represent 22.2% of the total agribusiness portfolio for 4Q10. Agribusiness credit transactions, besides adding to portfolio growth, have a low risk and improve the breakdown of risk levels in the portfolio. The loans ranked at risk levels AA-C represented 91.4% of the portfolio in December 2010, 360 basis points higher than the number presented in December 2009 and 100 basis points over September 2010.

The relationship between the required provisions (CMN Resolution 2682/99) and the balance of operations went from 7.0% in 4Q09 to 5.1% in 4Q10, improvement of 190 basis points in the period.

Agribusiness Loan Portfolio by Risk Level

(\text{R$ million})

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Provision</td>
<td>Share</td>
</tr>
<tr>
<td>AA</td>
<td>11,402</td>
<td>-</td>
<td>17.4</td>
</tr>
<tr>
<td>A</td>
<td>18,876</td>
<td>94</td>
<td>28.8</td>
</tr>
<tr>
<td>B</td>
<td>18,956</td>
<td>190</td>
<td>28.9</td>
</tr>
<tr>
<td>C</td>
<td>8,414</td>
<td>252</td>
<td>12.8</td>
</tr>
<tr>
<td>D</td>
<td>3,210</td>
<td>321</td>
<td>4.9</td>
</tr>
<tr>
<td>E</td>
<td>1,040</td>
<td>312</td>
<td>1.6</td>
</tr>
<tr>
<td>F</td>
<td>411</td>
<td>205</td>
<td>0.6</td>
</tr>
<tr>
<td>G</td>
<td>355</td>
<td>249</td>
<td>0.5</td>
</tr>
<tr>
<td>H</td>
<td>2,987</td>
<td>2,987</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td>65,651</td>
<td>4,611</td>
<td>100.0</td>
</tr>
<tr>
<td>AA-C</td>
<td>57,648</td>
<td>536</td>
<td>87.8</td>
</tr>
<tr>
<td>D-H</td>
<td>8,003</td>
<td>4,074</td>
<td>12.2</td>
</tr>
</tbody>
</table>

*As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.

The following table details the changes in allowance for loan losses for the agribusiness portfolio.

Changes in the Allowance – Agribusiness

(\text{R$ million})

<table>
<thead>
<tr>
<th></th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness Loan Portfolio</td>
<td>67,237</td>
<td>65,651</td>
<td>64,113</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
</tr>
<tr>
<td>Initial Allowance</td>
<td>5,042</td>
<td>4,950</td>
<td>4,611</td>
<td>4,597</td>
<td>4,346</td>
<td>4,109</td>
</tr>
<tr>
<td>1 - Risk Migration</td>
<td>(142)</td>
<td>(315)</td>
<td>(45)</td>
<td>(364)</td>
<td>(47)</td>
<td>23</td>
</tr>
<tr>
<td>a) Risk Deterioration</td>
<td>922</td>
<td>899</td>
<td>786</td>
<td>739</td>
<td>797</td>
<td>854</td>
</tr>
<tr>
<td>b) Risk Improvement</td>
<td>(1,064)</td>
<td>(1,214)</td>
<td>(831)</td>
<td>(1,103)</td>
<td>(844)</td>
<td>(831)</td>
</tr>
<tr>
<td>2 - New Transactions</td>
<td>865</td>
<td>564</td>
<td>379</td>
<td>560</td>
<td>580</td>
<td>765</td>
</tr>
<tr>
<td>3 - Write-offs</td>
<td>(527)</td>
<td>(944)</td>
<td>(605)</td>
<td>(621)</td>
<td>(364)</td>
<td>(566)</td>
</tr>
<tr>
<td>Total (1 + 2 + 3):</td>
<td>196</td>
<td>(695)</td>
<td>(271)</td>
<td>(425)</td>
<td>169</td>
<td>(178)</td>
</tr>
<tr>
<td>Other Impacts(*)</td>
<td>(288)</td>
<td>336</td>
<td>257</td>
<td>174</td>
<td>(405)</td>
<td>(90)</td>
</tr>
<tr>
<td>Final Allowance</td>
<td>4,950</td>
<td>4,611</td>
<td>4,597</td>
<td>4,346</td>
<td>4,109</td>
<td>3,841</td>
</tr>
<tr>
<td>Allowance Required by CMN Resolution 2,682</td>
<td>4,950</td>
<td>4,611</td>
<td>4,597</td>
<td>4,346</td>
<td>4,109</td>
<td>3,841</td>
</tr>
<tr>
<td>Changes in the Provision – in R$ million</td>
<td>435</td>
<td>605</td>
<td>591</td>
<td>370</td>
<td>127</td>
<td>298</td>
</tr>
<tr>
<td>a) Additional Provision</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>332</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b) Provision Expense</td>
<td>435</td>
<td>605</td>
<td>591</td>
<td>38</td>
<td>127</td>
<td>298</td>
</tr>
<tr>
<td>Provision/Portfolio – %</td>
<td>7.4</td>
<td>7.0</td>
<td>7.2</td>
<td>6.2</td>
<td>5.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Changes in the Provision – % of Portfolio</td>
<td>0.6</td>
<td>0.9</td>
<td>0.9</td>
<td>0.5</td>
<td>0.2</td>
<td>0.4</td>
</tr>
</tbody>
</table>

(*1) Amortization, settlement, release of installments and charge debt.
(1*) As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.
The average risk of the portfolio is strongly influenced by the loans from 2005 to 2007 vintages rolled over with total balance of R$8,727 million. In the following table, the agribusiness loan portfolio is divided in rolled over and non rolled over loans.

Extended and Unextended Agribusiness Operations

<table>
<thead>
<tr>
<th>Risk</th>
<th>Portfolio Without Rollover</th>
<th>Portfolio with Rollover</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Allowance for Loan Losses</td>
</tr>
<tr>
<td>AA</td>
<td>14,738</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>12,336</td>
<td>62</td>
</tr>
<tr>
<td>B</td>
<td>30,553</td>
<td>306</td>
</tr>
<tr>
<td>C</td>
<td>5,808</td>
<td>174</td>
</tr>
<tr>
<td>D</td>
<td>1,435</td>
<td>144</td>
</tr>
<tr>
<td>E</td>
<td>215</td>
<td>64</td>
</tr>
<tr>
<td>F</td>
<td>133</td>
<td>67</td>
</tr>
<tr>
<td>G</td>
<td>155</td>
<td>109</td>
</tr>
<tr>
<td>H</td>
<td>915</td>
<td>915</td>
</tr>
<tr>
<td>Total</td>
<td>66,288</td>
<td>1,840</td>
</tr>
</tbody>
</table>

(1) Overdue operations at level AA refer to credit with third party risk.
(2) The delay resulting from overdue operations with third party risk was not included in the calculation of the rate.

According to the table above, operations overdue above 90 days represent 0.9% of the total operations without rollover. If we compare this indicator to the operations with rollover, there is a gap of 900 basis points.

The following table shows the balance, delinquency and average risk of the agribusiness loan portfolio segregated into extended and non-extended operations.

Rates of the Agribusiness Portfolio
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Portfolio</td>
<td>67,237</td>
<td>65,651</td>
<td>64,113</td>
<td>70,321</td>
<td>73,952</td>
<td>75,015</td>
</tr>
<tr>
<td>Provision</td>
<td>4,950</td>
<td>4,611</td>
<td>4,597</td>
<td>4,346</td>
<td>4,109</td>
<td>3,841</td>
</tr>
<tr>
<td>Past Due Loans + 90 days</td>
<td>2,588</td>
<td>2,146</td>
<td>2,050</td>
<td>1,638</td>
<td>1,885</td>
<td>1,846</td>
</tr>
<tr>
<td>Past Due Loans + 90 days/Loan Portfolio – %</td>
<td>3.8</td>
<td>3.3</td>
<td>3.2</td>
<td>2.3</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Allowance/Loan Portfolio – %</td>
<td>7.4</td>
<td>7.0</td>
<td>7.2</td>
<td>6.2</td>
<td>5.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Write-Off</td>
<td>527</td>
<td>944</td>
<td>605</td>
<td>621</td>
<td>364</td>
<td>567</td>
</tr>
</tbody>
</table>

Extended Operations – BB Risk + Third Parties

<table>
<thead>
<tr>
<th></th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision</td>
<td>2,939</td>
<td>2,635</td>
<td>2,542</td>
<td>2,338</td>
<td>2,210</td>
<td>2,001</td>
</tr>
<tr>
<td>Past Due Loans + 90 days</td>
<td>1,401</td>
<td>1,076</td>
<td>904</td>
<td>540</td>
<td>801</td>
<td>869</td>
</tr>
<tr>
<td>Transactions overdue + 90 days/Total Portfolio (%)</td>
<td>9.8</td>
<td>9.2</td>
<td>7.9</td>
<td>5.2</td>
<td>8.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Provision/Extended Operations – %</td>
<td>20.6</td>
<td>22.2</td>
<td>22.2</td>
<td>22.7</td>
<td>23.4</td>
<td>22.9</td>
</tr>
<tr>
<td>Write-Off</td>
<td>371</td>
<td>733</td>
<td>450</td>
<td>419</td>
<td>211</td>
<td>318</td>
</tr>
</tbody>
</table>

Unextended Operations – BB Risk + Third Parties

<table>
<thead>
<tr>
<th></th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
<th>1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision</td>
<td>2,011</td>
<td>1,976</td>
<td>2,055</td>
<td>2,008</td>
<td>1,899</td>
<td>1,840</td>
</tr>
<tr>
<td>Past Due Loans + 90 days</td>
<td>1,187</td>
<td>1,070</td>
<td>1,146</td>
<td>1,098</td>
<td>1,084</td>
<td>977</td>
</tr>
<tr>
<td>Transactions overdue + 90 days/Unextended operations – %</td>
<td>2.2</td>
<td>2.0</td>
<td>2.2</td>
<td>1.8</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Provision/Unextended Operations – %</td>
<td>3.8</td>
<td>3.7</td>
<td>3.9</td>
<td>3.3</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Write-Off</td>
<td>156</td>
<td>211</td>
<td>154</td>
<td>202</td>
<td>153</td>
<td>249</td>
</tr>
</tbody>
</table>

410 MD&A – 4Q10
CMN Resolution 2682/99, which provides classification for risk ratings and for allowance for loan losses, requires maintenance of risk with renegotiated loans at the risk level found at the time of renegotiation. Owing to this rule, renegotiated transactions increase the loan portfolio's average risk.

A simulation performed with unextended BB risk operations, after removing the drag effect caused by extended loans, shows that there would be a reduction in average risk in 4Q10 from 2.8% to 0.94%.

In the figure below the agribusiness portfolio is segregated in rolled over and non rolled over operations, by appropriation and respective shares.

---

### Stratified Agribusiness Portfolio

- **Portfolio without rollover**
  - Workin Capital for Input Purchase: 51.9%
  - Investment: 31.5%
  - Refinancing: 16.7%

- **Portfolio with rollover**
  - Workin Capital for Input Purchase: 61.5%
  - Investment: 33.5%
  - Crop Trading: 5.0%

---

Rollover: R$8.6 billion  
Average Risk: 23.4%

Without Roll Over: R$65.2 billion  
Average Risk: 2.8%  
w/o Rollover Effect: 0.94%
Foreign Trade Loan Portfolio

The Foreign Trade Loan Portfolio recorded an increase of 12.3% (Dec/10 – Dec/09) whereas the allowance for loan losses decreased in 19.0% in the same period. Loans rated at levels of risk AA to C ended Dec/10 with participation of 98.2% of total, 140 basis points higher than that observed in Sep/10 and 190 basis points higher when comparing with Dec/09.

Foreign Trade Loan Portfolio by Risk Level
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Provision</th>
<th>Share %</th>
<th>Balance</th>
<th>Provision</th>
<th>Share %</th>
<th>Balance</th>
<th>Provision</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>5,511</td>
<td>-</td>
<td>41.2</td>
<td>5,461</td>
<td>-</td>
<td>39.1</td>
<td>6,183</td>
<td>-</td>
<td>41.2</td>
</tr>
<tr>
<td>A</td>
<td>2,401</td>
<td>12</td>
<td>18.0</td>
<td>2,267</td>
<td>11</td>
<td>16.2</td>
<td>3,026</td>
<td>15</td>
<td>20.2</td>
</tr>
<tr>
<td>B</td>
<td>3,149</td>
<td>31</td>
<td>23.6</td>
<td>4,007</td>
<td>40</td>
<td>28.7</td>
<td>4,003</td>
<td>40</td>
<td>26.7</td>
</tr>
<tr>
<td>C</td>
<td>1,739</td>
<td>52</td>
<td>13.0</td>
<td>1,702</td>
<td>51</td>
<td>12.2</td>
<td>1,449</td>
<td>43</td>
<td>9.7</td>
</tr>
<tr>
<td>D</td>
<td>279</td>
<td>28</td>
<td>2.1</td>
<td>212</td>
<td>21</td>
<td>1.5</td>
<td>124</td>
<td>12</td>
<td>0.8</td>
</tr>
<tr>
<td>E</td>
<td>48</td>
<td>14</td>
<td>0.4</td>
<td>50</td>
<td>15</td>
<td>0.4</td>
<td>22</td>
<td>7</td>
<td>0.1</td>
</tr>
<tr>
<td>F</td>
<td>27</td>
<td>14</td>
<td>0.2</td>
<td>97</td>
<td>48</td>
<td>0.7</td>
<td>36</td>
<td>18</td>
<td>0.2</td>
</tr>
<tr>
<td>G</td>
<td>6</td>
<td>4</td>
<td>0.0</td>
<td>14</td>
<td>10</td>
<td>0.1</td>
<td>32</td>
<td>23</td>
<td>0.2</td>
</tr>
<tr>
<td>H</td>
<td>201</td>
<td>201</td>
<td>1.5</td>
<td>146</td>
<td>146</td>
<td>1.0</td>
<td>131</td>
<td>131</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>13,361</td>
<td>357</td>
<td>100.0</td>
<td>13,955</td>
<td>343</td>
<td>100.0</td>
<td>15,006</td>
<td>289</td>
<td>100.0</td>
</tr>
<tr>
<td>AA-C</td>
<td>12,800</td>
<td>96</td>
<td>95.8</td>
<td>13,437</td>
<td>102</td>
<td>96.3</td>
<td>14,660</td>
<td>99</td>
<td>97.7</td>
</tr>
<tr>
<td>D-H</td>
<td>562</td>
<td>262</td>
<td>4.2</td>
<td>518</td>
<td>240</td>
<td>3.7</td>
<td>346</td>
<td>191</td>
<td>2.3</td>
</tr>
</tbody>
</table>

AA-C  D-H

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>13,361</td>
<td>13,955</td>
<td>15,006</td>
</tr>
<tr>
<td>Provision</td>
<td>357</td>
<td>343</td>
<td>289</td>
</tr>
<tr>
<td>Share %</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.

The following table shows the changes in the allowance for loan losses of the foreign trade loan portfolio.

Changes in the Allowance for Loan Losses – Foreign Trade
(R$ million)

<table>
<thead>
<tr>
<th>Foreign Trade Loan Portfolio</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Allowance</td>
<td>317</td>
<td>355</td>
<td>357</td>
<td>338</td>
<td>374</td>
<td>343</td>
</tr>
<tr>
<td>t - Risk Migration</td>
<td>6</td>
<td>(62)</td>
<td>(16)</td>
<td>24</td>
<td>(30)</td>
<td>(40)</td>
</tr>
<tr>
<td>a) Risk Deterioration</td>
<td>66</td>
<td>96</td>
<td>52</td>
<td>86</td>
<td>52</td>
<td>41</td>
</tr>
<tr>
<td>b) Risk Improvement</td>
<td>(60)</td>
<td>(157)</td>
<td>(68)</td>
<td>(63)</td>
<td>(82)</td>
<td>(8)</td>
</tr>
<tr>
<td>2 - New Transactions</td>
<td>89</td>
<td>161</td>
<td>68</td>
<td>72</td>
<td>67</td>
<td>74</td>
</tr>
<tr>
<td>3 - Write-offs</td>
<td>(30)</td>
<td>(70)</td>
<td>(36)</td>
<td>(31)</td>
<td>(41)</td>
<td>(15)</td>
</tr>
<tr>
<td>Total (1 + 2 + 3):</td>
<td>65</td>
<td>29</td>
<td>16</td>
<td>65</td>
<td>(5)</td>
<td>19</td>
</tr>
<tr>
<td>Other Impacts*</td>
<td>(48)</td>
<td>(7)</td>
<td>(36)</td>
<td>(29)</td>
<td>(26)</td>
<td>(72)</td>
</tr>
<tr>
<td>Final Allowance</td>
<td>335</td>
<td>357</td>
<td>338</td>
<td>374</td>
<td>343</td>
<td>289</td>
</tr>
<tr>
<td>Allowance Required by CMN Resolution 2,682</td>
<td>335</td>
<td>357</td>
<td>338</td>
<td>374</td>
<td>343</td>
<td>289</td>
</tr>
<tr>
<td>Changes in the Provision – in R$ million</td>
<td>47</td>
<td>93</td>
<td>16</td>
<td>67</td>
<td>10</td>
<td>(38)</td>
</tr>
<tr>
<td>a) Additional Provision</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b) Provision Expense</td>
<td>47</td>
<td>93</td>
<td>16</td>
<td>67</td>
<td>10</td>
<td>(38)</td>
</tr>
<tr>
<td>Provision/Portfolio – %</td>
<td>2.3</td>
<td>2.7</td>
<td>2.6</td>
<td>3.2</td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Changes in the Provision – % of Portfolio</td>
<td>0.3</td>
<td>0.7</td>
<td>0.1</td>
<td>0.6</td>
<td>0.1</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>

*As of 2Q10, it includes Banco Nossa Caixa’s operations migrated to BB. Does not consider operations of Banco Votorantim.
Foreign Loan Portfolio and Others

The table below shows the risk profile of BB’s foreign loan portfolio. In December 2010 the operations rated at risk levels AA-C accounted for 97.7% of the total portfolio, practically stable in relation to Dec/09 and Sept/10.

Foreign Loan Portfolio by Risk Level
(R$ million)

| Risk Level | Dec/09 | | | Sep/10 | | | | Dec/10 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance | Provision | Share % | Balance | Provision | Share % | Balance | Provision | Share % |
| AA | 10,580 | - | 61.3 | 12,740 | - | 70.8 | 14,880 | - | 72.8 |
| A | 3,370 | 17 | 19.5 | 3,227 | 16 | 17.9 | 2,842 | 14 | 13.9 |
| B | 2,638 | 26 | 15.3 | 1,320 | 13 | 7.3 | 2,133 | 21 | 10.4 |
| C | 261 | 8 | 1.5 | 247 | 7 | 1.4 | 215 | 6 | 1.1 |
| D | 198 | 20 | 1.1 | 323 | 32 | 1.8 | 254 | 25 | 1.2 |
| E | 103 | 31 | 0.6 | 10 | 3 | 0.1 | 4 | 1 | 0.0 |
| F | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 |
| G | 4 | 3 | 0.0 | 8 | 5 | 0.0 | 8 | 5 | 0.0 |
| H | 114 | 114 | 0.7 | 112 | 112 | 0.6 | 109 | 109 | 0.5 |
| Total | 17,268 | 219 | 100.0 | 17,986 | 189 | 100.0 | 20,445 | 183 | 100.0 |
| AA-C | 16,849 | 219 | 100.0 | 17,986 | 189 | 100.0 | 20,445 | 183 | 100.0 |
| D-H | 419 | 168 | 2.4 | 453 | 152 | 2.5 | 375 | 141 | 1.8 |

Does not consider operations of Banco Votorantim.

The table below shows the risk level of the loans that are not classified in the Retail, SME, Commercial, Agribusiness, Foreign Trade and Foreign portfolios, plus the portfolio of Banco Votorantim.

Banco Votorantim’s Portfolio (50%) and Other
(R$ million)

| Risk Level | Dec/09 | | | Sep/10 | | | | Dec/10 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance | Provision | Share % | Balance | Provision | Share % | Balance | Provision | Share % |
| AA | 7,485 | - | 16.6 | 7,179 | - | 22.2 | 7,320 | - | 21.0 |
| A | 20,088 | 100 | 44.5 | 17,290 | 86 | 53.4 | 19,391 | 97 | 55.8 |
| B | 10,074 | 10 | 22.3 | 2,570 | 26 | 7.9 | 2,729 | 27 | 7.8 |
| C | 2,449 | 73 | 5.4 | 728 | 22 | 2.3 | 799 | 24 | 2.3 |
| D | 1,466 | 147 | 3.2 | 763 | 76 | 2.4 | 725 | 72 | 2.1 |
| E | 646 | 194 | 1.4 | 562 | 169 | 1.7 | 499 | 150 | 1.4 |
| F | 467 | 234 | 1.0 | 363 | 182 | 1.1 | 372 | 186 | 1.1 |
| G | 396 | 277 | 0.9 | 352 | 246 | 1.1 | 269 | 188 | 0.8 |
| H | 2,111 | 2,111 | 4.7 | 2,558 | 2,558 | 7.9 | 2,668 | 2,668 | 7.7 |
| Total | 45,182 | 3,237 | 100.0 | 32,366 | 3,365 | 100.0 | 34,773 | 3,413 | 100.0 |
| AA-C | 40,096 | 2,275 | 88.7 | 27,768 | 134 | 85.8 | 30,239 | 148 | 87.0 |
| D-H | 5,086 | 2,962 | 11.3 | 4,598 | 2,231 | 14.2 | 4,533 | 3,265 | 13.0 |
Fee income

Fee income, which include revenues from services provided and bank fee income (classification defined by the Central Bank in 2008), amounted to R$4,227 million in 4Q10, an increase of 4.3% over the previous quarter and of 17.2% in relation to 4Q09.

In 2010, Fee Income reached R$15,868 million, increase of 17.4% comparison with 2009. Please note that these revenues took into account the acquisition of Banco Nossa Caixa (BNC) as of 2Q09, as well as the consolidation of Banco Votorantim (BV) since 4Q09. For purposes of comparison and monitoring of 2010 Guidance, a pro-forma basis was prepared to simulate the consolidation of BV and BNC revenues during the entire year of 2009. By using this pro-forma basis, the BB Fee Income grew 12.6% as compared to 2009, performance better than the estimated in 2010 Guidance range, which estimated a growth of 7% to 10%. This performance was due to the diversification in the sources of revenues and expansion of services, aiming to increase the loyalty and profitability of the customer base.

BB banking fee income, characterized as such fees indicated by the Central Bank of Brazil in Circular Letter 3371 and detailed in the exploratory note "Other operating income (expenses)", totaled R$1,147 million in 4Q10, showing an increase of 5.1% upon previous quarter. Such revenues accrued for the year reached R$4,227 million, a growth of 26.6% in relation to 2009.

BB fee income
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Fee Income</td>
<td>3,606</td>
<td>4,053</td>
<td>4,227</td>
<td>17.2</td>
</tr>
<tr>
<td>Account Fees</td>
<td>908</td>
<td>911</td>
<td>1,035</td>
<td>14.0</td>
</tr>
<tr>
<td>Credit/Debit Cards</td>
<td>680</td>
<td>833</td>
<td>876</td>
<td>28.9</td>
</tr>
<tr>
<td>Asset Management Fees</td>
<td>540</td>
<td>613</td>
<td>586</td>
<td>8.5</td>
</tr>
<tr>
<td>Loan Fees</td>
<td>360</td>
<td>467</td>
<td>430</td>
<td>19.5</td>
</tr>
<tr>
<td>Collections</td>
<td>308</td>
<td>302</td>
<td>304</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Insurance, Pension and Savings Bonds</td>
<td>112</td>
<td>164</td>
<td>187</td>
<td>66.7</td>
</tr>
<tr>
<td>Billings</td>
<td>137</td>
<td>158</td>
<td>173</td>
<td>26.0</td>
</tr>
<tr>
<td>Interbank</td>
<td>137</td>
<td>139</td>
<td>144</td>
<td>5.3</td>
</tr>
<tr>
<td>Capital Market Fees</td>
<td>70</td>
<td>119</td>
<td>113</td>
<td>62.9</td>
</tr>
<tr>
<td>Other</td>
<td>355</td>
<td>349</td>
<td>378</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Revenues from Checking Account fees

Checking account fees totaled R$1,035 million in 4Q10, an increase of 13.7% over the previous quarter and of 14.0% as compared with 4Q09. In 2010, these revenues reached R$3,807 million, an expansion of 12.4% in comparison to the previous year.

BB’s checking account basis reached 35,934 thousand in December 2010, being 33,758 thousand related to individual accounts, and 2,176 thousand to businesses.

From a broader perspective, which takes into consideration not only checking accounts, but all the clients that have some active business with Banco do Brasil, such as INSS beneficiaries, savings account holders and clients of other products (including the ones sold to non-account holders through partnerships entered into with retail networks), the total base reaches 54.4 thousand clients.
Asset Management

In 4Q10, Banco do Brasil recorded R$586 million in income from asset management fees, which represents a decrease of 4.4% over the preceding quarter, and a growth of 8.5% as compared to the same period in 2009. In 2010, these revenues reached R$2,310 million, an increase of 14.2% in comparison to 2009.

The amount of assets managed attained R$360.2 billion at the end of the last quarter, an increase of 2.7% over the previous quarter and 17.4% as compared to 4Q09. BB Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários (BB DTVM), a wholly-owned subsidiary of Banco do Brasil, maintained as leader in the balance of Assets under Management, according to the ANBIMA ranking. At the end of the year, BB held a 21.2% market share according to the ranking of investment funds and the amount allocated to managed portfolios.

Please note that these figures still do not include funds managed by Banco Votorantim, that attained R$24.1 billion in December 2010. If 50.0% of the balance managed by BV were to be consolidated, a percentage equal to BB’s stake in it’s total equity capital, Banco do Brasil’s market share would rise to 21.9%.

In the classification of the funds managed by type of client, it is to highlight the funds aimed at legal entities, which recorded a 10.1% growth, over september. In terms of absolute amounts, the funds for institutional investors showed the greatest variation in this period, increasing by R$10.4 billion. The same is observed in a comparison to December 2009, when the funds for legal entities and institutions recorded a growth of 28.8% and R$26.1 billion, respectively.

Investment Funds and Managed Portfolios by Customer
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Share %</th>
<th>Sep/10</th>
<th>Share %</th>
<th>Dec/10</th>
<th>Share %</th>
<th>On Dec /09</th>
<th>On Sep/10</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Investors</td>
<td>115,728</td>
<td>37.7</td>
<td>131,418</td>
<td>37.5</td>
<td>141,822</td>
<td>39.4</td>
<td>22.5</td>
<td>7.9</td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>74,410</td>
<td>24.3</td>
<td>80,868</td>
<td>23.0</td>
<td>82,672</td>
<td>23.0</td>
<td>11.1</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>73,793</td>
<td>24.1</td>
<td>88,368</td>
<td>25.2</td>
<td>82,305</td>
<td>22.8</td>
<td>11.5</td>
<td>(6.9)</td>
<td></td>
</tr>
<tr>
<td>Businesses</td>
<td>29,464</td>
<td>9.6</td>
<td>34,477</td>
<td>9.8</td>
<td>37,951</td>
<td>10.5</td>
<td>28.8</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>Foreign Investors</td>
<td>13,291</td>
<td>4.3</td>
<td>15,757</td>
<td>4.5</td>
<td>15,451</td>
<td>4.3</td>
<td>16.2</td>
<td>(1.9)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>306,686</td>
<td>100.0</td>
<td>350,889</td>
<td>100.0</td>
<td>360,200</td>
<td>100.0</td>
<td>17.4</td>
<td>2.7</td>
<td></td>
</tr>
</tbody>
</table>
As regards the classification per type, the Managed Portfolios were a highlight, which, after recording a decrease of 8.1% from June to September, are growing again, and recorded an increase of 1.9% in relation to the previous quarter.

### Investment Funds and Managed Portfolios by Type

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Share %</th>
<th>Sep/10</th>
<th>Share %</th>
<th>Dec/10</th>
<th>Share %</th>
<th>Chg. % On Dec /09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Fund</td>
<td>294,622</td>
<td>96.1</td>
<td>337,133</td>
<td>96.1</td>
<td>346,178</td>
<td>96.1</td>
<td>17.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Fixed</td>
<td>161,817</td>
<td>52.8</td>
<td>191,332</td>
<td>54.5</td>
<td>190,789</td>
<td>53.0</td>
<td>17.9</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Equity</td>
<td>49,790</td>
<td>16.2</td>
<td>51,674</td>
<td>14.7</td>
<td>56,863</td>
<td>15.8</td>
<td>14.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Multimarket</td>
<td>45,048</td>
<td>14.7</td>
<td>49,645</td>
<td>14.1</td>
<td>53,863</td>
<td>15.0</td>
<td>19.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Others</td>
<td>37,967</td>
<td>12.4</td>
<td>44,481</td>
<td>12.7</td>
<td>44,664</td>
<td>12.4</td>
<td>17.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Managed Portfolios</td>
<td>12,064</td>
<td>3.9</td>
<td>13,756</td>
<td>3.9</td>
<td>14,022</td>
<td>3.9</td>
<td>16.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Fixed</td>
<td>9,919</td>
<td>3.2</td>
<td>13,592</td>
<td>3.9</td>
<td>13,882</td>
<td>3.9</td>
<td>40.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Equity</td>
<td>2,145</td>
<td>0.7</td>
<td>164</td>
<td>0.0</td>
<td>139</td>
<td>0.0</td>
<td>(93.5)</td>
<td>(15.1)</td>
</tr>
<tr>
<td>Total</td>
<td>306,686</td>
<td>100.0</td>
<td>350,889</td>
<td>100.0</td>
<td>360,200</td>
<td>100.0</td>
<td>17.4</td>
<td>2.7</td>
</tr>
</tbody>
</table>

### Cards

Fee income related to card business totaled R$876 million in the 4Q10, representing a growth of 5.3% in relation to the observed in the 3Q10 and 28.9% over 4Q09. Such revenues accrued for the year rose to R$3,148 million, a 28.5% increase as compared to 2009.

An expressive performance in the comparison between the annual periods is a reflex of the expansion of the card basis and billings (details below), and from the fact that Nossa Caixa revenues stated being recorded in 2Q09. Besides, the fact that fee income from Visa Vale (Companhia Brasileira de Soluções e Serviços – CBSS) started to be included in the card income line as of 1Q10 also impairs the yearly comparison. Formerly, this income was included in “other income from operations”, and the purpose of this change is to adjust the methodology to what had already been practiced for Cielo’s income.

The total card basis, comprising credit and debit cards, including those issued through partnerships and for non-account holders, rose to 88.3 million plastic cards in December, same level as Sep/10, and a 1.2% increase over Dec/09. The stability in the card basis resulted from cancellations of unused cards, aiming to control issuing expenses.

### Credit and Debit Cards

#### Credit Cards

<table>
<thead>
<tr>
<th>Credit Cards (R$ million)</th>
<th>mar/09</th>
<th>jun/09</th>
<th>sep/09</th>
<th>dec/09</th>
<th>mar/10</th>
<th>jun/10</th>
<th>sep/10</th>
<th>dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.2</td>
<td>27.2</td>
<td>27.5</td>
<td>28.0</td>
<td>28.0</td>
<td>28.8</td>
<td>27.7</td>
<td>27.3</td>
</tr>
</tbody>
</table>

#### Debit Cards

<table>
<thead>
<tr>
<th>Debit Cards (R$ million)</th>
<th>mar/09</th>
<th>jun/09</th>
<th>sep/09</th>
<th>dec/09</th>
<th>mar/10</th>
<th>jun/10</th>
<th>sep/10</th>
<th>dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53.0</td>
<td>57.0</td>
<td>57.6</td>
<td>59.3</td>
<td>58.4</td>
<td>57.5</td>
<td>60.5</td>
<td>61.0</td>
</tr>
</tbody>
</table>
The billings by cards rose to R$33.4 billion in the quarter and R$111.2 billion in 2010, a 17.8% expansion as compared to the previous quarter and 25.5% on an annual basis. BB’s market share measured by ABCECS based on sector billing (Associação Brasileira das Empresas de Cartões de Crédito e Serviços), was 20.7%, an increase of 50 basis points over December 2009. Please note that on this report’s preparation date the data available in the ABCECS site were estimated, with regard to performance by the card market for December.

The historical series of global card income was reviewed as of the disclosure of results for 1Q10, aiming to better disclosure card revenues earned by Visanet and Visa Vale. For this reason, accounting revenues will no longer be shown as of 1Q10, because the affiliates’ income is already consolidated in the Banco do Brasil group.

Total card revenues totaled R$1,599 million in the 4Q10, which is 8.2% higher than the amount recorded in the 3Q10 and 22.9% higher than that observed in 4Q09. Global revenues in 12 months rose to R$5,767 million, a 21.3% increase over the same period in 2009.

Collection revenues reached R$304 million in 4Q10 and R$1,197 million in 2010, remaining stable in relation to the previous quarter, but recording a growth of 5.1% in comparison to the same period of 2009.

In 4Q10, 163 million payment slips were issued, an increase of 6.7% over 3Q10 and of 18.9% in relation to the same period of 2009. In relation to the volume obtained, it was a growth of 2.3% as compared to 3Q10 and 12.2% in 4Q09.
Administrative Expenses

The Commercial Income, which expresses the business earnings of BB after deducting administrative and tax expenses, reached R$5,693 million in 4Q10, an increase of 5.0% in relation to the previous quarter and of 46.7% in relation to 4Q09. In 2010 the Commercial Income was R$19,953 million, 41.7% higher than that recorded in 2009.

### Commercial Income (R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>9,371</td>
<td>11,176</td>
<td>11,779</td>
<td>25.7</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>(5,465)</td>
<td>(5,726)</td>
<td>(6,068)</td>
<td>11.0</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(2,844)</td>
<td>(3,186)</td>
<td>(3,270)</td>
<td>15.0</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(2,621)</td>
<td>(2,541)</td>
<td>(2,798)</td>
<td>6.8</td>
</tr>
<tr>
<td>Other Tax Expenses</td>
<td>(27)</td>
<td>(29)</td>
<td>(19)</td>
<td>(30.3)</td>
</tr>
<tr>
<td>Commercial Income</td>
<td>3,880</td>
<td>5,421</td>
<td>5,693</td>
<td>46.7</td>
</tr>
</tbody>
</table>

Administrative expenses, which include personnel expenses and other administrative expenses, amounted to R$6,068 million in 4Q10, recording a growth of 6.0% over the previous quarter and 11.0% over 4Q09. Expenses attained R$22,565 million in 2010, an amount 17.6% higher than that recorded in 2009.

It is worth emphasizing that the expenses for 2010 already consider acquisitions of Banco Nossa Caixa (BNC) and Votorantim (BV). BNC has sensibilized expenses as of 2Q09, and BV only as of 4Q09. For purposes of comparison and monitoring of the 2010 Guidance, BB has prepared a proforma basis for 4Q09 and 2009, simulating how expenses would be throughout 2009 if the banks acquired were already part of the conglomerate during the entire year of 2009.

Using such proforma basis, administrative expenses would show a growth of 11.0% in comparing 4Q10 and 4Q09 and of 10.3% in comparing the year. Variation in the year is below the range of the 2010 Guidance’s estimates, which provides for a growth between 10% and 12% in the year.

The figure below shows the progress of the main items that comprise the commercial income.
Personnel Expenses

Personnel expenses reached R$3,270 million in 4Q10, growth of 2.6% over the previous quarter and of 15.0% in relation to the same period of 2009. In 2010, personnel expenses attained R$12,244 million, an amount 19.1% higher than that recorded in 2009.

The increase shown as compared to the previous quarter was influenced by the growth in staff member numbers and the salary increase granted to the employees in the September 2010 collective bargaining agreement.

Personnel Expenses
($ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>On 4Q09</th>
<th>On 3Q10</th>
<th>2009</th>
<th>2010</th>
<th>On 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expenses</td>
<td>(2,844)</td>
<td>(3,186)</td>
<td>(3,270)</td>
<td>15.0</td>
<td>2.6</td>
<td>(10,280)</td>
<td>(12,244)</td>
<td>19.1</td>
</tr>
<tr>
<td>Salaries</td>
<td>(1,360)</td>
<td>(1,436)</td>
<td>(1,847)</td>
<td>35.8</td>
<td>28.6</td>
<td>(5,060)</td>
<td>(6,177)</td>
<td>22.1</td>
</tr>
<tr>
<td>Benefits</td>
<td>(423)</td>
<td>(438)</td>
<td>(464)</td>
<td>9.6</td>
<td>6.0</td>
<td>(1,486)</td>
<td>(1,760)</td>
<td>18.4</td>
</tr>
<tr>
<td>Social Charges</td>
<td>(616)</td>
<td>(557)</td>
<td>(634)</td>
<td>2.9</td>
<td>13.9</td>
<td>(1,912)</td>
<td>(2,211)</td>
<td>15.7</td>
</tr>
<tr>
<td>Training</td>
<td>(28)</td>
<td>(21)</td>
<td>(33)</td>
<td>15.6</td>
<td>55.7</td>
<td>(73)</td>
<td>(86)</td>
<td>16.8</td>
</tr>
<tr>
<td>Pension Fund</td>
<td>(111)</td>
<td>(55)</td>
<td>(80)</td>
<td>(28.1)</td>
<td>45.8</td>
<td>(232)</td>
<td>(235)</td>
<td>1.5</td>
</tr>
<tr>
<td>Remuneration for Counselors and Directors</td>
<td>(15)</td>
<td>(14)</td>
<td>(13)</td>
<td>8.7</td>
<td>(3.0)</td>
<td>(50)</td>
<td>(55)</td>
<td>11.2</td>
</tr>
<tr>
<td>Administrative Personnel Provisions</td>
<td>(291)</td>
<td>(665)</td>
<td>(199)</td>
<td>(31.6)</td>
<td>(70.1)</td>
<td>(1,468)</td>
<td>(1,719)</td>
<td>17.1</td>
</tr>
</tbody>
</table>

At the end of December 2010, Banco do Brasil had 118,879 employees, which is 4.4% higher compared to the same period in 2009. This number has been on the upswing chiefly owing to the opening of new branches and remodeling of the customer assistance model, with an improved allocation of employees directly involved in customer assistance in branch offices in order to encourage new business transactions.

Changes in Workforce

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Employees</th>
<th>Interns</th>
</tr>
</thead>
<tbody>
<tr>
<td>mar/09</td>
<td>98,825</td>
<td>89,514</td>
<td>9,311</td>
</tr>
<tr>
<td>jun/09</td>
<td>113,401</td>
<td>105,488</td>
<td>7,913</td>
</tr>
<tr>
<td>sep/09</td>
<td>114,411</td>
<td>106,432</td>
<td>8,979</td>
</tr>
<tr>
<td>dec/09</td>
<td>115,888</td>
<td>108,571</td>
<td>7,317</td>
</tr>
<tr>
<td>mar/10</td>
<td>113,922</td>
<td>103,923</td>
<td>10,063</td>
</tr>
<tr>
<td>jun/10</td>
<td>116,370</td>
<td>106,241</td>
<td>10,129</td>
</tr>
<tr>
<td>sep/10</td>
<td>118,459</td>
<td>108,459</td>
<td>10,000</td>
</tr>
<tr>
<td>dec/10</td>
<td>118,879</td>
<td>109,026</td>
<td>9,853</td>
</tr>
</tbody>
</table>

Other Administrative Expenses

Other Administrative Expenses amounted to R$2,804 million in 4Q10, a growth of 10.4% in relation to the previous quarter, and 7.0% in relation to the same period of 2009. In 2010, other administrative expenses attained R$10,328 million, an amount 16.0% higher than that recorded in 2009.

The excellent performance observed when comparing 4Q09 to 4Q10 is justified by the strict expense control and the synergy obtained when integrating BNC.
Other administrative expenses were impacted by the launch of new real paper currency. This action by Banco Central do Brasil required an increased transportation of paper currency to a number of locations. In addition, owing to the restrictions placed on subsidiary companies by the government in electoral periods, marketing and communications actions were resumed in 4Q10 more intensely.

In the comparison with 2009, the increase in expenses is explained by the operations expansion, the contractual readjustments (mostly for inflation), and the consolidation of Votorantim, which expenses began to be consolidated only in 4Q09.

### Other Administrative Expenses

(R$ million)

<table>
<thead>
<tr>
<th>Other Administrative Expenses</th>
<th>Quaterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>(R$ million)</td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(2,621)</td>
<td>(2,541)</td>
<td>(2,798)</td>
<td>6.8</td>
</tr>
<tr>
<td>Telecommunications and Data Processing</td>
<td>(618)</td>
<td>(553)</td>
<td>(586)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Amortization and Depreciation</td>
<td>(269)</td>
<td>(301)</td>
<td>(301)</td>
<td>11.9</td>
</tr>
<tr>
<td>Security, Guard and Transport Services</td>
<td>(355)</td>
<td>(357)</td>
<td>(388)</td>
<td>9.4</td>
</tr>
<tr>
<td>Expenses with Premises and Equipment</td>
<td>(339)</td>
<td>(344)</td>
<td>(357)</td>
<td>5.4</td>
</tr>
<tr>
<td>Marketing and Public Relations</td>
<td>(186)</td>
<td>(137)</td>
<td>(188)</td>
<td>1.3</td>
</tr>
<tr>
<td>Expenses with Outsourced Services</td>
<td>(396)</td>
<td>(465)</td>
<td>(520)</td>
<td>31.3</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(458)</td>
<td>(384)</td>
<td>(457)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

The table above, provides a breakdown of the major lines composing Other Administrative Expenses. The figures above were not impacted by the consolidation of Banco Votorantim in the first nine months of 2009 and of Banco Nossa Caixa in the first quarter of the same year.

### Distribution Network

With national coverage and a presence in 4,352 Brazilian municipalities, and with overseas branches located in 23 countries, BB has the largest network of branches in Brazil. At 12.31.2010, BB’s distribution network comprised 18,359 points of service and considering the shared network the total comes to 48,344 points.

In addition to its own distribution network, BB also has partnerships for the sharing of ATMs and to use the chain of lottery kiosks that performs withdrawals, deposits, payments and other services. Besides reducing costs with new investments and with terminal maintenance, these partnerships consolidate the dispersed and national customer service of Banco do Brasil.

### Distribution Network

<table>
<thead>
<tr>
<th>Distribution Channel</th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>4,354</td>
<td>4,528</td>
<td>4,958</td>
<td>4,897</td>
<td>4,960</td>
<td>4,984</td>
<td>5,058</td>
<td>5,087</td>
</tr>
<tr>
<td>PAA</td>
<td>182</td>
<td>182</td>
<td>179</td>
<td>178</td>
<td>178</td>
<td>178</td>
<td>179</td>
<td>179</td>
</tr>
<tr>
<td>PAB</td>
<td>1,360</td>
<td>1,734</td>
<td>1,729</td>
<td>1,697</td>
<td>1,677</td>
<td>1,668</td>
<td>1,668</td>
<td>1,659</td>
</tr>
<tr>
<td>PAE</td>
<td>6,061</td>
<td>6,102</td>
<td>6,094</td>
<td>6,529</td>
<td>6,566</td>
<td>6,774</td>
<td>6,631</td>
<td>6,617</td>
</tr>
<tr>
<td>SAA</td>
<td>4,248</td>
<td>4,262</td>
<td>4,272</td>
<td>4,262</td>
<td>4,047</td>
<td>4,660</td>
<td>4,810</td>
<td>4,815</td>
</tr>
<tr>
<td>PAP</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Subtotal</td>
<td>16,207</td>
<td>17,210</td>
<td>17,234</td>
<td>17,299</td>
<td>18,030</td>
<td>18,286</td>
<td>18,348</td>
<td>18,359</td>
</tr>
<tr>
<td>Banking Agentes</td>
<td>5,601</td>
<td>5,480</td>
<td>5,427</td>
<td>5,335</td>
<td>5,727</td>
<td>6,463</td>
<td>9,773</td>
<td>10,145</td>
</tr>
<tr>
<td>Shared Distribution Channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEF – lottery stores</td>
<td>9,723</td>
<td>9,723</td>
<td>9,838</td>
<td>9,838</td>
<td>10,887</td>
<td>10,579</td>
<td>10,748</td>
<td>10,748</td>
</tr>
<tr>
<td>Banco 24h</td>
<td>5,068</td>
<td>5,558</td>
<td>5,980</td>
<td>6,486</td>
<td>6,912</td>
<td>7,358</td>
<td>8,113</td>
<td>9,092</td>
</tr>
<tr>
<td>Subtotal</td>
<td>14,791</td>
<td>15,281</td>
<td>15,818</td>
<td>16,324</td>
<td>17,999</td>
<td>17,937</td>
<td>18,861</td>
<td>19,840</td>
</tr>
<tr>
<td>Total</td>
<td>36,599</td>
<td>37,971</td>
<td>38,479</td>
<td>39,588</td>
<td>41,556</td>
<td>42,686</td>
<td>46,982</td>
<td>48,344</td>
</tr>
</tbody>
</table>
BB’s distribution network is divided into 5 types of points of service, as well as the bank branches:
- **PAA** – Advanced Service Post: point of service intended for towns lacking banking services. They have a small staff and electronic services;
- **PAB** – Banking Service Post: this type of unit is located inside the premises of companies or government offices. This service structure requires one employee and electronic services;
- **PAE** – Electronic Service Post: the structure of services is exclusively electronic;
- **SAA** – Self-Service Room: exclusively electronic services installed in the main areas of branches; and
- **PAP** – Payment and collection post: points of service with employees and automated teller machines located mainly in government offices (city halls).

To provide excellent customer service and improve the level of customer satisfaction, Banco do Brasil segments its customer basis by profile and relationship and develops tailored strategies for each segment.

The Retail distribution network, the main element responsible for the relationship with Individual customers and Small and Micro Enterprises (SMEs), ended 2010 with 4,854 branches, 45% of this total located in the Southeast region. Moreover, BB provides customer assistance by means of the Central de Atendimento Banco do Brasil - CABB, and services such as withdrawals and payments of collection vouchers through a network of correspondent banks totaling 10,145 posts on December 31, 2010, and 29.9 thousand cashiers which recorded roughly 50.2 million transactions.
In the Wholesale market, the service network is comprised by 86 branches, segmented by annual billings, and that served 44.7 thousand customers in this quarter, 4.9% higher than in September 2009. Most of the network is located in the Southeast (57%) and South (27%) regions of Brazil, regions with the largest concentration of large companies.

**Wholesale Pillar Branches**

<table>
<thead>
<tr>
<th></th>
<th>Corporate</th>
<th>Corporate</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Over R$90 million</td>
<td>Over R$150 million</td>
<td>Over R$150 million</td>
</tr>
<tr>
<td>Business</td>
<td>From R$10 to R$90 million</td>
<td>From R$15 to R$150 million</td>
<td>From R$15 to R$150 million</td>
</tr>
</tbody>
</table>

Government customers, which consist of administrations, federal entities, foundations and state-owned companies, were served by branches focusing on in the relationship with the Federal, State and Municipal governments, encompassing the Executive, Legislative, and Judicial Authorities. The operation strategy in this market has ensured excellent solutions tailored to the specific needs of each niche of its segment, materialized in the proposal of new products and services, such as the exclusive electronic bidding service. This network totaled 30 branches in the end of 2010.

The overseas network is formed by 47 facilities located in 23 countries (13 branches, 8 sub-branches, 11 representative offices, 7 subsidiaries, 5 affiliates, 2 shared services unit and 1 business unit). In order to supplement this structure, Banco do Brasil maintains agreements with other foreign financial institutions to provide services to its clients: at the end of last December, there were 1,043 banks acting as BB’s correspondent banks in 140 countries.

**Distribution Network Abroad**

<table>
<thead>
<tr>
<th>Branches</th>
<th>Sub-branches</th>
<th>Representative Offices</th>
<th>Subsidiaries and affiliates</th>
<th>Shared Services Units</th>
<th>Business Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assuncion</td>
<td>Cidade do Leste</td>
<td>Caracas</td>
<td>Banco do Brasil AG</td>
<td>BB USA Servicing Center</td>
<td>Roma</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>Gifu</td>
<td>Mexico City</td>
<td>Banco do Brasil Securities LLC</td>
<td>BB Europa Servicing Center</td>
<td></td>
</tr>
<tr>
<td>Frankfurt</td>
<td>Gunma</td>
<td>Dubai</td>
<td></td>
<td>BB Leasing Company Ltd.</td>
<td></td>
</tr>
<tr>
<td>Grand Cayman</td>
<td>Hamamatsu</td>
<td>Hong Kong</td>
<td>BAMB Brazilian American Merchant Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Paz</td>
<td>Ibaraki</td>
<td>Lima</td>
<td>BB Securities Ltd. Londres</td>
<td></td>
<td></td>
</tr>
<tr>
<td>London</td>
<td>Nagano</td>
<td>Luanda</td>
<td>BB USA Holding Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madrid</td>
<td>Nagoia</td>
<td>Montevideo</td>
<td>BB Money Transfers, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miami</td>
<td>Santa Cruz de la Sierra</td>
<td>Panama</td>
<td>Banco do Brasil AG – Sucursal em Portugal – Cascais</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milan</td>
<td>Seoul</td>
<td></td>
<td>Banco do Brasil AG – Sucursal em Portugal – Marquês de Pombal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>Washington</td>
<td></td>
<td>Banco do Brasil AG – Sucursal em Portugal – Parque das Nações</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paris</td>
<td>Shanghai</td>
<td></td>
<td>Banco do Brasil AG – Sucursal em Portugal – Porto</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santiago</td>
<td></td>
<td></td>
<td>Banco do Brasil AG – Sucursal em Portugal – Costa da Caparica</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tokyo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Automated Channels

Banco do Brasil’s self-service network represents a strategic advantage, offering an extensive range of services to BB customer, while supporting its strategy to control costs. The graph below contains an itemized description of the terminals from BB’s own network as well as the machines originating from strategic partnerships, such as the external terminals of Caixa Economica Federal (CEF), Banco Regional de Brasilia (BRB) and the service network of Banco 24h.

In December 31, BB had a network of 44,954 automated teller machines (ATMs). Moreover, there were 12,098 terminals from partnerships (Banco 24h, CEF and BRB).

The ATMs originating from the acquisition of Nossa Caixa were old and required renovation. Thus, they were deactivated, which explains the decrease in the number of ATMs in the comparison of Mar/10-Jun/10. The expressive variation of terminals in the period of Mar/09-Jun/09 is also a result of the acquisition of BNC, besides the takeover of the BESC system.

Transactions by customer service channel (%)

<table>
<thead>
<tr>
<th></th>
<th>ATM</th>
<th>Internet Individuals</th>
<th>Internet Businesses</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>q1q0</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q2q0</td>
<td>8.8</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q3q0</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q4q0</td>
<td>8.8</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q1q1</td>
<td>8.7</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q2q1</td>
<td>8.6</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q3q1</td>
<td>8.3</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>q4q1</td>
<td>8.2</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
</tbody>
</table>

ATM’s are responsible for processing a large portion of the total banking operations performed by Banco do Brasil. On December 31, 2010, 96.3% of cash withdrawals, 74.7% of checkbooks delivered, 73.5% of the deposits, and 54.5% of collections received were handled by the ATM network. These amounts do not include the transactions undertaken in the environment of the partnerships with other institutions.

In addition to the cashiers at BB branches and the ATMs, Banco do Brasil offers several other options for access to banking services, such as: the Internet, Financial Manager (an Internet banking tool for companies), POS equipment (credit and debit card machines at the commercial establishments), telephone, fax, and mobile banking (WAP), in addition to the most recent transaction offered by BB, called “saque-sem”, allowing clients to withdraw funds from ATMs without using the card. On December 31, 2010, automated channels accounted for 93.0% of total transactions. At the end of 2010 there was 11.0 million customers able to use internet banking services, responsible for 1.3 billion of transactions throughout the year. In the same period, 976 million customers were able to use mobile banking services and they carried out 2.0 million transactions.

The figure below presents the percentage of transactions processed by each one of the main customer service channels made available by Banco do Brasil.
### Operating Income

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg, %</th>
<th>Annual Flow</th>
<th>Chg, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td><strong>Commercial Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,880</td>
<td>5,421</td>
<td>5,693</td>
<td>46.7</td>
</tr>
<tr>
<td><strong>Legal Risk</strong></td>
<td>(4)</td>
<td>(515)</td>
<td>127</td>
<td>-</td>
</tr>
<tr>
<td><strong>Legal Claims</strong></td>
<td>46</td>
<td>(259)</td>
<td>35</td>
<td>(23.0)</td>
</tr>
<tr>
<td><strong>Labor Lawsuits</strong></td>
<td>(49)</td>
<td>(256)</td>
<td>92</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Operating Income</strong></td>
<td>(964)</td>
<td>(874)</td>
<td>368</td>
<td>-</td>
</tr>
<tr>
<td><strong>Eq Int. in Results of Subs. and Affil.</strong></td>
<td>24</td>
<td>15</td>
<td>22</td>
<td>(10.3)</td>
</tr>
<tr>
<td><strong>Other Operating Income / Expenses</strong></td>
<td>(989)</td>
<td>(889)</td>
<td>346</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>1,165</td>
<td>1,319</td>
<td>1,692</td>
<td>45.3</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>298</td>
<td>552</td>
<td>1,921</td>
<td>544.0</td>
</tr>
<tr>
<td><strong>PREVI</strong></td>
<td>(2,452)</td>
<td>(2,760)</td>
<td>(3,267)</td>
<td>33.3</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>2,912</td>
<td>4,032</td>
<td>6,188</td>
<td>112.5</td>
</tr>
</tbody>
</table>

Banco do Brasil's operating income closed 4Q10 as R$6,188 million, a 53.5% increase upon the previous quarter and 112.5% upon 4Q09. In the twelve-month period, income reached R$17,500 million, an increase of 27.1% in relation to the same period of 2009. The operating income is determined with a basis on the Commercial Income, plus the results of two major lines: Legal Risk and Other Operating Income (Expenses).

The legal risk component was positive in 4Q10, but remained negative in the twelve-month period, with an increase of 114.5% over 2009. The performance of such line was impacted by a series of factors since 2Q09, which are detailed below:

- **Banco Nossa Caixa (BNC) acquisition.** On one hand, led to a rise in monthly expenses incurred with claims and economic plans, for having an ample customer basis, and savings accounts and judicial deposits. On the other, led to volatility in finding these expenses, as it reinforced and reversed provisions as its extensive lawsuit basis was gradually recorded in the BB systems and methodologies.

- **In 4Q09 there was a review of the methodology adopted by the Bank for calculation of provisions required to face labor and civil claims.** As from that quarter, BB began to use a methodology that approximates that adopted by other banks, which consists of applying the maximum success percentage of the plaintiffs and the average amount disbursed in lawsuits of the same nature to the number of lawsuits (variables calculated based on the history of lawsuits).

"Other components of result" presented a balance of R$368 million in 4Q10, whereas, in 3Q10 and 4Q09, the results were negative. This line is influenced to a great extent by "Result from other operating income and expenses", which also recorded a balance inversion, reaching R$346 million in the quarter. This behavior basically arises from the following factors:

- **In yearly comparison (2009), there was the impact of the acquisition of the banks Nossa Caixa and Votorantim (which has a significant amount of other operating expenses related to the payment of commissions to loan agents).** The income statement accounts of Banco Nossa Caixa started to impact BB Consolidated Financial Statements as from 2Q09 and those of Banco Votorantim as from 4Q09.

- **Increase of the revenues related to the actuarial surplus of Previ.** In the 4Q10 were recognized the revenues from the mid-year reassessment of the actuarial assets and liabilities, as stated on rule CVM 600/09. The reassessment of assets and liabilities from Previ’s Plan 1 amounted to R$1,369 million, which are added to the other amounts related to Previ surplus accounted in the results during the semester (R$551.7 million in the 3Q10 and the same amount in the 4Q10). Also related to the recognition mentioned above, the table below shows us the breakdown of the calculus applied. Below are listed the main factors that explain the variation in the Plan’s assets and liabilities between the reassessments from December and June 2010.

- **The line “Fair Value of the Plan’s Assets” had a growth**
of R$11.4 billion, mainly due to the appreciation of the stakes in companies such as Vale, Neoenergia and 521 Participações. This line shows the fair value of the assets from the plan in 12.31.2010, and does not include the net amount from the two funds created in Previ in the name of Banco do Brasil and Plan 1 beneficiaries, due to the destination of a portion of the surplus. More information on the surplus are available in the Material Facts released to the market on November 25, 2010 and December 16, 2010;

- In the same way, in the amount of line “Recognized Actuarial Gains/(Losses) before the half-yearly Reassessment” was deducted from the amount related to the portion from Banco do Brasil in the surplus destination mentioned above. That is because in the Balance Sheet of Banco do Brasil, the amount of R$7,519,058 was reclassified from the line “Actuarial Asset” to “Notes and Credits Receivable – Other”, as detailed in Note 27.e.2;

- The liabilities also presented a growth of R$7.8 billion. The variation is due to the incorporation of special benefits to Plan 1 beneficiaries in 2007, when a destination from the 2006 surplus happened. While the benefit had a temporary feature, this one was sustained by a fund created in Previ especially to this function. Since it became perennial, the present value from obligations had to be reassessed, which explains the variation in liabilities in the period. It is worth to highlight that the same amount was accounted to the Plan’s assets.

### Previ – Recognized Actuarial in half-yearly Reassessment
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value of the Plan’s Assets (a)</td>
<td>130,164</td>
<td>141,566</td>
</tr>
<tr>
<td>Present Value of Actuarial Liabilities (b)</td>
<td>83,005</td>
<td>90,805</td>
</tr>
<tr>
<td>Surplus / (Deficit) BB (c) = 50% of [(a) + (b)]</td>
<td>23,579</td>
<td>25,380</td>
</tr>
<tr>
<td>Corridor BB (d) = 50% of max value of 10% of Assets or Liabilities (the highest)</td>
<td>6,508</td>
<td>7,078</td>
</tr>
<tr>
<td>Surplus / (Deficit) BB after Corridor</td>
<td>17,071</td>
<td>18,302</td>
</tr>
<tr>
<td>Recognized Actuarial Gains/(Losses) before the half-yearly Reassessment</td>
<td>14,120</td>
<td>8,526</td>
</tr>
<tr>
<td>Unrecognized Actuarial Gains/(Losses)</td>
<td>2,950</td>
<td>9,777</td>
</tr>
<tr>
<td>Average Remaining Work Period (half-yearly) %</td>
<td>7.58</td>
<td>7.14</td>
</tr>
<tr>
<td>Amortization of Actuarial Gains/(Losses)</td>
<td>389</td>
<td>1,369</td>
</tr>
<tr>
<td>Net Actuarial (Liabilities)/Assets</td>
<td>14,510</td>
<td>9,895</td>
</tr>
</tbody>
</table>

- The remaining variations in other operating income and expenses may be found in the tables below:

### Other operating income
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>1,165</td>
<td>1,319</td>
<td>1,692</td>
<td>45.3</td>
</tr>
<tr>
<td>Recovery of charges and expenses</td>
<td>318</td>
<td>410</td>
<td>431</td>
<td>35.5</td>
</tr>
<tr>
<td>Income from guarantee deposits</td>
<td>289</td>
<td>327</td>
<td>335</td>
<td>16.0</td>
</tr>
<tr>
<td>Personnel Expenses - Reversal of provisions</td>
<td>3</td>
<td>99</td>
<td>27</td>
<td>944.0</td>
</tr>
<tr>
<td>Equipment Rental - POS (Cielo)</td>
<td>67</td>
<td>85</td>
<td>79</td>
<td>18.5</td>
</tr>
<tr>
<td>Other</td>
<td>489</td>
<td>398</td>
<td>820</td>
<td>67.8</td>
</tr>
</tbody>
</table>
### Other Operating Expenses

*($ million)*

<table>
<thead>
<tr>
<th></th>
<th>Quarters Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>4Q09</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(2,452)</td>
<td>(2,760)</td>
<td>(3,267)</td>
<td>33.3</td>
</tr>
<tr>
<td>Actuarial Liabilities</td>
<td>(237)</td>
<td>(210)</td>
<td>(303)</td>
<td>28.1</td>
</tr>
<tr>
<td>Other operating expenses from non-financial associated companies</td>
<td>(356)</td>
<td>(313)</td>
<td>(333)</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Business partners</td>
<td>(13)</td>
<td>(316)</td>
<td>(300)</td>
<td>2,228.9</td>
</tr>
<tr>
<td>Credit card transactions</td>
<td>(231)</td>
<td>(217)</td>
<td>(217)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Premiums paid to clients – Loyalty Program</td>
<td>(459)</td>
<td>(672)</td>
<td>(862)</td>
<td>28.2</td>
</tr>
<tr>
<td>Restatement of guarantee deposits</td>
<td>(225)</td>
<td>(80)</td>
<td>(147)</td>
<td>17.8</td>
</tr>
<tr>
<td>Premium over Payroll loans acquired</td>
<td>(83)</td>
<td>(156)</td>
<td>(254)</td>
<td>206.5</td>
</tr>
<tr>
<td>Hybrid capital and debt instruments</td>
<td>(59)</td>
<td>(73)</td>
<td>(69)</td>
<td>17.4</td>
</tr>
<tr>
<td>Discounts granted on renegotiations</td>
<td>(56)</td>
<td>(89)</td>
<td>57.9</td>
<td>(23.2)</td>
</tr>
<tr>
<td>Update of obligations due to investment acquired</td>
<td>-</td>
<td>(98)</td>
<td>(66)</td>
<td>(33.1)</td>
</tr>
<tr>
<td>Other</td>
<td>(834)</td>
<td>(510)</td>
<td>(628)</td>
<td>(24.7)</td>
</tr>
</tbody>
</table>

Goodwill amortization on the acquisition of equity investments and from the amortization of intangible assets also sensitizes the result of other operating income and expenses, and is detailed in the tables below.

### Accumulated Amortization

*($ million)*

<table>
<thead>
<tr>
<th>Banco Nossa Caixa</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>4,961</td>
<td>4,961</td>
<td>4,961</td>
<td>4,961</td>
<td>4,961</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(60)</td>
<td>(99)</td>
<td>(136)</td>
<td>(174)</td>
<td>(212)</td>
</tr>
<tr>
<td>Balance without amortization</td>
<td>4,900</td>
<td>4,862</td>
<td>4,825</td>
<td>4,787</td>
<td>4,749</td>
</tr>
<tr>
<td>Amortization expenses for the period</td>
<td>(21)</td>
<td>(38)</td>
<td>(38)</td>
<td>(38)</td>
<td>(38)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Banco Votorantim</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>444</td>
<td>436</td>
<td>426</td>
<td>426</td>
<td>426</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(4)</td>
<td>(9)</td>
<td>(19)</td>
<td>(29)</td>
<td>(40)</td>
</tr>
<tr>
<td>Balance without amortization</td>
<td>440</td>
<td>427</td>
<td>407</td>
<td>396</td>
<td>386</td>
</tr>
<tr>
<td>Amortization expenses for the period</td>
<td>(4)</td>
<td>(5)</td>
<td>(10)</td>
<td>(10)</td>
<td>(10)</td>
</tr>
</tbody>
</table>

### Other expenses of the Conglomerate

| Balance | 487 | 487 | 487 | 541 | 883 |
| Accumulated amortization | (95) | (95) | (95) | (96) | (97) |
| Balance without amortization | 392 | 392 | 392 | 445 | 786 |
| Amortization expenses for the period | - | - | - | (1) | (1) |
**Intangible Assets**

($R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rights due to payroll acquisition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Balance</td>
<td>4,785</td>
<td>5,305</td>
<td>6,826</td>
<td>6,574</td>
<td>6,141</td>
</tr>
<tr>
<td>Amortization expenses for the period</td>
<td>(403)</td>
<td>(503)</td>
<td>(504)</td>
<td>(503)</td>
<td>(505)</td>
</tr>
<tr>
<td>Other</td>
<td>(10)</td>
<td>-</td>
<td>(15)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>933</td>
<td>2,024</td>
<td>251</td>
<td>86</td>
<td>485</td>
</tr>
<tr>
<td><strong>Final Balance (a)</strong></td>
<td>5,305</td>
<td>6,826</td>
<td>6,574</td>
<td>6,141</td>
<td>6,122</td>
</tr>
<tr>
<td><strong>Rights due to payroll acquisition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Balance</td>
<td>297</td>
<td>372</td>
<td>441</td>
<td>474</td>
<td>527</td>
</tr>
<tr>
<td>Amortization expenses for the period</td>
<td>(15)</td>
<td>(18)</td>
<td>(23)</td>
<td>(27)</td>
<td>(30)</td>
</tr>
<tr>
<td>Other(1)</td>
<td>90</td>
<td>87</td>
<td>56</td>
<td>80</td>
<td>176</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0</td>
<td>-</td>
<td>(o)</td>
<td>(o)</td>
<td>(o)</td>
</tr>
<tr>
<td><strong>Final Balance (a)</strong></td>
<td>372</td>
<td>441</td>
<td>474</td>
<td>527</td>
<td>674</td>
</tr>
<tr>
<td><strong>Final Balance (b)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Intangible Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Final Balance (c)</strong></td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td><strong>Balance (a+b+c)</strong></td>
<td>5,677</td>
<td>7,267</td>
<td>7,052</td>
<td>6,673</td>
<td>6,801</td>
</tr>
</tbody>
</table>

(1) Among other items, this account is composed basically of amounts derived by the consolidation of banks acquired, in proportion to the participation of Banco do Brasil.

**Productivity – Coverage Ratios**

The productivity ratios usually adopted in the analysis of financial institutions are shown in this section. On comparing with the preceding quarter, the favorable performance of fee income and control of administrative expenses led to an improvement in the ratio that measures personnel expenses coverage as well as that which measures administrative expenses coverage.

The efficiency ratios rose to 39.0% in 4Q10, presenting an expressive 600 bps drop as compared to the previous quarter and 540 basis points in relation to 4Q09. This reduction in the efficiency ratios was influenced to a significant extent by the growth recorded in "Other operating income", which reflected the half yearly reassessment of actuarial assets and liabilities which led to recognizement of income from Previ surplus.

**Coverage Ratios – Without Extraordinary Items**

($R$ million)

<p>|                                | Quaterly Flow | Chg. % | Annual Flow | Chg. % |</p>
<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>On 4Q09</th>
<th>On 3Q10</th>
<th>2009</th>
<th>2010</th>
<th>On 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee Income</td>
<td>3,606</td>
<td>4,053</td>
<td>4,227</td>
<td>17.2</td>
<td>4.3</td>
<td>13,511</td>
<td>15,868</td>
<td>17.4</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>5,469</td>
<td>6,242</td>
<td>5,941</td>
<td>8.8</td>
<td>(4.8)</td>
<td>19,687</td>
<td>23,642</td>
<td>20.1</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>2,894</td>
<td>3,442</td>
<td>3,178</td>
<td>8.9</td>
<td>(7.7)</td>
<td>10,540</td>
<td>12,893</td>
<td>22.3</td>
</tr>
<tr>
<td>Fee Income/Personnel Exp.(1)</td>
<td>124.6</td>
<td>117.8</td>
<td>133.0</td>
<td>-</td>
<td>-</td>
<td>128.2</td>
<td>123.1</td>
<td>-</td>
</tr>
<tr>
<td>Fee Income/Administ. Exp.(2)</td>
<td>65.9</td>
<td>64.9</td>
<td>71.1</td>
<td>-</td>
<td>-</td>
<td>68.6</td>
<td>67.1</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) In the calculation of this ratio Labor Claims are included.
(2) In the calculation of this ratio Legal Risk is included (Legal Claims and Labor Lawsuits).
### Efficiency Ratios – Without Extraordinary Items

<table>
<thead>
<tr>
<th>(R$ million)</th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On 4Q09</td>
<td>On 3Q10</td>
<td>On 4Q10</td>
<td>On 3Q10</td>
</tr>
<tr>
<td>Operating Income (A)</td>
<td>12,315</td>
<td>13,861</td>
<td>15,227</td>
<td>23.6</td>
</tr>
<tr>
<td>Gross Income from Financial Intermediation</td>
<td>5,829</td>
<td>6,619</td>
<td>7,679</td>
<td>31.7</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>2,950</td>
<td>2,648</td>
<td>2,112</td>
<td>(28.4)</td>
</tr>
<tr>
<td>Fee Income</td>
<td>3,606</td>
<td>4,053</td>
<td>4,227</td>
<td>17.2</td>
</tr>
<tr>
<td>Equity Int. in the Results of Subs. and Affil.</td>
<td>(49)</td>
<td>(89)</td>
<td>(36)</td>
<td>(26.7)</td>
</tr>
<tr>
<td>Income f/ Insurance, Pension &amp; Savings Bonds Op.</td>
<td>408</td>
<td>488</td>
<td>491</td>
<td>20.5</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>2,298</td>
<td>3,305</td>
<td>4,376</td>
<td>90.4</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(2,726)</td>
<td>(3,163)</td>
<td>(3,621)</td>
<td>32.8</td>
</tr>
<tr>
<td>Administrative Expenses (B)</td>
<td>5,469</td>
<td>6,242</td>
<td>5,941</td>
<td>8.6</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>2,894</td>
<td>3,442</td>
<td>3,378</td>
<td>9.8</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>2,575</td>
<td>2,800</td>
<td>2,762</td>
<td>7.3</td>
</tr>
<tr>
<td>Cost Income Ratio (B/A) – %</td>
<td>44.4</td>
<td>45.0</td>
<td>39.0</td>
<td>-</td>
</tr>
</tbody>
</table>

### Efficiency Ratio – Without Extraordinary Items

Business growth and the customer basis led to a constant growth in the “assets per employee” ratio, which retreated only at the time of acquisition of Banco Nossa Caixa. As for the ratios “checking accounts per employee” and “employees per branch office”, a decline is expected in the former and an increase in the latter owing to the “BB 2.0 – project – Retail Transformation Program”, which provides for more staff members in the branch network, reducing the number of customers handled by each manager (portfolio resizing) and increasing the number of transactions pert customer.
Other Productivity Ratios

Assets per Employee
(R$ thousand)

Checking Accounts per Employee

Employees/(Branches+PAA+PAB)

Credit Portfolio/Points of Service

Other Productivity Ratios

<table>
<thead>
<tr>
<th></th>
<th>mar/09</th>
<th>jun/09</th>
<th>sep/09</th>
<th>dec/09</th>
<th>mar/10</th>
<th>jun/10</th>
<th>sep/10</th>
<th>dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>5,990</td>
<td>5,281</td>
<td>5,992</td>
<td>6,221</td>
<td>6,362</td>
<td>6,494</td>
<td>6,727</td>
<td>6,824</td>
</tr>
<tr>
<td>Checking</td>
<td>309</td>
<td>306</td>
<td>305</td>
<td>307</td>
<td>309</td>
<td>300</td>
<td>301</td>
<td>302</td>
</tr>
<tr>
<td>Employees</td>
<td>16.8</td>
<td>16.6</td>
<td>16.7</td>
<td>16.8</td>
<td>16.7</td>
<td>17.0</td>
<td>17.2</td>
<td>17.2</td>
</tr>
<tr>
<td>Credit</td>
<td>16.2</td>
<td>17.2</td>
<td>17.2</td>
<td>17.9</td>
<td>18.0</td>
<td>18.3</td>
<td>18.3</td>
<td>18.4</td>
</tr>
</tbody>
</table>
**Other Productivity Ratios**

**Fee Income/Points of Service**

<table>
<thead>
<tr>
<th></th>
<th>Points of Service</th>
<th>Fee Income/Points of Service – R$ thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>mar/09</td>
<td>18.2</td>
<td>200</td>
</tr>
<tr>
<td>jun/09</td>
<td>17.2</td>
<td>205</td>
</tr>
<tr>
<td>sep/09</td>
<td>17.2</td>
<td>201</td>
</tr>
<tr>
<td>dec/09</td>
<td>17.9</td>
<td>202</td>
</tr>
<tr>
<td>mar/10</td>
<td>18.0</td>
<td>216</td>
</tr>
<tr>
<td>jun/10</td>
<td>18.3</td>
<td>221</td>
</tr>
<tr>
<td>sep/10</td>
<td>18.3</td>
<td>230</td>
</tr>
</tbody>
</table>

**Checking Accounts/(Branches+PAA+PAB)**

<table>
<thead>
<tr>
<th></th>
<th>5,186</th>
<th>5,077</th>
</tr>
</thead>
<tbody>
<tr>
<td>mar/09</td>
<td>5,166</td>
<td>5,098</td>
</tr>
<tr>
<td>jun/09</td>
<td>5,170</td>
<td>5,168</td>
</tr>
<tr>
<td>sep/09</td>
<td>5,189</td>
<td></td>
</tr>
<tr>
<td>dec/09</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Personnel Expenses per Employee**

(R$ thousand)

<table>
<thead>
<tr>
<th></th>
<th>23.8</th>
<th>25.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>mar/09</td>
<td>25.9</td>
<td>27.4</td>
</tr>
<tr>
<td>jun/09</td>
<td>27.4</td>
<td>27.6</td>
</tr>
<tr>
<td>sep/09</td>
<td>27.6</td>
<td>29.4</td>
</tr>
<tr>
<td>dec/09</td>
<td>30.0</td>
<td></td>
</tr>
</tbody>
</table>
Risk Management

Market Risk

Introduction

BB uses statistical and simulation methods to measure the market risks of its positions. The metrics resulting from the use of these methodologies include:

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

The tables and graphs presented on this chapter are not impacted by the accounting figures of Banco Votorantim (BV), unless stated otherwise. Accordingly, the term BB Consolidated is defined as Banco do Brasil in Brazil and abroad, including Banco Nossa Caixa (BNC) and excluding BV.
By using sensitivity metrics, simulations are made of the effects in the exposure values arising from changes in the market risk factor levels.

VaR is a measurement employed to estimate the maximum expected loss under routine market conditions, that is expressed in monetary values on a daily basis and considering a certain confidence interval and time horizon.

To measure VaR, Banco do Brasil adopts a Background Simulation system and the following parameters:
- 99% of one-tailed confidence interval;
- 252 retrospective scenarios of daily shock factors and
- 10-working days time horizon.

It is emphasized that, during the 2Q10, BB started calculating VaR over 10 working days time horizon and there was improvements of the corporate curves models of fixed interest rates.

The risk factors employed to measure VaR for market exposure risks are rated in the following classes:
- interest rates;
- exchange rates;
- share prices; and
- goods (commodity) prices.

The performance of VaR metrics is assessed every month by applying a backtesting procedure. This assessment is separated from the VaR metric development and use procedures.

Lastly, BB uses the Stress metrics arising from simulations of its exposure subject to market risks under extreme conditions, such as financial crises and economic upheavals. Stress Tests are intended to measure the impact of plausible events, but unlikely to occur, in the regulatory and economic capital requirements. Stress Tests cover exposure simulations, retrospective and based on historical data series of shocks in market risk factors, as well as those of a forward-looking nature, which are supported by projections of economic and financial scenarios.

These documents are intended to establish guidelines to be complied with in the Company’s business decisions involving market and liquidity risk involving quantitative aspects and the metrics used and the interest rate risk referential parameter, as well as qualitative aspects such as the hedging policy, scope of management and segregation of functions.

Structure

In accordance with CMN Resolution 3,464, of June 26, 2007, financial institutions should implement a structure for the management of market risk that is segregated from the business units and from the unit conducting the internal audit, and compatible with the nature of transactions, the complexity of products and the degree of exposure to market risk of the institution.

The Bank has a market risk management structure represented by the Risk Management Directorship (DIRIS) that is compatible with the nature of the Bank’s transactions and completely segregated from the business units and the Internal Audit unit.

One of the main responsibilities of Diris in market and liquidity risk management is to propose policies, guidelines, methodologies and limits of market risk, to identify, assess, monitor and control the market and liquidity risk of the Financial Group and to identify and monitor the market and liquidity risk of the other companies that form the Economic/Financial Conglomerate.

Foreign Exchange Exposure

Banco do Brasil adopts a policy of managing its foreign currency exposure in order to avoid generating capital requirements used to cover this risk.

A statement of assets, liabilities and derivatives of BB Consolidated denominated in foreign currencies, is presented below. The net foreign exchange position for December 31, 2010 is short in US$812.3 million, which reflects the tax hedge strategy adopted by the Bank.

Tax hedging aims to reduce the volatility of income, after tax effects, given that the gains from foreign exchange variation on investments abroad are not taxed and, similarly, that the losses do not generate reductions in the tax base.
BB Consolidated foreign exchange exposure, which was calculated in accordance with Central Bank Circular 3,389, of June 25, 2008, was R$843.2 million at December 31, 2010.

The following chart shows the quarterly behavior since December 2008 of BB Consolidated’s foreign exchange exposure in relation to Referential Equity (RE).

Changes in Foreign Exchange Exposure as RE%
Balance Sheet by Index

We present below the composition of assets and liabilities, including derivatives, of BB Consolidated, broken down by index:

---

### Composition of Banco do Brasil’s Assets and Liabilities in the Country
(R$ billion – 12.31.10)

<table>
<thead>
<tr>
<th>Index</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>342.2</td>
<td>193.7</td>
</tr>
<tr>
<td>CDI/TMS/FACP</td>
<td>185.6</td>
<td></td>
</tr>
<tr>
<td>IRP/TBF/TR</td>
<td>61.0</td>
<td></td>
</tr>
<tr>
<td>Price Index</td>
<td>26.2</td>
<td></td>
</tr>
<tr>
<td>TJLP</td>
<td>105.9</td>
<td></td>
</tr>
<tr>
<td>US$/Gold</td>
<td>61.0</td>
<td></td>
</tr>
<tr>
<td>W/O Index</td>
<td>51.6</td>
<td></td>
</tr>
<tr>
<td>Asset: Tax, Credit; Permanent Liabilities: SE; Adm. Prov; Float</td>
<td>20.7</td>
<td></td>
</tr>
</tbody>
</table>

---

The chart below shows BB Consolidated’s net mismatches, by index, in BB Consolidated:

---

### Net Position – BB Consolidated
(R$ billion – 12.31.10)

<table>
<thead>
<tr>
<th>Index</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>-0.1%</td>
<td>0.44%</td>
</tr>
<tr>
<td>CDI/TMS/FACP</td>
<td>-0.02%</td>
<td></td>
</tr>
<tr>
<td>Price Index</td>
<td>-1.3%</td>
<td></td>
</tr>
<tr>
<td>TJLP</td>
<td>-30.9%</td>
<td></td>
</tr>
<tr>
<td>US$/Gold</td>
<td>-6.24%</td>
<td></td>
</tr>
<tr>
<td>W/O Index</td>
<td>-96.6%</td>
<td></td>
</tr>
<tr>
<td>SE/Others</td>
<td>-12.2%</td>
<td></td>
</tr>
<tr>
<td>IRP/TBF/TR</td>
<td>-30.9%</td>
<td></td>
</tr>
</tbody>
</table>

---
Value at Risk

The chart below shows a box-plot analysis of BB Consolidated Value at Risk (VaR) since the 1Q09.

Please note that the BB Consolidated VaR, as of 2Q10, includes the effects:
a) of improved methodologies for the corporate curves regarding pre-fixed interest rates, and
b) of changes in the time horizon from one to ten working days.

The following table describes the Banco do Brasil minimum, average, and maximum VaR observed in the following periods:

The figure below shows a Box-Plot analysis of the Foreign Network's VaR since the first quarter of 2009.

Please note that the VaR of the Consolidated Foreign Network metric, as of 2Q10, includes the effects of changes in the time horizon from one to ten working days.

The following table describes the Foreign Network's minimum, average, and maximum VaR observed for the following periods:
BB Grupo Trading

For management purposes, Banco do Brasil effectively separates its trading operations from the other operations, establishing its own strategies and limits. The groups shown below, International and Domestic Trading, are subdivisions of the Trading Portfolio (Central Bank Circular 3,354).

The illustration below shows a Box-Plot analysis of the International Trading portfolio’s VaR since the 1Q09.

### VaR of the International Trading Portfolio

**Period** | **Minimum** | **Average** | **Maximum**
--- | --- | --- | ---
Jan to Dec/2009 | 220 | 338 | 495
Jan to Dec/2010 | 112 | 1,182 | 3,055

Please note that the International Trading portfolio VaR metric, as of 2Q10, includes the effects of changes in the time horizon from one to ten working days.

The table below sets out the minimum, average and maximum VaR of the international trading portfolio observed in the periods shown:

The illustration below shows a Box-Plot analysis of the Domestic Trading portfolio's VaR since the 1Q09.

### VaR of the Domestic Trading Portfolio
Please note that the BB Consolidated VaR, as of 2Q10, includes the effects:
c) of improved methodologies for the corporate curves regarding pre-fixed interest rates, and
d) of changes in the time horizon from one to ten working days.
The following table describes the minimum, average, and maximum VaR of the Domestic Trading Portfolio observed in the following periods:

Repricing Profile of Interest Rates Statement

We present below a table containing the BB Consolidated inventory of operations sensitive to variations in interest rates, allocated by risk factor and by the interest rate re-pricing period:

Repricing Profile of Interest Rates – 12.31.2010
(R$ million)

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum</th>
<th>Average</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan to Dec/2009</td>
<td>-</td>
<td>2,012</td>
<td>5,280</td>
</tr>
<tr>
<td>Jan to Dec/2010</td>
<td>19</td>
<td>1,433</td>
<td>5,483</td>
</tr>
</tbody>
</table>

Liquidity Risk

Banco do Brasil maintains liquidity levels that are adequate for the institution’s commitments assumed in Brazil and abroad, resulting from its broad and diversified depositor base and the quality of its assets, the extensive reach of its network of overseas branches and its access to international capital markets. Stringent control over liquidity risk is based on the Market and Liquidity Risk Policy established for BB Consolidated, fulfilling the requirements of national banking supervision and of the other countries where the Bank operates.

The liquidity risk management of Banco do Brasil separates liquidity in Reais from liquidity in Foreign Currencies. For this purpose, it uses the following tools:
- Maps of Mismatching of Terms,
- Short, Medium and Long Term Liquidity Forecasts,
- Stress Test.
- Liquidity Risk Limits,
- Liquidity Contingency Plan and
- Test of Potential of Liquidity Contingency Measures.
Liquidity risk management tools are periodically monitored and reported to the Strategic Committees of the institution.

The Maps of Terms Mismatching demonstrate the expectation regarding payments and receipts contracted, distributed in previously defined intervals of time, and presented both under the joint perspective or detailed by index of the operations. The analysis of the Maps Terms Mismatching aims to determine the contractual cash flow of the institution on a given date.

Short, Medium and Long-term Liquidity forecasts allow the evaluation of the effect of mismatching between funding and investments, with the objective of identifying situations that could compromise the institution’s liquidity, considering the institution budget planning, as well as market conditions.

Stress Tests are performed periodically, when the Short-term Liquidity Projections are evaluated in alternative and stress scenarios, aiming to verify the institution's liquidity recovery capacity under adverse conditions and to list corrective measures, if necessary.

Regarding liquidity risk limits, the Liquidity Reserve is used for the short term liquidity management, ensuring that the minimum level of assets of high liquidity to be maintained by the Bank is compatible with the exposure to risk resulting from the characteristic of its operations and from the market conditions. The methodology of the Liquidity Reserve was approved by the Global Risk Committee (CRG), is used as a parameter to identify a liquidity contingency and involvement of the Liquidity Contingency Plan, and is monitored daily.

The Liquidity Contingency Plan, in turn, establishes a set of procedures and responsibilities to be adopted in liquidity contingency situations. In case of liquidity contingency, one or more contingency measures may be adopted with the intention of protecting the institution's payment capacity. The liquidity contingency measures are measured with monthly periodicity.

Moreover, as an additional management mechanism, the liquidity generation capacity of the Liquidity Contingency Measures, provided for in the Liquidity Contingency Plan, is tested monthly through the Test of Potential of Contingency Measures, thorough the effects of different scenarios on the liquidity of the Institution and its ability to generate net resources.

The figure below shows BB’s Liquidity Reserve Domestic Currency monitoring.

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**Liquidity Reserve – Domestic Currency**

![Liquidity Reserve Domestic Currency Graph]

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The figure below shows BB’s Liquidity Reserve in Foreign Currency monitoring.

Also regarding liquidity risk limits BB uses to plan and execute its annual budget the indicator Availability of Free Funds (AFF), which aims to guarantee a balance between funding and resource application from the commercial portfolio and to ensure the financing of liquidity with structural resources.

An AFF limit is defined annually by the Global Risk Committee (GRC) and monitored on a monthly basis. It is used to guide the budget planning process in accordance with the targets for funding and commercial investments.

The favorable conditions in the Liquidity Reserve (operating liquidity) and the DRL (structural liquidity) in Brazilian Reais have allowed the Global Risk Committee to reduce the indicator’s annual limit of the DRL for 2010 and to maintain the company’s strategic planning for its business.

**Credit Risk**

**Structure**

At Banco do Brasil, the credit risk management structure is composed of a Risk Management Directorship, a Credit Directorship and an Operating Assets Restructuring Directorship. The Risk Management Directorship, by appointment of the Board of Directors, is responsible for the Bank’s credit risk management. This structure is in accordance with CMN Resolution 3721 dated April 30, 2009.
The investor relations page on BB’s website provides detailed information on the management structure and the credit risk management process.

**Credit Risk Management**

To comply with the requirements of Basel II and aligned with best risk management practices, BB has developed its own methodology for determining risk components: PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default), which are inputs for the measurement of Economic Capital (EC) and of Expected Loss (EL).

The internal model for measuring the VaR of credit has theoretical groundings based on an actuarial approach used in the banking industry.

The loan portfolio VaR is associated with a distribution of added loss for a given level of confidence. The mean value of this distribution is the Expected Loss, which represents how much the Bank expects to lose on average in a given period of time, the protection of which is performed by means of provisioning. Economic Capital, which is associated with Unexpected Loss, is determined by the difference between VaR and EL. For this portion, the Bank protects itself through the allocation of capital required for risk coverage.

The distribution of aggregate loss is obtained using the following risk components as data input: PD, LGD and EAD.

The measurement of the VaR of Credit supports the assessment of the risk and return of the Bank’s loan portfolio, as well the process of establishing limits for the loan portfolio. Its evaluation has supported the Bank’s decision-making processes, providing historical information and permitting analyses of the risk behavior trend. Its use has also proved extremely valuable in disseminating the culture of credit risk management at the Bank.

With regard to the valuation of return, the values of EL and EC serve as inputs for calculating the Risk-Adjusted Return on Capital (RAROC). The use of RAROC is intended to subsidize important decision-making processes at the Bank. Monitoring RAROC using historical data for the portfolios analyzed has allowed the assessment of risk and return to play important roles in the decisions taken by the Institution.

In addition to the use of techniques for identifying and measuring risk, BB monitors and controls the credit risk concentration in terms of risk exposure and commitment of the Referential Equity (RE).

The Bank developed a credit risk concentration control method through that analyzes of the interrelation among the various economic sectors comprising the business loan portfolio. This model evaluates the credit risk concentration of the borrowers.

BB also has other management tools to assess credit risk, with an emphasis on:

- Macro-sector limits for the Business segment;
- Portfolio Quality Index (PQI) - qualitative and quantitative indicator of the portfolio. The delinquency concept follows the precepts defined by CMN Resolution 2682/99;
- Delinquency Rates of 15 and 90 days – it is the balance overdue more than 15 and 90 days divided by the portfolio balance;
- Credit Risk Budget – consists of projections for Allowance for Loan Losses used to form BB’s annual budget; and
- Credit Risk Management Reports – systematic monitoring and projections for the loan portfolio using different viewpoints.
**Concentration**

Analysis of concentrations in BB loan portfolio showed an expansion in the exposure to the 100 largest borrowers, from 24.0% in December 2009 to 24.1% in the end of December 2010. It is worth to emphasize that the concentration in the loan portfolio does not include BV figures.

**Concentration in the Loan Portfolio of the 100th Largest Borrowers**

(\(R$ \text{ million}\))

<table>
<thead>
<tr>
<th>Period</th>
<th>1st Customer Balance</th>
<th>2nd to 20th Balance</th>
<th>21st to 100th Balance</th>
<th>100th largest Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec/08</td>
<td>2.4</td>
<td>5,576</td>
<td>11.2</td>
<td>26,644</td>
</tr>
<tr>
<td>Mar/09</td>
<td>2.6</td>
<td>6,561</td>
<td>10.9</td>
<td>27,694</td>
</tr>
<tr>
<td>Jun/09</td>
<td>2.5</td>
<td>6,629</td>
<td>10.9</td>
<td>28,807</td>
</tr>
<tr>
<td>Sep/09</td>
<td>2.7</td>
<td>8,008</td>
<td>11.4</td>
<td>34,481</td>
</tr>
<tr>
<td>Dec/09</td>
<td>2.5</td>
<td>8,070</td>
<td>10.8</td>
<td>34,776</td>
</tr>
<tr>
<td>Mar/10</td>
<td>2.3</td>
<td>7,478</td>
<td>10.9</td>
<td>35,745</td>
</tr>
<tr>
<td>Jun/10</td>
<td>2.8</td>
<td>9,707</td>
<td>10.9</td>
<td>38,209</td>
</tr>
<tr>
<td>Sep/10</td>
<td>2.5</td>
<td>9,288</td>
<td>10.7</td>
<td>38,969</td>
</tr>
<tr>
<td>Dec/10</td>
<td>2.7</td>
<td>10,558</td>
<td>10.4</td>
<td>40,393</td>
</tr>
</tbody>
</table>

The exposure of the 100 largest customers regarding Referential Equity also decreased in the yearly view, recording 133.9% in December 2010, against 143.3% at the end of December 2009. The relation between the exposures of the largest credit holder in relation to Referential Equity ended December 2010 at 15.1% increase 10 bps from the exposure recorded at the end of December 2009.

**Concentration in the Loan Portfolio of the 100th Largest Borrowers – % of the RE**

(\(R$ \text{ million}\))

<table>
<thead>
<tr>
<th>Period</th>
<th>1st Customer Balance (%)</th>
<th>2nd to 20th (%)</th>
<th>21st to 100th (%)</th>
<th>100th largest (%)</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec/08</td>
<td>12.6</td>
<td>5.576</td>
<td>60.4</td>
<td>26,644</td>
<td>55.4</td>
</tr>
<tr>
<td>Mar/09</td>
<td>13.8</td>
<td>6,561</td>
<td>58.1</td>
<td>27,694</td>
<td>57.3</td>
</tr>
<tr>
<td>Jun/09</td>
<td>13.2</td>
<td>6,629</td>
<td>57.5</td>
<td>28,807</td>
<td>52.7</td>
</tr>
<tr>
<td>Sep/09</td>
<td>15.6</td>
<td>8,008</td>
<td>67.0</td>
<td>34,481</td>
<td>58.4</td>
</tr>
<tr>
<td>Dec/09</td>
<td>15.0</td>
<td>8,070</td>
<td>64.8</td>
<td>34,776</td>
<td>63.6</td>
</tr>
<tr>
<td>Mar/10</td>
<td>12.1</td>
<td>7,478</td>
<td>58.0</td>
<td>35,745</td>
<td>54.5</td>
</tr>
<tr>
<td>Jun/10</td>
<td>16.0</td>
<td>9,707</td>
<td>63.0</td>
<td>38,209</td>
<td>58.7</td>
</tr>
<tr>
<td>Sep/10</td>
<td>13.3</td>
<td>9,288</td>
<td>55.8</td>
<td>38,969</td>
<td>53.5</td>
</tr>
<tr>
<td>Dec/10</td>
<td>15.1</td>
<td>10,558</td>
<td>57.8</td>
<td>40,393</td>
<td>61.0</td>
</tr>
</tbody>
</table>

The extended business loan portfolio, excluding total of BV loan portfolio, stood at R$214,534 million in December 2010, up 7.4% in the quarter and 26.5% in 12 months. The highest concentration was in transactions with companies in the Metalworking and Steel macro sector, which stood at 10.5% of the extended business portfolio.
Loan Portfolio Concentration by Macro-sector
(R$ million)

<table>
<thead>
<tr>
<th>Macro-sector</th>
<th>Dec/09</th>
<th>Share %</th>
<th>Sep/10</th>
<th>Share %</th>
<th>Dec/10</th>
<th>Share %</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gas</td>
<td>18,159</td>
<td>10.7</td>
<td>21,142</td>
<td>10.6</td>
<td>20,043</td>
<td>9.3</td>
<td>10.4 (5.2)</td>
</tr>
<tr>
<td>Foodstuffs of Vegetable Origin</td>
<td>15,598</td>
<td>9.2</td>
<td>19,080</td>
<td>9.6</td>
<td>20,246</td>
<td>9.4</td>
<td>29.8 (6.1)</td>
</tr>
<tr>
<td>Metalworking and Steel</td>
<td>15,254</td>
<td>9.0</td>
<td>22,250</td>
<td>11.1</td>
<td>22,584</td>
<td>10.5</td>
<td>48.1 (1.5)</td>
</tr>
<tr>
<td>Services</td>
<td>12,935</td>
<td>7.6</td>
<td>14,824</td>
<td>7.4</td>
<td>15,974</td>
<td>7.4</td>
<td>23.5 (7.8)</td>
</tr>
<tr>
<td>Foodstuffs of Animal Origin</td>
<td>10,589</td>
<td>6.2</td>
<td>9,860</td>
<td>4.9</td>
<td>9,857</td>
<td>4.6</td>
<td>(6.9) (0.0)</td>
</tr>
<tr>
<td>Automotive</td>
<td>9,837</td>
<td>5.8</td>
<td>12,026</td>
<td>6.0</td>
<td>12,438</td>
<td>5.8</td>
<td>26.4 (3.4)</td>
</tr>
<tr>
<td>Building</td>
<td>7,094</td>
<td>4.2</td>
<td>16,592</td>
<td>8.3</td>
<td>18,252</td>
<td>8.5</td>
<td>157.3 (10.0)</td>
</tr>
<tr>
<td>Electricity</td>
<td>9,774</td>
<td>5.8</td>
<td>12,223</td>
<td>6.1</td>
<td>13,527</td>
<td>6.3</td>
<td>38.4 (10.7)</td>
</tr>
<tr>
<td>Transport</td>
<td>10,155</td>
<td>6.0</td>
<td>10,323</td>
<td>5.2</td>
<td>10,396</td>
<td>4.9</td>
<td>4.3 (2.6)</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>6,674</td>
<td>3.9</td>
<td>5,777</td>
<td>2.9</td>
<td>5,921</td>
<td>2.8</td>
<td>(11.3) (2.5)</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>7,190</td>
<td>4.2</td>
<td>8,645</td>
<td>4.3</td>
<td>9,501</td>
<td>4.4</td>
<td>32.2 (9.9)</td>
</tr>
<tr>
<td>Textile and Garments</td>
<td>6,208</td>
<td>3.7</td>
<td>7,307</td>
<td>3.7</td>
<td>7,944</td>
<td>3.7</td>
<td>28.0 (8.7)</td>
</tr>
<tr>
<td>Pulp and Paper</td>
<td>6,327</td>
<td>3.7</td>
<td>5,906</td>
<td>3.0</td>
<td>6,013</td>
<td>2.8</td>
<td>(5.0) (1.8)</td>
</tr>
<tr>
<td>Electrical and Eletronic Goods</td>
<td>5,813</td>
<td>3.4</td>
<td>5,769</td>
<td>2.9</td>
<td>6,419</td>
<td>3.0</td>
<td>10.4 (11.3)</td>
</tr>
<tr>
<td>Other Activities</td>
<td>7,115</td>
<td>4.2</td>
<td>4,125</td>
<td>2.1</td>
<td>9,968</td>
<td>4.6</td>
<td>40.1 (141.6)</td>
</tr>
<tr>
<td>Agricultural Consumables</td>
<td>4,930</td>
<td>2.9</td>
<td>5,645</td>
<td>2.8</td>
<td>6,280</td>
<td>2.9</td>
<td>27.4 (11.3)</td>
</tr>
<tr>
<td>Chemicals</td>
<td>4,128</td>
<td>2.4</td>
<td>4,526</td>
<td>2.3</td>
<td>5,005</td>
<td>2.3</td>
<td>21.2 (10.6)</td>
</tr>
<tr>
<td>Timber and Furniture</td>
<td>3,160</td>
<td>1.9</td>
<td>3,741</td>
<td>1.9</td>
<td>4,142</td>
<td>1.9</td>
<td>31.1 (10.7)</td>
</tr>
<tr>
<td>Wholesale Trade and Sundry Ind.</td>
<td>2,993</td>
<td>1.8</td>
<td>3,649</td>
<td>1.8</td>
<td>3,449</td>
<td>1.6</td>
<td>15.2 (5.5)</td>
</tr>
<tr>
<td>Beverages</td>
<td>3,912</td>
<td>2.3</td>
<td>4,257</td>
<td>2.1</td>
<td>4,220</td>
<td>2.0</td>
<td>7.9 (0.8)</td>
</tr>
<tr>
<td>Leather and Shoes</td>
<td>1,806</td>
<td>1.1</td>
<td>2,006</td>
<td>1.0</td>
<td>2,155</td>
<td>1.0</td>
<td>19.3 (7.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>169,649</strong></td>
<td><strong>100.0</strong></td>
<td><strong>199,672</strong></td>
<td><strong>100.0</strong></td>
<td><strong>214,534</strong></td>
<td><strong>100.0</strong></td>
<td><strong>26.5</strong> (7.4)</td>
</tr>
</tbody>
</table>

It does not consider Banco Nossa Caixa and Banco Votorantim operations.

Operational Risk

Introduction

The structure of Banco do Brasil’s operating risk management is composed of a Risk Management, Internal Controls and Security Management Directorship, in accordance with CMN Resolution 3380, which governs the implementation of the operating risk management structure. Information on the management structure and operating risk management process can be found in more detail on BB’s investor relations website.

In order to meet the Basel II implementation schedule, in accordance with Central Bank Release 19,028 of October 29, 2009, which provides for the use of advanced models since 2013, as well as the guidance defined by the Central Bank of Brazil in Release 19,217 for determining the Required Referential Equity, the Bank has been carrying out actions aimed at the adoption of an internal operating risk model that enables more accurate management and fulfills the requirements established by the regulator.

To manage operational risk, Banco do Brasil adopts best market practices, monitoring operating risks through operational loss exposure limits, key risk indicators and a systematic internal database.

In the fourth quarter, BB affiliated to the “Operational Riskdata eXchange Association – ORX,” Consortium for the exchange of operational losses.
data, which enables an improvement of management and measurement of operational risk, through access to information from operational losses that have occurred in other financial institutions.

It is also worth to emphasize the development of the candidature plan by the Management Risk Directorship, which aims qualifying the Bank to the internal models for capital allocation for operating risk obeyed the deadlines and normative established by the Regulator.

**Key Risk Indicators (KRI)**

KRI is a tool that supports operational risk management that is composed of one or more combined and interrelated variables that is (are) an integral part of an operating process, with expected behavior based on predefined rules and variation indicating greater or lesser exposure to operational risk.

At BB KRI’s are used to identify weak points associated with critical operating processes and to assist in proposing actions to mitigate operating losses. Nowadays, the current KRI are tied to the most representative loss category: Business Failures, Labor Issues and Foreign Fraud and Robbery.

**Operating Loss Exposure Limits**

To ensure effective management of operating risks, Banco do Brasil employs operating loss exposure limits that are intended to establish the limits acceptable to the Bank for operating losses, which are submitted for examination every month by the Operating Risk Subcommittee and Global Risk Committee (GRC).

On this front, BB also created the Operating Loss Global Limit to allow operating loss management based on statistically pre-established tolerance levels and to allow the detection of weaknesses associated with processes likely to cause significant losses. Note the specific limits established for operating losses related to Labor Issues, Business Failures and Failures on Foreign Frauds and Robberies Procedures, in addition to specific limit for the Foreign Network.

The table below presents the monitoring of BB’s operational loss, by loss event categories, in percentages, disregarding those from Banco Votorantim. It is emphasized that BB, since the 2Q10, started considering provisions recordings/reversals in the total operational loss raised for the “Labor Issues” and “Business Failures” categories.

### Monitoring of Operational Losses

<table>
<thead>
<tr>
<th>Loss Event Category</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Issues</td>
<td>29.8%</td>
<td>32.1%</td>
<td>42.0%</td>
<td>37.6%</td>
<td>-18.7%</td>
</tr>
<tr>
<td>Business Failures</td>
<td>47.8%</td>
<td>40.8%</td>
<td>20.9%</td>
<td>43.8%</td>
<td>70.0%</td>
</tr>
<tr>
<td>External Fraud and Theft</td>
<td>13.2%</td>
<td>16.0%</td>
<td>19.5%</td>
<td>11.1%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Process Failures</td>
<td>7.7%</td>
<td>9.2%</td>
<td>12.1%</td>
<td>5.7%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Physical Assets Damage</td>
<td>0.3%</td>
<td>0.7%</td>
<td>0.5%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Internal Frauds</td>
<td>1.0%</td>
<td>1.0%</td>
<td>4.9%</td>
<td>1.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>System Failures</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Activities Interruption</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Capital Structure

Shareholder’s Equity

The Shareholders’ Equity of Banco do Brasil reached R$50,441 million at the end of December 2010, for growth of 4.6% in the quarter. The following table provides a breakdown of the Shareholders’s Equity.

<table>
<thead>
<tr>
<th>Shareholders’ Equity</th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>30,859</td>
<td>32,360</td>
<td>33,661</td>
<td>36,119</td>
<td>37,646</td>
<td>39,332</td>
<td>48,204</td>
<td>50,441</td>
</tr>
<tr>
<td>Reserves</td>
<td>15,771</td>
<td>13,626</td>
<td>13,111</td>
<td>17,313</td>
<td>12,869</td>
<td>12,924</td>
<td>16,896</td>
<td></td>
</tr>
<tr>
<td>MTM – Securities and Derivatives</td>
<td>124</td>
<td>216</td>
<td>324</td>
<td>270</td>
<td>405</td>
<td>411</td>
<td>630</td>
<td>467</td>
</tr>
<tr>
<td>(Shares in Treasury)</td>
<td>(31)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Retained earnings (accumulated losses)</td>
<td>-</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Corporate Profit Sharing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>P&amp;L Accounts</td>
<td>1,215</td>
<td>-</td>
<td>1,509</td>
<td>-</td>
<td>1,833</td>
<td>-</td>
<td>1,951</td>
<td>-</td>
</tr>
</tbody>
</table>

This significant expansion in Sep/10 in relation to Jun/10 is explained by the ratification of BB’s capital increase in July 2010 by the Central Bank of Brazil.

Regulatory Capital

The implementation of Basel II rules in Brazil, especially in relation to capital requirements, brought several changes to the method for measuring capital to bear the risks inherent to banking activities.

The implementation schedule of Basel II in Brazil was formalized by the Central Bank of Brazil through Release 12,746 of September 9, 2004, and subsequently adjusted by Release 6137 of September 27, 2007. The agenda was designed in phases, that initially established, with regard to capital requirement, the use of a standardized approach (as defined by the Central Bank), and the adoption, in the last phase, the use of advanced models.

On October 29, 2009, the Central Bank, through Release 19,028, adjusted the schedules previously disclosed, with a view to supplementing the measures and procedures required for proper implementation of Basel II in Brazil.

To regulate the transition from Basel I to Basel II (standardized approach), the Central Bank published several rules about capital requirement (Pillar I), supervision and transparency of information process (Pillars II and III).

Referential Equity (RE)

On February 28, 2007, the National Monetary Council (CMN) approved changes in the rules for determining the Referential Equity (RE) of financial institutions through CMN Resolution 3,444, which revoked CMN Resolution 2,837 of May 30, 2001. On the same date, the Central Bank published Circular 3343/2007, which addresses the procedures to be adopted for requesting the classification of borrowing instruments at Level I and Level II of RE.

RE is formed by the sum of the Tier I(1) portions and Tier II(2), with the deduction of the asset balances represented by the following funding instruments issued by the financial institution: stock, hybrid capital and debt instruments, subordinated debt instruments and the other financial instruments described in Article 12 and Article 13, Paragraph 3 of CMN Resolution 3,444/2007.

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(1) Nível I – Level I – is determined by the sum of the values corresponding to net equity, credit income account balances and a blocked account deposit to cure capital deficiency, excluded the items mentioned in Art. 1, Paragraph 1, Clause I to VI of Central Bank Resolution 3444/2007.

(2) Nível II – Level II – is composed of the sum of the amounts corresponding to revaluation reserves, contingency reserves and special profit reserves related to non-distributed statutory dividends, increased by values corresponding to hybrid capital and debt instruments, subordinated debt instruments and other items described in Art. 1, Paragraph 2, Clauses I and II of CMN Resolution 3,444/2007.
According to CMN Resolution 3,444/07, for the purposes of RE composition, the value of preferred shares issued with a redemption clause having an original term of less than ten years, plus the value of subordinated debt instruments (SD), is limited to 50% of RE Level I (Art. 14, Clause III). On the other hand, the amount of hybrid capital and debt instruments (HCDI) is limited to the RE Level I value, with deduction of the existing SD amount and its remaining issue margin (Art. 14, Clause I).

**Required Referential Equity (RRE)**

On February 28, 2007, the National Monetary Council (CMN) approved changes in the rules for determining CMN Resolution 3,490 of August 29, 2007, established the Required Referential Equity (RRE) concept to substitute the Required Shareholders’ Equity (RSE) concept, revoking Exhibit IV of CMN Resolution 2099/1994 and the other rules concerning the topic. RRE was henceforth composed of the following six portions:

\[
PRE = PEPR + PCAM + PJUR + PCOM + PACS + POPR
\]

where:

- **PEPR** – is the portion referring to the exposures weighted by the FPR assigned thereto;
- **PCAM** – is portion referring to the risk of exposures in gold, in foreign currency and in operations subject to exchange variance;
- **PJUR** – is the portion referring to the risk of operations subject to interest rate variation and classified under the trading book, as provided for by Resolution 3,464 of June 27, 2007, where \( n \) = the number of the different portions relating to the risk of operations subject to interest rate variation and classified under the trading book;
- **PCOM** – is the portion referring to the risk of operations subject to variation in commodity prices;
- **PACS** – is the portion referring to the risk of operations subject to variation in stock prices and classified under the trading book, as provided for by Resolution 3,464 of June 27, 2007;
- **POPR** – is the portion referring to operational risk.

The revisions in Referential Equity (RE) were incorporated by BB in July 2007, while the rules for Required Referential Equity (RRE) became mandatory as of July 1, 2008. The following information is in compliance with the regulations in force.

**Changes in Consolidation Methodology of Banco Votorantim (BV).**

The Central Bank of Brazil determined to BB, trough the Bacen/Desig/Gabin-2010/10 letter, a change in the consolidation methodology of BV from the October, 2010. BB began using the equity accounting method to evaluate the risk statements and operating limits, before BB used a proportion of its investments. Thus, the following changes have been promoted:

- **RE**: deducting the BB’s investment in the capital of BV and also the amounts of BV’s subordinated debt added to the RE of BB;
- **RRE**: deducting proportional amounts of assets and liabilities with respect to share in BV and its capital requirements.
Banco do Brasil closed the fourth quarter of 2010 with Referential Equity 24.6% higher than in December 2009, reaching R$66,928 million.

### BIS Ratio – BB Consolidated

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference Equity (RE)</td>
<td>47,644</td>
<td>50,087</td>
<td>51,456</td>
<td>53,704</td>
<td>53,704</td>
<td>61,654</td>
<td>60,655</td>
<td>69,836</td>
</tr>
<tr>
<td>Tier I</td>
<td>32,915</td>
<td>35,218</td>
<td>36,121</td>
<td>41,087</td>
<td>42,489</td>
<td>41,476</td>
<td>50,083</td>
<td>52,397</td>
</tr>
<tr>
<td>Capital</td>
<td>13,780</td>
<td>18,549</td>
<td>18,549</td>
<td>18,567</td>
<td>18,567</td>
<td>26,028</td>
<td>33,078</td>
<td>33,078</td>
</tr>
<tr>
<td>Retained earnings (losses)</td>
<td>15,771</td>
<td>13,626</td>
<td>13,311</td>
<td>17,313</td>
<td>12,924</td>
<td>12,545</td>
<td>16,896</td>
<td></td>
</tr>
<tr>
<td>Revaluation reserves</td>
<td>(15)</td>
<td>(14)</td>
<td>(7)</td>
<td>(7)</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Mark-to-Market – Securit. And Derivatives</td>
<td>124</td>
<td>216</td>
<td>324</td>
<td>270</td>
<td>405</td>
<td>411</td>
<td>630</td>
<td>467</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(31)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Accumulated Earnings or Losses</td>
<td>-</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
<td>(0)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td>Corporate Profit Sharing</td>
<td>834</td>
<td>787</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Income accounts</td>
<td>1,215</td>
<td>-</td>
<td>1,509</td>
<td>-</td>
<td>1,833</td>
<td>-</td>
<td>1,951</td>
<td></td>
</tr>
<tr>
<td>Tax Credit excl. RE’s Tier I – Res.3059</td>
<td>(22)</td>
<td>(22)</td>
<td>(22)</td>
<td>(22)</td>
<td>(22)</td>
<td>(22)</td>
<td>(22)</td>
<td></td>
</tr>
<tr>
<td>Deferred Assets</td>
<td>(562)</td>
<td>(638)</td>
<td>(291)</td>
<td>(224)</td>
<td>(186)</td>
<td>(293)</td>
<td>(265)</td>
<td>(227)</td>
</tr>
<tr>
<td>Mark-to-market</td>
<td>(97)</td>
<td>(121)</td>
<td>(144)</td>
<td>(85)</td>
<td>(148)</td>
<td>(145)</td>
<td>(283)</td>
<td>(203)</td>
</tr>
<tr>
<td>Additional Provision</td>
<td>1,918</td>
<td>2,867</td>
<td>2,903</td>
<td>2,782</td>
<td>2,624</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Hybrid Capital and Debt Instruments - Tier I</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,524</td>
<td>2,581</td>
<td>2,611</td>
<td>2,455</td>
<td>2,415</td>
</tr>
<tr>
<td>Tier II</td>
<td>14,729</td>
<td>14,869</td>
<td>15,335</td>
<td>12,617</td>
<td>19,165</td>
<td>19,178</td>
<td>19,753</td>
<td>14,530</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>14,342</td>
<td>14,653</td>
<td>15,230</td>
<td>16,060</td>
<td>18,970</td>
<td>19,376</td>
<td>19,927</td>
<td>18,738</td>
</tr>
<tr>
<td>Hybrid Capital and Debt Instruments</td>
<td>1,134</td>
<td>956</td>
<td>871</td>
<td>853</td>
<td>872</td>
<td>882</td>
<td>830</td>
<td></td>
</tr>
<tr>
<td>Revaluation reserves</td>
<td>15</td>
<td>14</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Mark-to-market</td>
<td>97</td>
<td>121</td>
<td>144</td>
<td>85</td>
<td>148</td>
<td>145</td>
<td>283</td>
<td>203</td>
</tr>
<tr>
<td>Financial Instruments Excluded from RE</td>
<td>(859)</td>
<td>(875)</td>
<td>(917)</td>
<td>(4,387)</td>
<td>(832)</td>
<td>(1,232)</td>
<td>(1,293)</td>
<td>(5,333)</td>
</tr>
<tr>
<td>RSE/RRE</td>
<td>34,879</td>
<td>35,957</td>
<td>43,647</td>
<td>42,749</td>
<td>49,377</td>
<td>51,970</td>
<td>54,047</td>
<td>52,297</td>
</tr>
<tr>
<td>Credit Risk(1)</td>
<td>33,554</td>
<td>34,574</td>
<td>40,487</td>
<td>40,161</td>
<td>45,350</td>
<td>48,248</td>
<td>50,213</td>
<td>48,901</td>
</tr>
<tr>
<td>Market risk(1)</td>
<td>170</td>
<td>228</td>
<td>613</td>
<td>286</td>
<td>775</td>
<td>470</td>
<td>468</td>
<td>31</td>
</tr>
<tr>
<td>Operating Risk(1)</td>
<td>1,155</td>
<td>1,155</td>
<td>2,528</td>
<td>2,302</td>
<td>3,252</td>
<td>3,252</td>
<td>3,365</td>
<td>3,365</td>
</tr>
<tr>
<td>Surplus/(insufficiency) of RE</td>
<td>12,765</td>
<td>14,131</td>
<td>7,809</td>
<td>10,955</td>
<td>12,277</td>
<td>8,685</td>
<td>15,789</td>
<td>14,630</td>
</tr>
<tr>
<td>K Coefficient %</td>
<td>15.0</td>
<td>15.3</td>
<td>13.0</td>
<td>13.8</td>
<td>13.7</td>
<td>12.8</td>
<td>14.2</td>
<td>14.1</td>
</tr>
</tbody>
</table>

(1) Refers to the PEPR portion, pursuant to Circular 3,360 of 9.12.2007.
(3) Refers to the POPR portion, pursuant to Circular 3,383 of 4.30.2008.
BB’s RRE reached R$52,297 million in December, an increase of 22.3% in twelve months. The main part of the requirement was formed by the credit risk portion (PEPR), which mainly reflects the growth in loan operations. The following table presents the main variations in the PEPR quota accounts in the fourth quarter of 2010 in relation to the same period of 2009, considering the Economic-Financial Consolidated:

### Main Accounts of the PEPR Quota (BB Consolidated)

(R$ million)

<table>
<thead>
<tr>
<th>Account</th>
<th>Dec/09</th>
<th>Dec/10</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Operations</td>
<td>22,269</td>
<td>27,201</td>
<td>22.1</td>
</tr>
<tr>
<td>Other Credits (gold, advances to FGPC, other advances)</td>
<td>6,276</td>
<td>7,625</td>
<td>21.5</td>
</tr>
<tr>
<td>Securities and Derivatives</td>
<td>1,490</td>
<td>3,027</td>
<td>103.2</td>
</tr>
<tr>
<td>Loans to release</td>
<td>1,309</td>
<td>1,627</td>
<td>24.2</td>
</tr>
<tr>
<td>Permanent</td>
<td>2,254</td>
<td>2,601</td>
<td>15.4</td>
</tr>
<tr>
<td>Other</td>
<td>6,564</td>
<td>6,820</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td>40,161</td>
<td>48,901</td>
<td>21.8</td>
</tr>
</tbody>
</table>

For market risk, the following table presents Required Referential Equity in December 2010 by risk factor.

### PRE for Market Risk by Risk Factor

(R$ million)

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRE FX</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PRE Interest Rate</td>
<td>445</td>
<td>22</td>
</tr>
<tr>
<td>PRE Commodities</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>PRE Shares</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td>PRE Market Risk(1)</td>
<td>468</td>
<td>31</td>
</tr>
</tbody>
</table>

(1) It includes BNC position’s and BB’s participation on BV

The reduction in PRE Market Risk in relation to 3Q10 is due mainly to the exclusion of exposure of BV of the Consolidated Financial in order that the Central Bank of Brazil has determined that for purposes of regulatory capital requirements, BB utilizes the equity accounting method for registration of investment in BV.

For operational risk, BB opted to adopt the Alternate Standardized Approach, according to Central Bank Circular 3,383. The total calculated of R$3,365 million considers the amounts from Banco Nossa Caixa and Banco Votorantim and, since this quarter, also considers the amounts from the non-financial companies. The allocated capital amount, by business line, corresponds to:

### Allocated Capital for Operational Risk by Business

(R$ million)

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Amount (R$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management</td>
<td>107</td>
</tr>
<tr>
<td>Commercial</td>
<td>884</td>
</tr>
<tr>
<td>Retail</td>
<td>462</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>136</td>
</tr>
<tr>
<td>Trading and Sales</td>
<td>1,078</td>
</tr>
<tr>
<td>Payments and Settlements</td>
<td>404</td>
</tr>
<tr>
<td>Financial Agent Services</td>
<td>81</td>
</tr>
<tr>
<td>Retail Brokerage</td>
<td>5</td>
</tr>
<tr>
<td>Non-Financial Companies</td>
<td>208</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,365</strong></td>
</tr>
</tbody>
</table>
Banco do Brasil’s BIS Ratio (K) ended December 2010 at 14.1%, up 30 basis point from the observed in December 2009. The Basel ratio shown allows indicates a referential equity excess of R$14.6 billion that allows the Bank to expand its loan portfolio by R$110.7 billion in credit assets, considering a 100% weighting.

### Changes in Composition of the BIS Ratio
(R$ million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Reference Equity</th>
<th>Required Reference Equity</th>
<th>Effect on Basel Ratio</th>
<th>Effect on Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income less Interest on Capital</td>
<td>2,401</td>
<td>-</td>
<td>0.5</td>
<td>21,830</td>
</tr>
<tr>
<td>Increase of Subordinated Debt</td>
<td>(1,189)</td>
<td>-</td>
<td>(0.3)</td>
<td>(10,808)</td>
</tr>
<tr>
<td>Other Changes in Reference Equity</td>
<td>(4,066)</td>
<td>-</td>
<td>(0.9)</td>
<td>(36,966)</td>
</tr>
<tr>
<td>Tax Credit excluding RE's Tier I – Res.3059</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hybrid Capital and Debt Instruments - Tier I</td>
<td>(41)</td>
<td>-</td>
<td>(0.0)</td>
<td>(369)</td>
</tr>
<tr>
<td>Hybrid Capital and Debt Instruments - Tier II</td>
<td>(14)</td>
<td>-</td>
<td>(0.0)</td>
<td>(125)</td>
</tr>
<tr>
<td>Increase of Market Risk Requirement</td>
<td>-</td>
<td>(437)</td>
<td>0.1</td>
<td>3,969</td>
</tr>
<tr>
<td>Increase of Credit Risk Requirement</td>
<td>-</td>
<td>(1,313)</td>
<td>0.4</td>
<td>11,934</td>
</tr>
<tr>
<td>Increase of Operational Risk Requirement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in the Quarter</td>
<td>(2,908)</td>
<td>(1,749)</td>
<td>(0.1)</td>
<td>(10,535)</td>
</tr>
<tr>
<td>Balance at Sep/10</td>
<td>69,836</td>
<td>54,047</td>
<td>14.2</td>
<td>143,537</td>
</tr>
<tr>
<td>Balance at Dec/10</td>
<td>66,928</td>
<td>52,297</td>
<td>14.1</td>
<td>133,002</td>
</tr>
<tr>
<td>Quarterly Net Variation</td>
<td>(2,908)</td>
<td>(1,749)</td>
<td>(0.1)</td>
<td>(10,535)</td>
</tr>
</tbody>
</table>
Fixed Asset Ratio

In the last quarter, the Fixed Asset Ratio increased from 16.0% to 16.8%. With the current level of fixed asset, BB was able to increase its fixed assets by R$22.2 billion without surpassing the maximum limit for Referential Equity of 50%.

<table>
<thead>
<tr>
<th>Shareholders’ Equity</th>
<th>30,859</th>
<th>32,360</th>
<th>33,661</th>
<th>36,119</th>
<th>37,646</th>
<th>39,332</th>
<th>48,204</th>
<th>50,441</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated debts eligible as Capital</td>
<td>14,342</td>
<td>14,653</td>
<td>15,230</td>
<td>17,078</td>
<td>18,970</td>
<td>19,376</td>
<td>19,927</td>
<td>18,738</td>
</tr>
<tr>
<td>Hybrid Capital and Debt Instruments</td>
<td>1,134</td>
<td>956</td>
<td>871</td>
<td>853</td>
<td>872</td>
<td>882</td>
<td>830</td>
<td>816</td>
</tr>
<tr>
<td>Other</td>
<td>1,308</td>
<td>2,118</td>
<td>1,693</td>
<td>4,214</td>
<td>4,166</td>
<td>1,064</td>
<td>875</td>
<td>(3,067)</td>
</tr>
<tr>
<td>Adjusted Referential Equity Amount (A)</td>
<td>47,643</td>
<td>50,087</td>
<td>51,455</td>
<td>58,264</td>
<td>61,654</td>
<td>60,655</td>
<td>69,836</td>
<td>66,928</td>
</tr>
<tr>
<td>Permanent Assets</td>
<td>19,421</td>
<td>19,779</td>
<td>23,729</td>
<td>25,178</td>
<td>27,112</td>
<td>26,864</td>
<td>27,415</td>
<td>27,949</td>
</tr>
<tr>
<td>Variable Income Securities</td>
<td>26</td>
<td>31</td>
<td>204</td>
<td>308</td>
<td>398</td>
<td>668</td>
<td>1,018</td>
<td>256</td>
</tr>
<tr>
<td>Stock Exchange and Cetip Clearing</td>
<td>(o)</td>
<td>(o)</td>
<td>(i)</td>
<td>(o)</td>
<td>(o)</td>
<td>(o)</td>
<td>(o)</td>
<td>-</td>
</tr>
<tr>
<td>Leased assets</td>
<td>(4,836)</td>
<td>(5,221)</td>
<td>(7,759)</td>
<td>(8,166)</td>
<td>(8,301)</td>
<td>(8,280)</td>
<td>(8,099)</td>
<td>(4,304)</td>
</tr>
<tr>
<td>Losses with Leasing to be Amortized</td>
<td>(48)</td>
<td>(42)</td>
<td>(39)</td>
<td>(35)</td>
<td>(32)</td>
<td>(30)</td>
<td>(28)</td>
<td>(24)</td>
</tr>
<tr>
<td>Deferred Assets (Resolution CMN 3,444)</td>
<td>(562)</td>
<td>(638)</td>
<td>(291)</td>
<td>(242)</td>
<td>(186)</td>
<td>(293)</td>
<td>(265)</td>
<td>(227)</td>
</tr>
<tr>
<td>Vested Rights Payroll up to 06/30/09 (Res. 3642 Bacen)</td>
<td>(6,284)</td>
<td>(4,894)</td>
<td>(4,782)</td>
<td>(5,305)</td>
<td>(4,937)</td>
<td>(4,094)</td>
<td>(3,704)</td>
<td>(3,293)</td>
</tr>
<tr>
<td>Equity Int. in the Results of Subs and Affil.</td>
<td>-</td>
<td>(3,619)</td>
<td>(5,028)</td>
<td>(5,115)</td>
<td>(5,289)</td>
<td>(5,231)</td>
<td>(5,183)</td>
<td>(9,091)</td>
</tr>
<tr>
<td>Total Fixed Assets (B)</td>
<td>7,716</td>
<td>5,396</td>
<td>6,035</td>
<td>6,623</td>
<td>8,764</td>
<td>9,604</td>
<td>11,153</td>
<td>11,267</td>
</tr>
<tr>
<td>Fixed Asset Ratio (B/A) – %</td>
<td>16.2</td>
<td>10.8</td>
<td>11.7</td>
<td>11.4</td>
<td>14.2</td>
<td>15.8</td>
<td>16.0</td>
<td>16.8</td>
</tr>
</tbody>
</table>

Economic Capital

Banco do Brasil uses the concept of economic capital in its internal risk management processes. The tables below present the total capital requirement and the requirement by the economy sector.

<table>
<thead>
<tr>
<th>Economic Capital</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk Requirement (i)</td>
<td>5,737</td>
<td>7,397</td>
<td>8,060</td>
<td>7,913</td>
<td>8,204</td>
<td>8,031</td>
<td>9,078</td>
</tr>
<tr>
<td>Market Risk Requirement (ii)</td>
<td>170</td>
<td>176</td>
<td>104</td>
<td>166</td>
<td>108</td>
<td>441</td>
<td>217</td>
</tr>
<tr>
<td>Operating Risk Requirement</td>
<td>1,674</td>
<td>1,967</td>
<td>2,250</td>
<td>2,100</td>
<td>2,109</td>
<td>2,137</td>
<td>2,275</td>
</tr>
<tr>
<td>Total</td>
<td>7,581</td>
<td>9,540</td>
<td>10,414</td>
<td>10,179</td>
<td>10,421</td>
<td>10,609</td>
<td>11,570</td>
</tr>
</tbody>
</table>

(i) For the Loan Portfolio and the Giving of Guarantees.
(ii) Consumption of capital for the Trading Portfolio (CB Circ. 3,354), Foreign Exchange and Commodities.
The table below shows the economic capital requirement for credit risk by macro-sector, excluding data form BV.

### Distribution of Economic Capital in the Loan Portfolio

<table>
<thead>
<tr>
<th>(R$ million)</th>
<th>Dec/09</th>
<th>Share</th>
<th>Dec/10</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>4,067</td>
<td>64.3%</td>
<td>5,815</td>
<td>64.1%</td>
</tr>
<tr>
<td>Companies</td>
<td>2,263</td>
<td>35.7%</td>
<td>3,262</td>
<td>35.9%</td>
</tr>
<tr>
<td>Agribusiness of Animal Origin</td>
<td>213</td>
<td>3.4%</td>
<td>206</td>
<td>2.3%</td>
</tr>
<tr>
<td>Agribusiness of Vegetable Origin</td>
<td>362</td>
<td>5.7%</td>
<td>334</td>
<td>3.7%</td>
</tr>
<tr>
<td>Automotive</td>
<td>125</td>
<td>2.0%</td>
<td>142</td>
<td>1.6%</td>
</tr>
<tr>
<td>Beverages</td>
<td>16</td>
<td>0.2%</td>
<td>13</td>
<td>0.1%</td>
</tr>
<tr>
<td>Wholesale Trade and Sundry Ind.</td>
<td>65</td>
<td>1.0%</td>
<td>55</td>
<td>0.6%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>111</td>
<td>1.8%</td>
<td>125</td>
<td>1.4%</td>
</tr>
<tr>
<td>Building</td>
<td>116</td>
<td>1.8%</td>
<td>213</td>
<td>2.3%</td>
</tr>
<tr>
<td>Leather and Shoes</td>
<td>36</td>
<td>0.6%</td>
<td>46</td>
<td>0.5%</td>
</tr>
<tr>
<td>Electrical and Eletronic Goods</td>
<td>84</td>
<td>1.3%</td>
<td>118</td>
<td>1.3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>69</td>
<td>1.1%</td>
<td>263</td>
<td>2.9%</td>
</tr>
<tr>
<td>Agricultural Consumables</td>
<td>45</td>
<td>0.7%</td>
<td>66</td>
<td>0.7%</td>
</tr>
<tr>
<td>Timber and Furniture</td>
<td>58</td>
<td>0.9%</td>
<td>71</td>
<td>0.8%</td>
</tr>
<tr>
<td>Metalworking and Steel</td>
<td>105</td>
<td>1.7%</td>
<td>169</td>
<td>1.9%</td>
</tr>
<tr>
<td>Pulp and Paper</td>
<td>82</td>
<td>1.3%</td>
<td>35</td>
<td>0.4%</td>
</tr>
<tr>
<td>Oil</td>
<td>109</td>
<td>1.7%</td>
<td>155</td>
<td>1.7%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>58</td>
<td>0.9%</td>
<td>60</td>
<td>0.7%</td>
</tr>
<tr>
<td>Services</td>
<td>297</td>
<td>4.7%</td>
<td>773</td>
<td>8.5%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>24</td>
<td>0.4%</td>
<td>15</td>
<td>0.2%</td>
</tr>
<tr>
<td>Textiles and Garments</td>
<td>110</td>
<td>1.7%</td>
<td>129</td>
<td>1.4%</td>
</tr>
<tr>
<td>Transport</td>
<td>156</td>
<td>2.5%</td>
<td>192</td>
<td>2.1%</td>
</tr>
<tr>
<td>Other Activities</td>
<td>23</td>
<td>0.4%</td>
<td>83</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,330</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>9,078</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

The measure of the VaR by Risk Factor for market risk is presented below. It considers BB Conglomerate:

### VaR by Risk Factor

<table>
<thead>
<tr>
<th>(R$ million)</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Fixed Interest Rate</td>
<td>18</td>
</tr>
<tr>
<td>Foreign Currency Coupon</td>
<td>19</td>
</tr>
<tr>
<td>Price Index Coupon</td>
<td>1</td>
</tr>
<tr>
<td>Exchange Variation</td>
<td>162</td>
</tr>
<tr>
<td>Commodities</td>
<td>4</td>
</tr>
<tr>
<td>Shares</td>
<td>13</td>
</tr>
<tr>
<td><strong>Sum VaR(i)</strong></td>
<td><strong>217</strong></td>
</tr>
</tbody>
</table>

(i) Trading Book + Exchange Variation + Commodities
Note that the metric value of BB Consolidated VaR, for the 4Q10, includes the effects of:
a) the corporative curves of pre-fixed interest rate methodologies improvement
b) the change in the time horizon of 1 business day to 10 business days.

Finally, we present the Economic Capital for operating risk by category of operating loss. This calculation includes data associated with the severity of the loss events recorded in the internal database. It is emphasized that this calculation does not include use of the External Database, and Analysis of Scenario, Internal Control Factors and Business Environment.

**Distribution of Economic Capital for Operating Risk by Loss Event Category**
*(R$ million)*

<table>
<thead>
<tr>
<th>Loss Event Categories</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faults in Businesses</td>
<td>1,024</td>
</tr>
<tr>
<td>Damage to the Physical Property</td>
<td>6</td>
</tr>
<tr>
<td>Faults in Systems</td>
<td>8</td>
</tr>
<tr>
<td>Faults in Processes</td>
<td>197</td>
</tr>
<tr>
<td>External Fraud and Theft</td>
<td>288</td>
</tr>
<tr>
<td>Internal Fraud</td>
<td>70</td>
</tr>
<tr>
<td>Labor Issues</td>
<td>682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,275</strong></td>
</tr>
</tbody>
</table>
For approximately two years Banco do Brazil holds the pioneering initiative among Brazilian banks to disclose, quarterly, information on its environmental performance with the company's financial results. Accordingly, we present historical data and analysis that enable the reader to understand the advances and efforts of BB in pursuit of sustainability become increasingly present in the strategies and policies of the company.

The decision to release this information on a quarterly basis is supported by a commitment to generate social and environmental values, as embodied in BB’s Agenda 21, and the understanding that these data are so important to the sustainability of the company as the economic and financial information. In addition, BB seeks to stimulate the investor market to consider the environmental aspects in their decision making, contributing to the promotion of companies engaged with sustainable development.

In order to make this MD&A more concise, it was defined that indicators related to BB environmental performance will be released in the Investor Relations website. This information will be updated up to three weeks after the publication of the Bank quarterly results.

For further information, please access Social and Environmental Performance.
For further information, please access: Social and Environmental Performance
Strategic Investments

Information

Since the 1Q08, the non-financial companies of the insurance, pension plan and savings bonds segment and other activities began to be included in the consolidated statements of Banco do Brasil.
## Financial Activity - Country

<table>
<thead>
<tr>
<th>Activity</th>
<th>Share</th>
<th>Book Value 31,12,09</th>
<th>Book Value 12,31,10</th>
<th>Equivalence Results 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Gestão de Recursos – Distrib de Tit. e Val. Mobiliários S.A.</td>
<td>Asset Management</td>
<td>100.0%</td>
<td>130,143</td>
<td>133,646</td>
</tr>
<tr>
<td>BB Banco de Investimento S.A.</td>
<td>Investment Bank</td>
<td>100.0%</td>
<td>396,509</td>
<td>1,113,205</td>
</tr>
<tr>
<td>BB Banco Popular do Brasil S.A.</td>
<td>Banking</td>
<td>-</td>
<td>18,519</td>
<td>-</td>
</tr>
<tr>
<td>BB Leasing S.A. – Arrendamento Mercantil</td>
<td>Leasing</td>
<td>100.0%</td>
<td>25,842</td>
<td>3,315,768</td>
</tr>
<tr>
<td>BESC Distribuidora de Títulos e Valores Mobiliários S.A.</td>
<td>Asset Management</td>
<td>99.6%</td>
<td>9,810</td>
<td>11,848</td>
</tr>
<tr>
<td>BESC Financeira S.A. – Crédito, Financiamento e Investimentos</td>
<td>Credit and Financing</td>
<td>-</td>
<td>18,795</td>
<td>-</td>
</tr>
<tr>
<td>Banco Nossa Caixa S.A.</td>
<td>Multiple Bank</td>
<td>-</td>
<td>4,900,236</td>
<td>-</td>
</tr>
<tr>
<td>Banco Votorantim S.A.</td>
<td>Multiple Bank</td>
<td>50.0%</td>
<td>3,560,206</td>
<td>3,955,639</td>
</tr>
</tbody>
</table>

## Financial Activity – Abroad

<table>
<thead>
<tr>
<th>Activity</th>
<th>Share</th>
<th>Book Value 31,12,09</th>
<th>Book Value 12,31,10</th>
<th>Equivalence Results 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco do Brasil – Ag. Viena</td>
<td>Banking</td>
<td>100.0%</td>
<td>218,620</td>
<td>200,628</td>
</tr>
<tr>
<td>BB Leasing Company Ltd.</td>
<td>Leasing</td>
<td>100.0%</td>
<td>74,781</td>
<td>72,878</td>
</tr>
<tr>
<td>BB Securities LLC.</td>
<td>Asset Management</td>
<td>100.0%</td>
<td>27,514</td>
<td>16,652</td>
</tr>
<tr>
<td>BB Securities Ltd.</td>
<td>Asset Management</td>
<td>100.0%</td>
<td>48,421</td>
<td>58,948</td>
</tr>
<tr>
<td>Brasilian American Merchant Bank – BAMB</td>
<td>Banking</td>
<td>100.0%</td>
<td>656,043</td>
<td>707,150</td>
</tr>
<tr>
<td>BB USA Holding Company, Inc</td>
<td>Holding</td>
<td>100.0%</td>
<td>3,414</td>
<td>2,877</td>
</tr>
</tbody>
</table>

## Insurance, Pension and Savings Bonds

<table>
<thead>
<tr>
<th>Activity</th>
<th>Share</th>
<th>Book Value 31,12,09</th>
<th>Book Value 12,31,10</th>
<th>Equivalence Results 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Seguros Participações S.A.</td>
<td>Insurance Company</td>
<td>100.0%</td>
<td>594,604</td>
<td>1,190,044</td>
</tr>
<tr>
<td>BB Aliança Participações</td>
<td>Insurance Company</td>
<td>100.0%</td>
<td>969,118</td>
<td>1,358,962</td>
</tr>
<tr>
<td>Seguradora Brasileira de Crédito à Exportação – SBCE</td>
<td>Insurance Company</td>
<td>12.1%</td>
<td>2,313</td>
<td>2,950</td>
</tr>
<tr>
<td>Nossa Caixa Capitalização S.A.</td>
<td>Insurance Company</td>
<td>100.0%</td>
<td>-</td>
<td>5,394</td>
</tr>
<tr>
<td>Mapfre Nossa Caixa Vida e Previdência S.A.</td>
<td>Insurance Company</td>
<td>49.0%</td>
<td>-</td>
<td>102,351</td>
</tr>
</tbody>
</table>

## Other Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Share</th>
<th>Book Value 31,12,09</th>
<th>Book Value 12,31,10</th>
<th>Equivalence Results 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ativos S.A.</td>
<td>Credit Acquisition</td>
<td>100.0%</td>
<td>435,962</td>
<td>598,524</td>
</tr>
<tr>
<td>BB Administradora de Cartões de Crédito S.A.</td>
<td>Service Rendering</td>
<td>100.0%</td>
<td>21,325</td>
<td>21,205</td>
</tr>
<tr>
<td>Nossa Caixa S.A. – Administradora de Cartões de Crédito</td>
<td>-</td>
<td>-</td>
<td>10,771</td>
<td>283</td>
</tr>
<tr>
<td>BB Administradora de Consórcios S.A.</td>
<td>Consortiums</td>
<td>100.0%</td>
<td>16,920</td>
<td>24,443</td>
</tr>
<tr>
<td>BB Corretora de Seguros e Administradora de Bens S.A.</td>
<td>Brokerage</td>
<td>100.0%</td>
<td>33,578</td>
<td>33,539</td>
</tr>
<tr>
<td>Cobra Tecnologia S.A.</td>
<td>IT</td>
<td>99.9%</td>
<td>44,744</td>
<td>63,114</td>
</tr>
<tr>
<td>Cia. Brasileira de Soluções e Serviços CBSS – Visavale</td>
<td>Service Rendering</td>
<td>45.0%</td>
<td>56,002</td>
<td>99,141</td>
</tr>
<tr>
<td>Cielo S.A</td>
<td>Service Rendering</td>
<td>28.7%</td>
<td>202,839</td>
<td>340,090</td>
</tr>
<tr>
<td>Kepler Weber S.A.</td>
<td>Industry</td>
<td>17.6%</td>
<td>30,159</td>
<td>33,494</td>
</tr>
<tr>
<td>Neoenergia S.A.</td>
<td>Energy</td>
<td>8.8%</td>
<td>1,094,988</td>
<td>1,247,249</td>
</tr>
<tr>
<td>Cadam S.A.</td>
<td>Mining</td>
<td>21.6%</td>
<td>46,331</td>
<td>44,019</td>
</tr>
<tr>
<td>Cia. Hidromineral Piratuba</td>
<td>Sanitation</td>
<td>9.0%</td>
<td>2,963</td>
<td>2,610</td>
</tr>
<tr>
<td>Cia. Catarinense de Assessoria e Serviços – CCA</td>
<td>Service Rendering</td>
<td>48.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Companhia Brasileira de Securitização – Cibrassec</td>
<td>Credit Acquisition</td>
<td>12.1%</td>
<td>6,763</td>
<td>6,648</td>
</tr>
<tr>
<td>Tecnologia Bancária S.A. – Tecban</td>
<td>Service Rendering</td>
<td>13.5%</td>
<td>14,235</td>
<td>15,272</td>
</tr>
<tr>
<td>BV Participações S.A.</td>
<td>Holding</td>
<td>50.0%</td>
<td>40,156</td>
<td>67,140</td>
</tr>
<tr>
<td>BB Money Transfers, Inc</td>
<td>Service Rendering</td>
<td>100.0%</td>
<td>3,426</td>
<td>2,963</td>
</tr>
</tbody>
</table>
Income from Insurance, Pension and Saving Bonds

The insurance result is also disclosed in explanatory note (EN) for the quarter, EN 21. There are a few differences between these figures and those shown in this chapter, as explained below.

The information contained in the mentioned EN was prepared in accordance with the guidance found in CVM Resolution nº 582/2009 (CPC 22), based on the requirement of individualized financial information. The amounts were calculated considering the book balances of Aliança do Brasil; Brasilveículos; Brasilprev; Brasilcap; Brasilsaúde; SBCE – Seguradora Brasileira de Crédito à Exportação; BB Corretora; BB Seguros Participações; BB Aliança Participações and Nossa Caixa Capitalização.

The retirement rate shown in this chapter includes the performance added by five companies in the Conglomerate active in strategic retirement plan segments. Aliança do Brasil; Brasilveículos; Brasilprev; Brasilcap and Brasilsaúde. The net profits of these companies (in proportion to BB’s interests in the capital of each one of them) are added to the net brokerage revenues earned by BB Corretora and to the net fees earned from insurance business of BB Banco Múltiplo.

The restructuring process for the private pension area, under implementation by Banco do Brasil, is focused on re-designing the corporate structures of the companies in which the Bank holds interests, by means of its wholly-owned subsidiaries BB Seguros Participações and BB Aliança Participações. This process is intended to strengthen Banco do Brasil’s activities in the sector and to optimize the contribution by the insurance area in the Conglomerate’s revenues.

2010 started with the announcement of the execution of a Memorandum of Understanding between BB and the Icatu Group, the aim of which is to form a strategic alliance to develop and sell the saving bonds businesses, thus eliminating competition between the partners.

On April, BB Seguros and PFG do Brasil Ltda. (Principal Financial Group), reviewed their partnership in developing and marketing open-ended private pension plans in Brazil. Due to this agreement, Principal acquired a 4% shareholding in Brasilprev held by Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – SEBRAE. In addition, Brasilprev retained its exclusiveness to market its private pension services in the current BB distribution channels until October 2032. On the other hand, BB Seguros increased its ownership interest in Brasilprev from 50% to 74.995%. Under this partnership, BB expects to consolidate an association between BB Seguros, a wholly-owned subsidiary of BB that owns the country’s largest number of points of service, and Principal, the owner of a vast experience in the international market and with 18.9 million customers by means of offices in Asia, Australia, Europe, Latin America, besides the United States.

Also in May, BB and the Sul América Group announced the end of the strategic partnership in Brasilsaúde Cia. de Seguros, a company that operates in the health insurance line. Pursuant to the agreement entered into, Banco do Brasil sold its shares in this company (representing 49.92% of its total capital) to Sul América. With the end of this partnership, BB intends to operate in the supplementary health line, including the line of private dental care plans, pursuant to the Memorandum of Understanding for the execution of a strategic partnership entered into in August between OdontoPrev and Bradesco. The completion of this transaction is subject to the carrying out of technical, legal and financial studies, the satisfactory negotiation of the final documents and the fulfillment of the applicable legal and regulatory requirements.

In October 2010, BB Aliança REV Participações, a wholly-owned subsidiary of BB Seguros Participações acquired the total shares held by Sul América in Brasilveículos, and became this company’s sole shareholder, an action required for the completion of the partnership with the Mapfre Group.

In January 2011, BB Seguros entered into a purchase and sale agreement for the acquisition of all the shares held by Sul América Capitalização, proceeding with the restructuring of the saving bonds segment, which started upon the execution of the Memorandum of Understanding with Icatu.

In the current year, BB intends to conclude the other restructuring processes in the saving bonds segment, in order to take advantage of insurance opportunities in an optimized manner, in view of the favorable Brazilian economic scenario revealed by the increase in income and employment, leading to the rise of a new middle class, which is likely to demand insurance, social security and saving bonds products, intensifying sales and reinforcing the Bank’s operations in banking and non-banking channels.
The table below shows the holdings in total capital and the line of business of each one of these companies as of December 2010.

Insurance, Pension Plan and Saving Bonds Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Share %</th>
<th>Business</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cia. De Seguros Aliança do Brasil S.A.</td>
<td>100.00</td>
<td>Health and Other Activities</td>
<td>-</td>
</tr>
<tr>
<td>Brasilprev</td>
<td>74.99</td>
<td>Pension</td>
<td>Principal Financial Group</td>
</tr>
<tr>
<td>BrasilVeículos Cia de Seguros</td>
<td>100.00</td>
<td>Vehicle</td>
<td>Sul América Seguros</td>
</tr>
<tr>
<td>Brasilcap</td>
<td>49.99</td>
<td>Savings Bonds</td>
<td>Icatu Hartford, Sul América e Aliança da Bahia</td>
</tr>
</tbody>
</table>

Performance and Market

According to data from the SUSEP (Superintendency of Private Insurance), up to November, the direct premiums issued by the insurance market in 2010 totaled R$98.4 billion, which represents a growth of 17.3% when compared to the same period of 2009.

The premiums related to general, life and accident insurance accounted for 81.2% of this total (R$79.9 billion), open pension plans for 7.9% (R$7.8 billion) and saving bonds for 10.9% (R$10.7 billion).

The most noticeable growth, when we make a separate analysis, was in the saving bonds segment, of 21.4%, followed by 17.2% in the insurance sector and 12.2% in the social security sector.

According to estimates from the Brazilian Insurance Confederation (CNSeg), in 2011, the market should grow by 12.2%, reaching a figure of R$138.6 billion (including health insurance). The growth projected per line should be of 13.0% for general insurance, 11.7% for supplementary health, 11.0% for saving bonds and 7.5% for open pension plans.

Consolidated

As show in the following table, in relation to 2010, the consolidated result of the insurance companies was R$951.1 million, an increase of 33.6% over 2009.

The insurance area (Automobile, Life and Casualty) accounted for 56.7% of the total, while Pension Plans contributed with 31.6% and saving bonds with 11.7%. These results reflect the success of corporate restructuring that began in 2009 with the acquisition of all shares of Aliança do Brasil, and in 2010, and 25% of Brasilprev and 30% of Brasilveículos.

When we analyze, the segments stand alone due to net results, we see an increase of 63.8% in the Auto, 42.9% in Life and Property, 16.4% in Pension Plan, and 26.8% in saving bonds.

(3) Health insurance was not considered due to the fact that the National Supplementary Health Agency (ANS) did not provide data in the mentioned month.
### Performance per Company

The analysis of the results below, as well as of the indicators, refers to a comparison between 2010 and 2009, unless otherwise indicated.

### Aliança do Brasil

Aliança do Brasil ended the year with 3.9 million insurance policies issued, a 34.5% increase in the portfolio. This evolution made it possible for the
company to increase its share in the life insurance sector by 0.7%, reaching an 12.0% market share, and placed it third in the SUSEP ranking.

This evolution had a positive impact on the volume of the managed portfolio (+21.1%), which totaled R$1.7 billion, and on the technical reserves (+15.5%), which totaled R$1.3 billion at the end of 2010.

Last year the client base increased by more than 14%. In the first three months of 2010 alone, the company attracted over half a million clients. The event that most significantly contributed to the expansion of the client base was the launching of the "BB Proteção" (BB Protection) product, which consists of personal accident insurance, offered through modules of R$4.99/month, in accordance with the client’s profile.

In the rural insurance line, the company remains as a leader with a 45.7% market share.

At the end of 2010, the company had insurance revenues of R$2.3 billion (+24.0%) and a net income of R$451.5 million (+42.9%), which granted it a return on Shareholders’ Equity of 68.3%.

**Brasilcap**

Brasilcap, which surpassed its historical record on three occasions, presented a revenue 21.0% higher this year, totaling R$2.73 billion. Its technical provisions exceeded the amount of R$4.19 billion, an increase of 15.8%.

Its managed portfolio totaled R$4.39 billion, a growth of 15.3% in the year. Such volume of funds, associated with the good management of the investments, generated a financial result of R$145.6 million, an increase of 13.4%.

The company reached R$111.7 million in net profits at the end of the period, with a positive variation of 26.8%.

It also awarded prizes to 34.0 thousand securities (+13.6%), in the amount of R$101.6 million (+39.4%) and has 3.4 million active securities in its portfolio.

In the SUSEP rankings of the saving bonds market (reference date: November 2010), the company continued to rank first in revenues (23.3%) and technical reserves (24.3%).

**Brasilprev**

In 2010, Brasilprev’s revenues from net contributions recorded a significant increase. Total revenues reached R$9.70 billion, an increase of 57.6% in comparison to the previous year.

This increase was mainly driven by the sales of VGBL plans, which reached R$7.55 billion, a growth of 79.5%. The PGBL and Traditional products amounted to R$2.15 billion, a figure which exceeds that for 2009 by 10.2%.

Despite the drop in the company’s average net management fee, the revenues from management of funds increased by 33.1% in relation to 2009. This performance was supported by the 38.0% increase in the company’s investment portfolio, which reached R$37.2 billion at the end of 2010.

The client retention policy was also successful throughout 2010. Brasilprev continued to lead the market in terms of net funding, with a 31.9% market share, and also maintained the lowest annualized redemption rate (7.6%) in comparison to that of its main competitors. The client base reached 3.9 million contracts in effect.

Despite the increase in the portfolio, the company recorded a drop of 77% in its financial income. This decrease in financial income did not affect the company’s operating performance, which presented a net income of R$300.1 million at the end of the year, which represented an increase of 16.4% in relation to 2009.

In the rankings of Fenaprevi (National Federation of Private Pension Funds), the company leapt to second place in terms of total P+VGBL revenues, continued to rank first in terms of PGBLs, and became the vice leader of the VBGL modality, surpassing Itaú/Unibanco in the ranking.

**Brasilveículos**

In 2010, Brasilveículos adopted a strong growth policy and, for this purpose, maintained an aggressive price strategy. This policy resulted in an increase of 19.9% in the premiums issued and of 18.6% in the premiums retained. The retained fleet increased 5.9%, totaling 1.028 million vehicles.

However, this expansion ended up having an adverse impact on the cancellation rate, which increased from 12.2% to 12.9%; likewise, the claim rate increased from 63.8% to 69.3%. As a result, the retained claims totaled R$1.0 billion, an increase of 37.2%.

Despite the increase in claims, operating income grew by 64.5%, totaling R$150.8 million.

The increase in the investment portfolio of the insurance company and the increase in interest rates caused financial income to reach R$94.2 million, a 14.1% increase. The volume of assets under management attained R$683.6 million (+2.7%).

The expansion strategy, together with the good financial performance, caused the company to record
a net income of R$87.6 million, a 63.8% increase, in comparison to the previous year.

Based on the SUSEP ranking of retained premiums, Brasilveículos was among the six largest vehicle insurance companies in Brazil, with a market share of 7.6%.

**Insurance Ratio**

The Insurance Ratio reflects the participation of the insurance business in the Conglomerate’s Result, that is, how much the Insurance, Open Pension Plan and saving bonds companies lines added to Banco do Brasil’s final result.

In the table below, we can follow the evolution of the mentioned ratio:

**Change of the Insurance Result**

(R$ million)

<table>
<thead>
<tr>
<th>Quarter (A)</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Result</td>
<td>252.6</td>
<td>240.4</td>
<td>298.5</td>
<td>297.7</td>
<td>347.4</td>
<td>410.5</td>
</tr>
<tr>
<td>Brokerage Net Revenue</td>
<td>63.2</td>
<td>60.9</td>
<td>73.3</td>
<td>75.5</td>
<td>73.1</td>
<td>69.1</td>
</tr>
<tr>
<td>Service Fee Net Income</td>
<td>48.7</td>
<td>48.2</td>
<td>53.5</td>
<td>52.4</td>
<td>53.4</td>
<td>56.1</td>
</tr>
<tr>
<td>Equity In The Earnings (Loss)</td>
<td>140.6</td>
<td>131.3</td>
<td>171.8</td>
<td>169.8</td>
<td>220.9</td>
<td>285.3</td>
</tr>
<tr>
<td>BB Recurring Income</td>
<td>1,763.9</td>
<td>1,819.0</td>
<td>2,055.6</td>
<td>2,377.1</td>
<td>2,577.7</td>
<td>3,703.8</td>
</tr>
<tr>
<td>Insurance Ratio (%)</td>
<td>14.3</td>
<td>13.2</td>
<td>14.5</td>
<td>12.8</td>
<td>13.5</td>
<td>11.1</td>
</tr>
</tbody>
</table>

**Insurance Ratio by Segment**

(R$ thousand)

<table>
<thead>
<tr>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life and P&amp;C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokerage Net revenue</td>
<td>151,977</td>
<td>191,346</td>
<td>234,758</td>
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<tr>
<td>Service Fee Net Income</td>
<td>40,845</td>
<td>47,433</td>
<td>46,422</td>
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<tr>
<td>Equity in the Earnings (loss)</td>
<td>21,341</td>
<td>19,873</td>
<td>18,599</td>
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<tr>
<td>Social Security Result</td>
<td>28,347</td>
<td>61,194</td>
<td>60,848</td>
</tr>
<tr>
<td>Auto Result</td>
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<tr>
<td>Brokerage Net revenue</td>
<td>14,446</td>
<td>17,467</td>
<td>14,881</td>
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<tr>
<td>Service Fee Net Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity in the Earnings (loss)</td>
<td>4,547</td>
<td>19,659</td>
<td>41,805</td>
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<td>Health Result</td>
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<tr>
<td>Brokerage Net revenue</td>
<td>466</td>
<td>551</td>
<td>503</td>
</tr>
<tr>
<td>Service Fee Net Income</td>
<td>356</td>
<td>551</td>
<td>503</td>
</tr>
<tr>
<td>Equity in the Earnings (loss)</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Savings Bonds Result</td>
<td>23,440</td>
<td>37,750</td>
<td>30,747</td>
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<tr>
<td>Brokerage Net revenue</td>
<td>2,595</td>
<td>3,885</td>
<td>2,988</td>
</tr>
<tr>
<td>Service Fee Net Income</td>
<td>12,354</td>
<td>17,879</td>
<td>14,826</td>
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<tr>
<td>Equity in the Earnings (loss)</td>
<td>8,490</td>
<td>15,985</td>
<td>12,932</td>
</tr>
<tr>
<td>Total Insurance Result (A)</td>
<td>240,248</td>
<td>347,433</td>
<td>410,542</td>
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<tr>
<td>BB Recurrent Result (B)</td>
<td>1,819,008</td>
<td>2,577,692</td>
<td>3,703,797</td>
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<tr>
<td>Total Insurance Ratio % (A/B)</td>
<td>13.2</td>
<td>13.5</td>
<td>11.1</td>
</tr>
</tbody>
</table>
**Combined Ratio**

The combined ratio, which expresses the percentage of earned premiums that is consumed by operating expenses in the insurance business (retained claims, marketing expenses, and administrative expenses), closed the fourth quarter at 75.2%. In the following graph, we can notice index evolution during the quarters: It should be pointed out that, as from the second half of 2010, the figures referring to Health Insurance were not computed (sale of the ownership interest) and, from a historical perspective, this line presents a high claim rate:

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### Consolidated

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Premiums</td>
<td>266.8</td>
<td>265.6</td>
<td>273.3</td>
<td>248.7</td>
<td>270.1</td>
</tr>
<tr>
<td>Claims</td>
<td>845.0</td>
<td>920.3</td>
<td>954.9</td>
<td>893.2</td>
<td>933.5</td>
</tr>
<tr>
<td>Administrative Expenses/Marketing</td>
<td>388.0</td>
<td>426.7</td>
<td>462.0</td>
<td>496.3</td>
<td>432.0</td>
</tr>
<tr>
<td>Combined Ratio</td>
<td>77.6</td>
<td>75.2</td>
<td>77.0</td>
<td>72.2</td>
<td>75.2</td>
</tr>
</tbody>
</table>

---

### Life and P&C

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Earned Premiums</td>
<td>164.9</td>
<td>171.4</td>
<td>164.2</td>
<td>159.2</td>
<td>178.0</td>
</tr>
<tr>
<td>Claims</td>
<td>470.5</td>
<td>524.4</td>
<td>533.8</td>
<td>514.1</td>
<td>552.6</td>
</tr>
<tr>
<td>Administrative Expenses/Marketing</td>
<td>149.9</td>
<td>149.0</td>
<td>164.0</td>
<td>159.3</td>
<td>135.0</td>
</tr>
<tr>
<td>Combined Ratio</td>
<td>66.9</td>
<td>61.1</td>
<td>60.6</td>
<td>57.2</td>
<td>61.9</td>
</tr>
</tbody>
</table>

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### Vehicle

<table>
<thead>
<tr>
<th></th>
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<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Premiums</td>
<td>90.8</td>
<td>93.8</td>
<td>96.7</td>
<td>92.6</td>
<td>94.6</td>
</tr>
<tr>
<td>Claims</td>
<td>320.8</td>
<td>343.7</td>
<td>367.8</td>
<td>379.1</td>
<td>380.9</td>
</tr>
<tr>
<td>Administrative Expenses/Marketing</td>
<td>196.0</td>
<td>225.3</td>
<td>254.9</td>
<td>261.4</td>
<td>268.0</td>
</tr>
<tr>
<td>Combined Ratio</td>
<td>94.6</td>
<td>92.1</td>
<td>99.7</td>
<td>97.6</td>
<td>93.7</td>
</tr>
</tbody>
</table>
## Operating Highlights of the Insurance Group
(R$ thousand)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Aliança do Brasil</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lives Insured – Thousand</td>
<td>2,867</td>
<td>2,867</td>
<td>3,941</td>
<td>3,855</td>
<td>3,855</td>
<td>34.5</td>
<td>(2.2)</td>
<td>0.3</td>
</tr>
<tr>
<td>Volume of Managed Portfolio</td>
<td>1,436</td>
<td>1,436</td>
<td>1,662</td>
<td>1,739</td>
<td>1,739</td>
<td>21.1</td>
<td>4.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Technical Reserves</td>
<td>1,107</td>
<td>1,107</td>
<td>1,054</td>
<td>1,278</td>
<td>1,278</td>
<td>15.5</td>
<td>21.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Market share – Rural Line – %</td>
<td>60.1%</td>
<td>52.5%</td>
<td>44.9%</td>
<td>37.3%</td>
<td>45.7%</td>
<td>-22.8 p.p.</td>
<td>-7.6 p.p.</td>
<td>-6.8 p.p.</td>
</tr>
<tr>
<td>Market share – Life Line – %</td>
<td>11.3%</td>
<td>10.5%</td>
<td>11.1%</td>
<td>12.0%</td>
<td>11.5%</td>
<td>0.7 p.p.</td>
<td>0.9 p.p.</td>
<td>1 p.p.</td>
</tr>
<tr>
<td>Rural Line Position</td>
<td>1⁰</td>
<td>1⁰</td>
<td>1⁰</td>
<td>1⁰</td>
<td>1⁰</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Line Position</td>
<td>3⁰</td>
<td>3⁰</td>
<td>3⁰</td>
<td>3⁰</td>
<td>3⁰</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brasilcap</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity of Bonds – Thousand</td>
<td>3,070</td>
<td>3,070</td>
<td>3,359</td>
<td>3,375</td>
<td>3,375</td>
<td>9.9</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Volume of Managed Portfolio</td>
<td>3,807</td>
<td>3,807</td>
<td>4,255</td>
<td>4,390</td>
<td>4,390</td>
<td>15.3</td>
<td>3.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Quantity of Prize-winning Bonds</td>
<td>6,863</td>
<td>3,620</td>
<td>8,596</td>
<td>13,551</td>
<td>4,194</td>
<td>97.5</td>
<td>57.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Sum of Prizes Distributed</td>
<td>17,348</td>
<td>29,924</td>
<td>26,260</td>
<td>31,767</td>
<td>33,982</td>
<td>83.1</td>
<td>21.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Technical Reserves – R$ million</td>
<td>3,620</td>
<td>72,887</td>
<td>4,079</td>
<td>4,194</td>
<td>101,598</td>
<td>15.8</td>
<td>2.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Market Share – Collection – %</td>
<td>20.2%</td>
<td>22.3%</td>
<td>23.2%</td>
<td>23.1%</td>
<td>23.3%</td>
<td>2.9 p.p.</td>
<td>-0.1 p.p.</td>
<td>0.2 p.p.</td>
</tr>
<tr>
<td>Market Share – Reserves – %</td>
<td>24.2%</td>
<td>24.2%</td>
<td>24.5%</td>
<td>24.3%</td>
<td>24.3%</td>
<td>0.1 p.p.</td>
<td>-0.2 p.p.</td>
<td>0 p.p.</td>
</tr>
<tr>
<td><strong>Brasilprev</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of Redemptions - %</td>
<td>7.9%</td>
<td>7.9%</td>
<td>7.9%</td>
<td>7.6%</td>
<td>7.6%</td>
<td>-0.3 p.p.</td>
<td>-0.3 p.p.</td>
<td>-0.4 p.p.</td>
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<tr>
<td>Active Agreements – Thousands</td>
<td>3,198</td>
<td>3,198</td>
<td>3,730</td>
<td>3,863</td>
<td>3,863</td>
<td>20.8</td>
<td>3.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Volume of the Managed Portfolio – R$ million</td>
<td>26,954</td>
<td>26,954</td>
<td>33,626</td>
<td>36,756</td>
<td>36,756</td>
<td>38.6</td>
<td>10.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Technical Reserves – R$ million</td>
<td>26,528</td>
<td>26,528</td>
<td>33,155</td>
<td>36,756</td>
<td>36,756</td>
<td>38.6</td>
<td>10.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Market Share – Collection – %</td>
<td>15.9%</td>
<td>15.9%</td>
<td>20.2%</td>
<td>23.1%</td>
<td>23.1%</td>
<td>5.4 p.p.</td>
<td>1.1 p.p.</td>
<td>5.4 p.p.</td>
</tr>
<tr>
<td>Market Share – Reserves – %</td>
<td>15.0%</td>
<td>15.0%</td>
<td>16.3%</td>
<td>16.9%</td>
<td>16.9%</td>
<td>1.9 p.p.</td>
<td>0.60 p.p.</td>
<td>1.9 p.p.</td>
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<tr>
<td>Collection Ranking</td>
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<td>3⁰</td>
<td>2⁰</td>
<td>2⁰</td>
<td>2⁰</td>
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<td>Reserves Ranking</td>
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<td>3⁰</td>
<td>3⁰</td>
<td>3⁰</td>
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<tr>
<td><strong>Brasilveículos</strong></td>
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</tr>
<tr>
<td>Fleet – Thousand</td>
<td>971</td>
<td>971</td>
<td>1,026</td>
<td>1,028</td>
<td>1,028</td>
<td>5.9</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Volume of the Managed Portfolio – R$ million</td>
<td>665</td>
<td>665</td>
<td>656</td>
<td>684</td>
<td>684</td>
<td>2.7</td>
<td>4.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Technical Reserves – R$ million</td>
<td>961</td>
<td>961</td>
<td>1,081</td>
<td>1,126</td>
<td>1,126</td>
<td>17.2</td>
<td>4.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Rate of Portfolio Retention – %</td>
<td>82.0%</td>
<td>82.0%</td>
<td>80.2%</td>
<td>80.7%</td>
<td>80.7%</td>
<td>-1.3 p.p.</td>
<td>0.5 p.p.</td>
<td>-1.3 p.p.</td>
</tr>
<tr>
<td>Market Share – %</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.8%</td>
<td>7.6%</td>
<td>7.6%</td>
<td>0.1 p.p.</td>
<td>-0.2 p.p.</td>
<td>0.2 p.p.</td>
</tr>
<tr>
<td>Ranking</td>
<td>5⁰</td>
<td>5⁰</td>
<td>6⁰</td>
<td>6⁰</td>
<td>6⁰</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Strategic Movements

In this chapter the main transactions carried out by Banco do Brasil are presented, as well as those that are in progress, in conformity with public announcements to the market.

### Banco Votorantim

Since 09.28.2009, a strategic partnership between Banco do Brasil and Votorantim Finanças in Banco Votorantim (BV) has been in place. As announced before, the shares acquired by BB correspond to 50% of the total capital and approximately 50% of the voting capital of Banco Votorantim. The new Corporate Governance structure of BV, provided for in the Shareholders’ Agreement, which has already been fully implemented and is regularly operating, relies on joint bodies between the partners, such as the Board of Directors (CA), the Supervisory Board (CF), the Audit Committee (COAUD) and Committees that provide advisory for the CA. In addition, the Internal Audit Function, which previously reported to the Executive Board, now directly reports to the Board of Directors.

The consolidation of the financial statements is proportional to BB’s ownership interest in the total capital of BV. The assets and liabilities started to be consolidated in the financial statements since 3Q09 and the income statement accounts since the 4Q09. The statements of
risk management and operating limits, at the decision of the Brazilian Central Bank (BACEN), have been prepared under the equity method since November 2010.

The partnership has a strong strategic rationale, as it has provided Banco do Brasil with businesses and synergies, among other advantages:
- To increase the asset origination capacity in the competitive consumption financing industry;
- Access to well developed alternative distribution channels – concessionaires, partners and stores of BV Financeira;
- Model of success in the promotion of sales with national activity in the vehicle financing market;
- Transfer of the payroll of approximately seven thousand employees, among which are the approximately five thousand BV Financeira employees;
- To acquire payroll loan and vehicle financing portfolios through an Operating Agreement.

The tables below illustrate the main highlights of the operation of BV. In order to provide for a better understanding of its businesses and their impact on BB's result, as from the third quarter of 2010, the Corporate Income Statement of this bank has been included, together with a section containing comments on the result presented in the Income Statement with Reallocations.

The Corporate Income Statement was included to make it possible for the analyst to make a follow-up of the effects of the acquisition on the Income Statement of the BB Conglomerate, as the reallocations of BV are not reproduced in the Income Statement with Reallocations of BB (whose reallocations are mainly based in BB Banco Múltiplo).

As to the Income Statement with Reallocations, the explanatory text detailing the reclassifications made continues to be presented. We emphasize that the reclassifications conducted by BV are considered as the most adequate for monitoring the business peculiarities at hand, even if they are not those adopted in the statement of income with BB reclassifications.

Further information can be obtained from the website of Banco Votorantim.

**Banco Votorantim – Summarized Corporate Law Income Statement**

(R$ million)

<table>
<thead>
<tr>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Financial Intermediation Income</td>
<td>2,857</td>
<td>3,070</td>
<td>2,887</td>
</tr>
<tr>
<td>Loans</td>
<td>2,022</td>
<td>2,427</td>
<td>1,849</td>
</tr>
<tr>
<td>Leasing</td>
<td>143</td>
<td>191</td>
<td>87</td>
</tr>
<tr>
<td>Securities</td>
<td>751</td>
<td>1,268</td>
<td>1,180</td>
</tr>
<tr>
<td>Financial Derivatives</td>
<td>(81)</td>
<td>(917)</td>
<td>(318)</td>
</tr>
<tr>
<td>Foreign Exchange Portfolio</td>
<td>21</td>
<td>(8)</td>
<td>(41)</td>
</tr>
<tr>
<td>Compulsory Investments</td>
<td>-</td>
<td>109</td>
<td>129</td>
</tr>
<tr>
<td>Financial Inc. from Insur., Pension &amp; Capit. Operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial Intermediation Expenses</td>
<td>(1,691)</td>
<td>(1,787)</td>
<td>(1,853)</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>(1,295)</td>
<td>(1,554)</td>
<td>(1,811)</td>
</tr>
<tr>
<td>Borrowing, Assignments and Onlending</td>
<td>(108)</td>
<td>91</td>
<td>(46)</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(287)</td>
<td>(323)</td>
<td>5</td>
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<tr>
<td>Gross Income from Financial Intermediation</td>
<td>1,167</td>
<td>1,284</td>
<td>1,035</td>
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<tr>
<td>Other Operating Income (Expenses)</td>
<td>(705)</td>
<td>(695)</td>
<td>(511)</td>
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<tr>
<td>Fee Income</td>
<td>111</td>
<td>83</td>
<td>140</td>
</tr>
<tr>
<td>Banking Fees Income</td>
<td>151</td>
<td>223</td>
<td>237</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(159)</td>
<td>(211)</td>
<td>(224)</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>(328)</td>
<td>(405)</td>
<td>(440)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(92)</td>
<td>(117)</td>
<td>(113)</td>
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<tr>
<td>Equity Interest in the Results of Subsidiaries, and Affiliates</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Income f/ Insurance, Pension &amp; Capitalization Operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>405</td>
<td>522</td>
<td>699</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(794)</td>
<td>(791)</td>
<td>(811)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>461</td>
<td>589</td>
<td>524</td>
</tr>
<tr>
<td>Non-operating Income</td>
<td>20</td>
<td>(26)</td>
<td>(17)</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>481</td>
<td>563</td>
<td>507</td>
</tr>
<tr>
<td>Income and Social Contribution Taxes</td>
<td>(64)</td>
<td>(175)</td>
<td>(144)</td>
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<tr>
<td>Statutory Profit Sharing</td>
<td>(108)</td>
<td>(124)</td>
<td>(90)</td>
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<tr>
<td>Corporate Profit Sharing</td>
<td>0</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td>Net Income</td>
<td>309</td>
<td>266</td>
<td>272</td>
</tr>
<tr>
<td></td>
<td>Quarterly Flow</td>
<td>Chg. %</td>
<td>Annual Flow</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Financial Intermediation Income</strong></td>
<td>2,879</td>
<td>3,517</td>
<td>3,540</td>
</tr>
<tr>
<td>Loan Operations (1) (2) (5) (7) (9) (10) (15) (18) (19) (21)</td>
<td>2,014</td>
<td>2,378</td>
<td>2,459</td>
</tr>
<tr>
<td>Lease Operations (1) (5) (6) (9) (15)</td>
<td>198</td>
<td>163</td>
<td>133</td>
</tr>
<tr>
<td>Securities Income (6) (7) (11)</td>
<td>927</td>
<td>1,070</td>
<td>1,160</td>
</tr>
<tr>
<td>Income from Financial Derivatives (3) (4) (7) (8) (16)</td>
<td>(260)</td>
<td>(203)</td>
<td>(341)</td>
</tr>
<tr>
<td>Compulsory Investments</td>
<td>-</td>
<td>-</td>
<td>129</td>
</tr>
<tr>
<td><strong>Income from Financial Intermediation</strong></td>
<td>(1,623)</td>
<td>(2,072)</td>
<td>(2,237)</td>
</tr>
<tr>
<td>Market Borrowing (6) (7) (8) (20)</td>
<td>(1,489)</td>
<td>(1,952)</td>
<td>(2,108)</td>
</tr>
<tr>
<td>Borrowings, Assignments and Onlendings (7)</td>
<td>(134)</td>
<td>(120)</td>
<td>(130)</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>1,255</td>
<td>1,445</td>
<td>1,303</td>
</tr>
<tr>
<td>Allowance for Loan Losses (10) (18) (21)</td>
<td>(271)</td>
<td>(389)</td>
<td>(356)</td>
</tr>
<tr>
<td><strong>Net Financial Margin</strong></td>
<td>984</td>
<td>1,056</td>
<td>947</td>
</tr>
<tr>
<td>Bank Fee Income</td>
<td>66</td>
<td>50</td>
<td>105</td>
</tr>
<tr>
<td>Fee Income (5)</td>
<td>66</td>
<td>46</td>
<td>102</td>
</tr>
<tr>
<td>Bank Fee Income (5)</td>
<td>(0)</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Taxes on Revenues (2) (4)</td>
<td>(88)</td>
<td>(110)</td>
<td>(109)</td>
</tr>
<tr>
<td><strong>Contribution Margin</strong></td>
<td>962</td>
<td>994</td>
<td>943</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>(374)</td>
<td>(400)</td>
<td>(433)</td>
</tr>
<tr>
<td>Personnel Expenses (13)</td>
<td>(159)</td>
<td>(210)</td>
<td>(224)</td>
</tr>
<tr>
<td>Other Tax Expenses (14)</td>
<td>(1)</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Commercial Income</strong></td>
<td>588</td>
<td>594</td>
<td>508</td>
</tr>
<tr>
<td>Legal Risk (25)</td>
<td>(50)</td>
<td>(13)</td>
<td>(50)</td>
</tr>
<tr>
<td>Legal Claims (12)</td>
<td>(3)</td>
<td>(19)</td>
<td>14</td>
</tr>
<tr>
<td>Labor Lawsuits (13)</td>
<td>(9)</td>
<td>(3)</td>
<td>(8)</td>
</tr>
<tr>
<td>Fiscal Lawsuits (14)</td>
<td>(13)</td>
<td>(28)</td>
<td>(9)</td>
</tr>
<tr>
<td>Other Components of the Result</td>
<td>(32)</td>
<td>40</td>
<td>48</td>
</tr>
<tr>
<td>Other Operating Income (Expenses)</td>
<td>(32)</td>
<td>40</td>
<td>48</td>
</tr>
<tr>
<td>Other Operating Income (3) (9) (10) (14)</td>
<td>4</td>
<td>46</td>
<td>56</td>
</tr>
<tr>
<td>Other Operating Expenses (1) (2) (3) (9) (10) (12) (13) (14) (22)</td>
<td>(37)</td>
<td>(6)</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Operating Result</strong></td>
<td>530</td>
<td>584</td>
<td>544</td>
</tr>
<tr>
<td>Non-operating Income (17)</td>
<td>20</td>
<td>26</td>
<td>(17)</td>
</tr>
<tr>
<td><strong>Profit before Taxation and Profit Sharing</strong></td>
<td>550</td>
<td>558</td>
<td>526</td>
</tr>
<tr>
<td>Income and Social Contribution Taxes (2) (4) (11) (22)</td>
<td>(148)</td>
<td>(169)</td>
<td>(164)</td>
</tr>
<tr>
<td>Profit Sharing</td>
<td>(108)</td>
<td>(124)</td>
<td>(90)</td>
</tr>
<tr>
<td><strong>Profit before Minority Interest</strong></td>
<td>294</td>
<td>266</td>
<td>272</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>0</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Non-Recurring Items</strong></td>
<td>294</td>
<td>266</td>
<td>272</td>
</tr>
<tr>
<td>Extraordinary Items</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FINOR (17)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>309</td>
<td>266</td>
<td>272</td>
</tr>
</tbody>
</table>
Details of the Reallocations

Some changes were made to this quarter's reclassifications in order to improve result analysis. The revenues from bank fees were reclassified to loan operations and leasing operations, and adjustments were made in expenses (direct costs and administrative expenses) which were also included in margin lines.

(1) Reclassification of Other Operating Expenses to Loan and lease operations corresponding to the amount of expenses with discounts granted on loan operations, being necessary its reallocation for comparability purposes. The expenses for discounts granted totaled (R$95.5 million) in 4Q09, (R$286.9 million) in 2009 and (R$49.1 million) in 4Q10 and (R$271.6 million) in 2010.

(2) The effects arising from the assignment of a loan portfolio to Credit Rights Investment Funds (FIDCs) recorded under Tax Expenses, Other Operating Expenses and Income and Social Contribution Taxes were reallocated to the result of Loan Operations, in the amount of (R$10.0 million) in 4Q09, (R$39.1 million) in 2009 (R$0 million) in the 4Q10 and in 2010.

(3) The foreign exchange gain (loss) on foreign financial equity is reallocated from Other Operating Income/Expenses to Income from Financial Derivatives for inclusion in the financial margin. This adjustment is necessary to maintain the balance and consistency of spread analyses. In 4Q09, this reallocation was of (R$18.6 million), (R$299.7 million) in 2009, in 4Q10 was (R$11.4 million) and (R$30.7 million) in 2010.

(4) Reallocations were performed in order to cancel the Tax Hedge's effects. In 4Q09, the amount reallocated to the result of Derivative Financial Instruments arising from Tax Expenses on Revenues was (R$1.3 million) and that from IR and CSLL was (R$10.9 million), in 4Q10, the amount reallocated from Tax Expenses on Revenues was (R$1.7 million) and that from IR and CSLL was (R$13.8 million). In 2009, the amount reallocated from Tax Expenses on Revenues was (R$22.4 million) and that from Income Tax (IR) and Social Contribution on Net Profit (CSLL) was (R$183.8 million). In 2010, the amount reallocated from Tax Expenses on Revenues was (R$4.8 million) and that from IR and CSLL was (R$39.2 million).

(5) Fee revenues arising from loan operations recorded under Revenues from Services Provided were reallocated to the income statement from Loan Operations in the amount of R$196.2 million in 4Q09, R$615.4 million in 2009, R$271.9 million in 4Q10 and R$958.3 million in 2010.

Banco Votorantim – Reallocations (Fee Income)

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee Income (TC / TLA / TAC) (5)</td>
<td>(154.8)</td>
<td>(169.5)</td>
<td>(180.5)</td>
<td>(487.3)</td>
<td>625.7</td>
</tr>
<tr>
<td>Credit Card Fees (5)</td>
<td>(2.6)</td>
<td>(7.4)</td>
<td>(9.0)</td>
<td>(9.8)</td>
<td>(28.2)</td>
</tr>
<tr>
<td>Guarantees Income (5)</td>
<td>(38.9)</td>
<td>(31.3)</td>
<td>(31.4)</td>
<td>(118.3)</td>
<td>(144.0)</td>
</tr>
<tr>
<td>Valuation of Assets Fee (5)</td>
<td>-</td>
<td>(48.6)</td>
<td>(51.0)</td>
<td>-</td>
<td>(160.4)</td>
</tr>
<tr>
<td>Allocation on Loan Operations + Leasing (5)</td>
<td>196.2</td>
<td>256.8</td>
<td>271.9</td>
<td>615.4</td>
<td>958.3</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
(6) All mark-to-market effects were reallocated as a result of the hedge on the result of derivative financial instruments, as follows:

**Banco Votorantim – Reallocations (Mark-to-Market – MKT)**

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKT Loan Operations (BV Financeira) (6)</td>
<td>110.2</td>
<td>(67.4)</td>
<td>215.5</td>
<td>120.5</td>
<td>95.0</td>
</tr>
<tr>
<td>MKT Loans Operations (BV) (6)</td>
<td>(0.3)</td>
<td>(30.4)</td>
<td>96.5</td>
<td>(325.6)</td>
<td>55.0</td>
</tr>
<tr>
<td>MKT Leasing (6)</td>
<td>18.2</td>
<td>(24.9)</td>
<td>50.1</td>
<td>7.0</td>
<td>(2.8)</td>
</tr>
<tr>
<td>MKT Securities (6)</td>
<td>100.6</td>
<td>(292.1)</td>
<td>(86.3)</td>
<td>(18.9)</td>
<td>(303.0)</td>
</tr>
<tr>
<td>MLT Funding (6)</td>
<td>(1.3)</td>
<td>15.2</td>
<td>(82.2)</td>
<td>16.9</td>
<td>(52.6)</td>
</tr>
<tr>
<td>Alocation of MKT in Derivatives (6)</td>
<td>(227.4)</td>
<td>399.6</td>
<td>(193.6)</td>
<td>(200.1)</td>
<td>(208.4)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(7) All the effects of fluctuations in foreign currencies, such as the US dollar, yen, Turkish lira, euro etc., were reallocated as a result of the hedge on the result of derivative financial instruments, as follows:

**Banco Votorantim – Reallocations (Currency Fluctuation)**

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>VCR Loans Operations (7)</td>
<td>95.5</td>
<td>145.3</td>
<td>8.5</td>
<td>(1.143.2)</td>
<td>47.5</td>
</tr>
<tr>
<td>VCR Securities (7)</td>
<td>54.3</td>
<td>67.0</td>
<td>15.1</td>
<td>(754.9)</td>
<td>65.9</td>
</tr>
<tr>
<td>VCR Fundings (7)</td>
<td>(47.1)</td>
<td>(294.9)</td>
<td>(66.6)</td>
<td>776.8</td>
<td>(288.1)</td>
</tr>
<tr>
<td>VCR Loans and On Lending (7)</td>
<td>(25.3)</td>
<td>(239.0)</td>
<td>(55.1)</td>
<td>1.120.9</td>
<td>(263.1)</td>
</tr>
<tr>
<td>Alocation of VCR on Derivatives (7)</td>
<td>(77.5)</td>
<td>321.6</td>
<td>98.1</td>
<td>0.0</td>
<td>(437.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(8) A reallocation from the derivative market of the Options BOX, accounted for in Derivative Financial Instruments, to Money market funding was carried out in the amount (R$146.3 million) in 4Q09, (R$355.0 million) in 2009, (R$113.2 million) in 4Q10 and (R$488.6 million) in 2010.

(9) The Operating Income and Expenses directly associated with the loan operations were reallocated from Other Operating Income/Expenses to the Loan Operations caption in the amount of (R$165.0 million) in 4Q09, (R$621.0 million) in 2009, (R$83.5 million) in 4Q10 and (R$498.6 million) in 2010.

(10) The Allowance for Loan Losses expenses arising from the Assignments made with Co-obligations recorded under Other Operating Expenses and, as of 2009, under Loan Operations, were reallocated to the Allowance for Loan Losses expenses caption in the amount of (R$16.3 million) in 4Q09, (R$24.7 million) in 2009, (R$30.3 million) in 4Q10 and (R$55.4 million) in 2010.

(11) The effect of the tax benefit generated by the tax-free interest of securities issued abroad was reallocated from the Income Tax and Social Contribution caption to the result of Securities in the amount of R$20.9 million in 4Q09, R$99.3 million in 2009, R$28.1 million in 4Q10 and R$97.3 million in 2010.

We segregated the Expenses on Labor, Civil and Tax Lawsuits to the group named Legal Risk, in order to facilitate the analysis of the other operating expenses and to increase the transparency of this type of risk. The reallocated amounts were as follows:

(12) Civil Claims: (R$3.2 million) in 4Q09, (R$11.2 million) in 2009, (R$14.3 million) in 4Q10 and (R$38.4 million) in 2010.

(13) Labor Claims: (R$9.5 million) in 4Q09, (R$31.1 million) in 2009, (R$7.6 million) in 4Q10, (R$19.5 million) in 2010.

(14) Tax claims: (R$12.6 million) in 4Q09, (R$65.9 million) in 2009 and (R$19.2 million) in 4Q10 and (R$87.0 million) in 2010.

(15) Other Administrative Expenses directly related to loan operations were reallocated from Other Administrative Expenses to the Loan and lease operations line, totaling (R$103.0 million) in 4Q09.
(R$309.9 million) in 2009 and (R$210.8 million) in 4Q10 and (R$753.1 million) in 2010.

(16) Other Administrative Expenses directly related to derivative transactions were reallocated from Other Administrative Expenses to the Income from Financial Derivatives line, totaling (R$11.1 million) in 4Q09 and in 2009, (R$8.2 million) in 4Q10 and (R$32.3 million) in 2010.

(17) The result obtained from operation and valuation of the Northeast Investment Fund (FINOR) in the amount of R$0 million in 4Q09, 4TQ10 and in 2009 and R$3.0 million in 2010.

(18) For better comparability, discounts granted in loan renegotiations were reclassified to expenses in allowance for loan losses, in the amount of (R$59.4 million) in 2010.

(19) The Other administrative expenses referring to Guarantees were reclassified from Other administrative expenses to Loan operations in the amount of R$4.2 million in 4Q10 and in 2010.

(20) The Other administrative expenses referring to subordinate debt were reclassified from Other administrative expenses to Money market borrowing in the amount of R$4.9 million in 4Q10 and in 2010.

(21) For better comparability, in 4Q10 we reclassified the ALL from the loan portfolio assignment comprised of unrealized non-defaulting assets (a non-standardized receivables investment fund, or FIDC NP) to loan operations, in the amount of (R$330.0 million).

(22) Other Operating Expenses IRF Overseas was reallocated to Income Tax totaling R$46.1 million in 4Q09 and in 2009 and (R$5.3 million) in 4Q10 and in 2010.

**Summary – Highlights of the Result (DRE with Reallocations)**

**Net Income Attains R$272 Million in the 4Q10**

Banco Votorantim recorded a net income of R$272 million in the fourth quarter of 2010, a result that was 2.3% higher than that observed in 3Q10 and 11.9% lower than that observed in the same period of 2009. The annualized return on net equity (RSPL) of 13.7% in 3Q10 and 4Q10. In the period no extraordinary items were recorded, so that reported recurring income was the same as net income.

### Banco Votorantim – Main Result Indicators

*Indicators – %*

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Spread</td>
<td>6.2</td>
<td>6.0</td>
<td>5.1</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Expenses with Allowance for Loan Losses over Average Portfolio</td>
<td>3.9</td>
<td>3.2</td>
<td>2.4</td>
<td>3.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Cost Income Ratio(1)</td>
<td>36.7</td>
<td>38.2</td>
<td>51.8</td>
<td>34.1</td>
<td>38.8</td>
</tr>
<tr>
<td>Recurring Return on Equity(2)</td>
<td>17.7</td>
<td>13.7</td>
<td>13.7</td>
<td>11.6</td>
<td>13.1</td>
</tr>
<tr>
<td>Effective Rate of Tax</td>
<td>33.6</td>
<td>38.7</td>
<td>38.6</td>
<td>24.2</td>
<td>37.6</td>
</tr>
</tbody>
</table>

(1) Efficiency Ratio calculated by Banco Votorantim: \( \frac{\text{Sum of Personnel Expenses and Other Administrative Expenses}}{\text{Sum of Net income from financial intermediation, of expenses with Allowance for Loan Losses (PCLD), Service Revenues and Result of Other Operating Income and Expenses}} \).

(2) Recurring Net Income divided by Average Net Equity.
Total Assets Grew 27% and Surpass R$107 Million

Banco Votorantim attained R$107.8 billion in total assets at the end of December, an increase of 27.1%, in relation to December 2009. The loan portfolio boosted growth with its 33.9% expansion, especially the portfolio of loans to individuals, which improved 41.8% over December 2009 levels. The vehicle financing portfolio, by itself, had a production of R$7.8 billion in 4Q10. That performance made BV Financeira repeatedly break its own historical records, contributing to the market share growth in production of vehicle financing, which exceeded 22% in the last quarter.

Banco Votorantim – Equity Highlights
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>% On Dec/09</th>
<th>% On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>84,801</td>
<td>112,131</td>
<td>107,818</td>
<td>27.1</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Securities</td>
<td>18,195</td>
<td>26,076</td>
<td>25,163</td>
<td>38.3</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Loan Portfolio</td>
<td>42,444</td>
<td>52,753</td>
<td>56,816</td>
<td>33.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Individuals</td>
<td>26,252</td>
<td>34,434</td>
<td>37,214</td>
<td>41.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Payroll Loan</td>
<td>3,348</td>
<td>4,645</td>
<td>4,947</td>
<td>47.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Vehicles Loan</td>
<td>18,677</td>
<td>25,065</td>
<td>27,656</td>
<td>48.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Leasing and Subleasing Receivables</td>
<td>3,948</td>
<td>4,443</td>
<td>4,325</td>
<td>9.5</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Other</td>
<td>278</td>
<td>280</td>
<td>286</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Businesses</td>
<td>16,193</td>
<td>18,319</td>
<td>19,602</td>
<td>21.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Working Capital</td>
<td>5,309</td>
<td>5,971</td>
<td>6,938</td>
<td>30.7</td>
<td>16.2</td>
</tr>
<tr>
<td>BNDES/Finame</td>
<td>4,918</td>
<td>6,472</td>
<td>6,981</td>
<td>41.9</td>
<td>7.9</td>
</tr>
<tr>
<td>Export Letter of Credit</td>
<td>2,699</td>
<td>2,753</td>
<td>2,319</td>
<td>(14.1)</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Other</td>
<td>3,267</td>
<td>3,124</td>
<td>3,365</td>
<td>3.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Permanent Assets</td>
<td>161</td>
<td>193</td>
<td>207</td>
<td>28.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Deposits(1)</td>
<td>24,477</td>
<td>24,236</td>
<td>23,598</td>
<td>(3.6)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>135</td>
<td>377</td>
<td>309</td>
<td>129.6</td>
<td>(77.9)</td>
</tr>
<tr>
<td>Saving Deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>22,599</td>
<td>23,087</td>
<td>22,563</td>
<td>(0.2)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Judicial</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Others</td>
<td>22,599</td>
<td>23,087</td>
<td>22,562</td>
<td>(0.2)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Money Market Borrowing</td>
<td>24,767</td>
<td>35,193</td>
<td>34,380</td>
<td>38.8</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>7,145</td>
<td>8,275</td>
<td>8,389</td>
<td>17.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

(1) Except other deposits.

Banco Votorantim – Vehicle Loan Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rate per Crop (p.m.)</td>
<td>1.7</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Average Term per Crop</td>
<td>49.1</td>
<td>52.0</td>
<td>50.8</td>
</tr>
<tr>
<td>Duration</td>
<td>48.3</td>
<td>20.5</td>
<td>22.1</td>
</tr>
<tr>
<td>Average Portfolio Term (p.y.)</td>
<td>24.3</td>
<td>22.9</td>
<td>22.5</td>
</tr>
<tr>
<td>Used Vehicles/Vehicles Portfolio – %</td>
<td>84.1</td>
<td>78.5</td>
<td>82.7</td>
</tr>
<tr>
<td>Average Vehicle Age (years)</td>
<td>5.5</td>
<td>5.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Financed Value/Asset Value – average %</td>
<td>71.2</td>
<td>74.9</td>
<td>75.3</td>
</tr>
</tbody>
</table>
Banco Votorantim – Operating and Structural Highlights

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>3,829,581</td>
<td>4,712,066</td>
<td>4,887,416</td>
</tr>
<tr>
<td>Assets Under Management – R$ million</td>
<td>18,552</td>
<td>28,556</td>
<td>31,872</td>
</tr>
<tr>
<td>Employees(1)</td>
<td>7,633</td>
<td>7,576</td>
<td>9,284</td>
</tr>
<tr>
<td>Number of Branch Offices</td>
<td>212</td>
<td>328</td>
<td>317</td>
</tr>
</tbody>
</table>

(1) Includes employees and interns.

Net Interest Income

Net Interest Income (NII) reached 1,303 million in 4Q10, recording a decrease of 9.8% over the previous quarter and a 3.8% expansion over 4Q09. In 4Q10 gross global spread was 5.1%, showing a 90 base point decrease from the previous quarter, and 110 base points over the same period in 2009.

The slight pullback in the spread compared to the previous quarter was mainly to increase the average volume of market funding, where the impact could be observed in loans, but this line was also impacted by the decrease in the volume given in last quarter.

Banco Votorantim – Net Interest Margin and Profit Margin – Quarterly

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
<th>4Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Earning Assets (AEA)</td>
<td>82,501.0</td>
<td>98,216.6</td>
<td>103,582.6</td>
</tr>
<tr>
<td>Average Interest Bearing Liabilities (AIBL)</td>
<td>74,418.7</td>
<td>87,942.7</td>
<td>92,912.3</td>
</tr>
<tr>
<td>Net Interest Gain(5)</td>
<td>1,488.0</td>
<td>1,615.4</td>
<td>1,570.6</td>
</tr>
<tr>
<td>Interest Income</td>
<td>3,102.7</td>
<td>3,680.1</td>
<td>3,799.2</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(1,614.7)</td>
<td>(2,064.7)</td>
<td>(2,228.7)</td>
</tr>
<tr>
<td>Net Interest Income Other Items(2)</td>
<td>(232.5)</td>
<td>(170.5)</td>
<td>(268.0)</td>
</tr>
<tr>
<td>NII</td>
<td>(232.5)</td>
<td>(170.5)</td>
<td>(268.0)</td>
</tr>
<tr>
<td>AIBL/AEA – %</td>
<td>90.2</td>
<td>89.5</td>
<td>89.7</td>
</tr>
<tr>
<td>Interest Rate on AEA(3)(7) – %</td>
<td>15.9</td>
<td>15.9</td>
<td>15.5</td>
</tr>
<tr>
<td>Interest Rate on AIBL(4)(7) – %</td>
<td>9.0</td>
<td>9.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Net Interest Rate(5) – %</td>
<td>6.9</td>
<td>6.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Adjusted NIM(6)(7) – %</td>
<td>7.4</td>
<td>6.7</td>
<td>6.2</td>
</tr>
<tr>
<td>NIM(7) – %</td>
<td>6.2</td>
<td>6.0</td>
<td>5.1</td>
</tr>
</tbody>
</table>

(1) Defined as interest income less interest expenses.
(2) Contains derivatives, debt assumption contracts, foreign exchange portfolio, recovery of write-offs, gold loans, credit guarantor fund, foreign exchange gain/loss abroad and other income of a financial intermediation nature.
(3) Total interest income divided by the average balance of assets generating income.
(4) Total interest expenses divided by the average balance of liabilities generating expenses.
(5) Difference between the average rate of assets generating assets and the average rate of liabilities generating expenses.
(6) Income net of interest divided by the average balance of assets generating income.
(7) Rates are annualized.
Banco Votorantim – Net Interest Margin and Profit Margin - Annual
($R million)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>3Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Earning Assets (AEA)</td>
<td>80,140.9</td>
<td>93,683.6</td>
</tr>
<tr>
<td>Average Interest Bearing Liabilities (AIBL)</td>
<td>74,167.5</td>
<td>83,913.0</td>
</tr>
<tr>
<td>Net Interest Gain(1)</td>
<td>4,926.3</td>
<td>6,214.1</td>
</tr>
<tr>
<td>Interest Income</td>
<td>11,447.0</td>
<td>13,853.2</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(6,520.6)</td>
<td>(7,639.0)</td>
</tr>
<tr>
<td>Net Interest Income Other Items(2)</td>
<td>(540.2)</td>
<td>(764.4)</td>
</tr>
<tr>
<td>NII</td>
<td>4,386.2</td>
<td>5,449.8</td>
</tr>
<tr>
<td>AIBL/AEA – %</td>
<td>92.5</td>
<td>89.6</td>
</tr>
<tr>
<td>Interest Rate on AEA(3) – %</td>
<td>14.3</td>
<td>14.8</td>
</tr>
<tr>
<td>Interest Rate on AIBL(4)(7) – %</td>
<td>8.8</td>
<td>9.1</td>
</tr>
<tr>
<td>Net Interest Rate(5) – %</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Adjusted NIM(6)(7) – %</td>
<td>6.1</td>
<td>6.6</td>
</tr>
<tr>
<td>NIM(7) – %</td>
<td>5.5</td>
<td>5.8</td>
</tr>
</tbody>
</table>

(1) Defined as interest income less interest expenses.
(2) Contains derivatives, debt assumption contracts, foreign exchange portfolio, recovery of write-offs, gold loans, credit guarantor fund, foreign exchange gain/loss abroad and other income of a financial intermediation nature.
(3) Total interest income divided by the average balance of assets generating income.
(4) Total interest expenses divided by the average balance of liabilities generating expenses.
(5) Difference between the average rate of assets generating assets and the average rate of liabilities generating expenses.
(6) Income net of interest divided by the average balance of assets generating income.
(7) Rates are annualized.

**Delinquency Descent**

Expenses of allowance for credit risk dropped 25.2% over the previous quarter and 15.3% over the same period of 2009. The indicator that measures the ratio between the allowance for loan losses over a 12-month period and the average loan portfolio in the same period showed an 80-point decrease over the previous quarter and 150 base points over the one observed at the end of 4Q09.

Improvements were observed in all main indicators measuring the loan portfolio quality. At the end of the quarter, operations with risk ranging from AA to C represented 97.2% of the portfolio, against 95.8% in the previous quarter and 95.5% in December 2009. Default rates also decreased. Past due loans were 8.4% of the portfolio, compared to 8.9% in the previous quarter and 10.6% in December 2009. The rate of operations over 90 days past due was 1.6%, a reduction of 110 base points in relation to the previous quarter, and 160 base points when compared to the same period in the previous year.

Banco Votorantim – Loan Portfolio by Level of Risk
($R million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Provision</td>
<td>Share %</td>
</tr>
<tr>
<td>AA</td>
<td>7,803</td>
<td>-</td>
<td>18.4</td>
</tr>
<tr>
<td>A</td>
<td>26,300</td>
<td>131.5</td>
<td>62.0</td>
</tr>
<tr>
<td>B</td>
<td>4,814</td>
<td>48.1</td>
<td>11.3</td>
</tr>
<tr>
<td>C</td>
<td>1,611</td>
<td>48.3</td>
<td>3.8</td>
</tr>
<tr>
<td>D</td>
<td>494</td>
<td>49.4</td>
<td>1.2</td>
</tr>
<tr>
<td>E</td>
<td>210</td>
<td>62.9</td>
<td>0.5</td>
</tr>
<tr>
<td>F</td>
<td>186</td>
<td>92.9</td>
<td>0.4</td>
</tr>
<tr>
<td>G</td>
<td>325</td>
<td>227.5</td>
<td>0.8</td>
</tr>
<tr>
<td>H</td>
<td>701</td>
<td>701.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>42,444</td>
<td>1,362.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Add. Allow.</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total Allow.</td>
<td>1,362</td>
<td>1,542</td>
<td></td>
</tr>
<tr>
<td>AA-C</td>
<td>40,529</td>
<td>228</td>
<td>95.5</td>
</tr>
<tr>
<td>D-H</td>
<td>1,915</td>
<td>134</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Strategic Investments 469
Commercial Income

Commercial income, which, in addition to Net Interest Income and provision expenses, includes income from fees, administrative expenses and tax expenses, recorded a 14.5% decrease over the previous quarter and 13.6% over 4Q09.

The income from fees included in the Income Statement with Reallocations (not comprising fees somehow related to loan operations, which are reclassified to Net Interest Income) showed a 112.7% expansion over 3Q10. In the comparison with 4Q09, tariff income had a 60.3% expansion.

Regarding the administrative expenses, a growth of 8.7% over the previous quarter and 16.3% over 4Q09. In the comparison with the previous quarter, personnel expenses grew by 6.3% and other administrative expenses by 11.9%. In relation to 4Q09, the growth of personnel expenses was 40.3%, whereas other administrative expenses showed a slight 1.9% drop.

Part of the growth in Banco Votorantim’s expenses is explained by its entering into new business segments, as that involves, for instance, the hiring of personnel and specialized consulting companies. BV’s entry into the middle market segment (medium and large-sized companies, excluding corporate companies) and one evidence of that situation is the establishment of teams for extending payroll-deduction loans in BB self-service rooms.

In addition, BV has also been going through a stage of intense growth in its operations, which by itself entails higher expenses for personnel, rental, communications and data processing.

The hiring of personnel to increase retail loan requests, expand the commercial area, and adjust internal areas to a new governance standard generates an immediate increase in administrative expenses, but it is mandatory to sustain the bank’s future growth and resulting value creation. We also emphasize BV’s expressive growth in loan requests, especially after the strategic partnership with BB. The loan portfolio, even after discounting the portfolio assignments to Banco do Brasil, expanded 7.7% in relation to the previous quarter and 33.9% in relation to December 2009.

Activities in the State of São Paulo

With the purpose of expanding business in São Paulo, Banco do Brasil acquired Banco Nossa Caixa shareholding control and created a statutory board for managing business strategies related to that state. These two events point to a new stage in Banco do Brasil’s activities in São Paulo. BB became the first institution in the state in branch offices, in addition to gaining expressive market shares in a number of lines of business.

The Distribution Management area in São Paulo concentrates on Individuals, Legal Entities, and Government, by means of its branch networks separated into Retail, High Income, and Government in São Paulo. This new structure is intended to manage and integrate BB in the state, by virtue of the specifics and relevance of the São Paulo market.

In the case of Banco Nossa Caixa, Banco do Brasil is
working to capture important synergies by integrating operations. Customers from the former institution had access to a broader portfolio of services and to a relationship model. The new BB customer service model in São Paulo entailed, for instance, the hiring of approximately 1,150 new employees to operate in this area. The number of module managers at the branches increased from 1,244 in November 2009 to 1,991 last July. The number of tellers at the branches increased from 1,530 to 2,465 in the same period. In addition, 748 BNC employees migrated from in-house BNC bodies to the branch network.

In the business area, BNC clients were allowed to enter into Direct Consumer Credit (CDC) operations, including payroll loans, at alternative service channels, such as ATMs, the Internet and Mobile Banking. The MSEs (Micro and Small Enterprises), which had only 8 credit lines at their disposal prior to the merger, started to rely on 27 lines. Another business highlight is the insurance operations. With the exposure to new insurance lines, this segment’s portfolio reached R$216.9 million in 2010, against R$1.2 million in 2009, figures which only consider BNC clients.

 Besides, there were a replacement of BNC cards by an Ourocard Nossa Caixa card with chip, implementation of a syllabic code, reducing by 90% losses due to frauds. Also, we carried out the total integration of systems with regard to Investment Funds, Time and Court Deposits, Money Transfers, Foreign exchange, Payments and Loans and Financing, and migration of the entire branch network to the BB platform.

We show below BB’s progress in numbers in the state of São Paulo, solely with regard to business generated by the São Paulo Distribution Management. It is worth mentioning that the figures do not include Banco Votorantim credit portfolio.

### Deposits in the State of São Paulo

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>113,223</td>
<td>120,108</td>
<td>127,418</td>
<td>12.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Demand</td>
<td>13,262</td>
<td>13,509</td>
<td>15,222</td>
<td>14.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Savings</td>
<td>23,827</td>
<td>26,436</td>
<td>27,380</td>
<td>14.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Time</td>
<td>29,934</td>
<td>31,283</td>
<td>33,984</td>
<td>13.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Judicial</td>
<td>28,077</td>
<td>30,099</td>
<td>31,327</td>
<td>11.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Other</td>
<td>18,122</td>
<td>18,781</td>
<td>19,505</td>
<td>7.6</td>
<td>3.9</td>
</tr>
</tbody>
</table>

### Chg. %

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judicial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Partnership with BV also does not compose the following tables. As from 3Q10, upon the final integration of the credit systems of the two institutions, the payroll loan line ceased to include the amount corresponding to the payroll loan portfolio acquired from BNC, which explains the reduction in the balance observed this quarter. In June 2010, there were payroll loans acquired from BNC amounting to R$4,318 million. The sharp drop in the caption "Other", mainly in the Individual Consumer Portfolio, is due to an improvement in the classification of products, a fact which also partially explains the significant increase in personal loan lines.

### Loan Operations in the State of São Paulo
(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>On Dec/09</th>
<th>On Sep/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individuals</strong></td>
<td>23,670</td>
<td>20,526</td>
<td>20,941</td>
<td>(11.5)</td>
<td>2.0</td>
</tr>
<tr>
<td>Payroll Loan</td>
<td>14,068</td>
<td>10,279</td>
<td>10,784</td>
<td>(23.3)</td>
<td>4.9</td>
</tr>
<tr>
<td>Consumer Finance</td>
<td>3,181</td>
<td>2,727</td>
<td>3,787</td>
<td>19.1</td>
<td>38.8</td>
</tr>
<tr>
<td>Mortgage</td>
<td>1,028</td>
<td>1,287</td>
<td>1,416</td>
<td>37.8</td>
<td>10.0</td>
</tr>
<tr>
<td>Vehicles Loan</td>
<td>103</td>
<td>87</td>
<td>81</td>
<td>(20.9)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Credit Card</td>
<td>1,413</td>
<td>2,353</td>
<td>2,743</td>
<td>94.1</td>
<td>16.6</td>
</tr>
<tr>
<td>Overdraft Accounts</td>
<td>453</td>
<td>907</td>
<td>771</td>
<td>70.4</td>
<td>(15.0)</td>
</tr>
<tr>
<td>Other</td>
<td>3,426</td>
<td>2,885</td>
<td>630</td>
<td>(81.6)</td>
<td>(78.2)</td>
</tr>
<tr>
<td><strong>Businesses</strong></td>
<td>41,008</td>
<td>46,546</td>
<td>48,406</td>
<td>18.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Working Capital</td>
<td>16,780</td>
<td>22,386</td>
<td>22,502</td>
<td>34.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Investment</td>
<td>6,784</td>
<td>6,196</td>
<td>7,229</td>
<td>6.6</td>
<td>16.7</td>
</tr>
<tr>
<td>Receivables</td>
<td>6,562</td>
<td>7,798</td>
<td>8,225</td>
<td>25.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Pre-Approved Credit</td>
<td>3,120</td>
<td>3,225</td>
<td>3,345</td>
<td>7.2</td>
<td>3.7</td>
</tr>
<tr>
<td>ACC/ACE</td>
<td>3,600</td>
<td>3,836</td>
<td>3,860</td>
<td>7.2</td>
<td>0.6</td>
</tr>
<tr>
<td>BNDES Exim</td>
<td>2,033</td>
<td>1,354</td>
<td>1,271</td>
<td>(37.5)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>541</td>
<td>863</td>
<td>1,080</td>
<td>99.5</td>
<td>25.1</td>
</tr>
<tr>
<td>Overdraft Account</td>
<td>41</td>
<td>109</td>
<td>90</td>
<td>120.7</td>
<td>(17.7)</td>
</tr>
<tr>
<td>Other</td>
<td>1,547</td>
<td>779</td>
<td>803</td>
<td>(48.1)</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Agribusiness</strong></td>
<td>14,225</td>
<td>18,602</td>
<td>18,657</td>
<td>31.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Individuals</td>
<td>4,303</td>
<td>4,538</td>
<td>4,670</td>
<td>8.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Companies</td>
<td>9,922</td>
<td>14,064</td>
<td>13,987</td>
<td>41.0</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>78,902</td>
<td>85,674</td>
<td>88,004</td>
<td>11.5</td>
<td>2.7</td>
</tr>
</tbody>
</table>

(1) Include CDC Salário (Consumer Finance Backed by Direct Deposits).

### Internationalization

In November 2007, Banco do Brasil was licensed by Banco Central do Brasil to open three new companies in the United States: one for money transfers (BB Money Transfer), a retail bank (Banco do Brasil Federal Savings Bank), and a holding company (BB USA Holding Company), intended to provide basic financial services to Brazilians living in the US, such as: Transfers, deposits, investments, credit cards, among others.

2009 reflected an intensified trend to internationalize BB’s business. On January 15, 2009 the first international unit for administrative services was opened, the BB USA Servicing Center located in Florida, USA, with the aim of centralizing and rationalizing back-office services in the units located in the United States.

BB Money Transfers began operating in June by providing money transfer services to Brazil, focused on assisting Brazilian immigrants in that country. BB Money Transfers operates by means of accredited agents and has currently 69 points of assistance in five US states.

In August 2009 the Bank inaugurated its representation office in Montevideo, Uruguay, one of the key objectives being to provide service and financial intermediation solutions, to increase two-way trade between Brazil and Uruguay, and to provide consultancy to Brazilian companies in Uruguay and to Uruguayan companies that do business with Brazil.
On 04.13.2010, the North-American Central Bank – FED (“The Board of Governors of the Federal Reserve System”) granted Banco do Brasil the status of "Financial Holding Company". The Bank was accorded this status after a minute analysis of major factors determined by the US banking legislation, among which is the Bank’s saving bonds level and the quality of its management, besides considering quality of bank supervision, performed in the Brazilian Central Bank. This qualification will make it possible for Banco do Brasil, if it is in its interest, to perform banking activities in the US territory, either by itself or through its subsidiaries, under the same conditions as US banks.

**Strategy**

BB’s Board of Directors approved among other corporate directives that the Bank should increase its international business and support Brazilian international companies.

In this regard, the Bank’s strategic overseas positioning was aimed at wholesale and retail activities in favor of Brazilian immigrant communities, in funding Brazilian companies with businesses involving foreign trade and acting in the capital market. The conglomerate’s actions are aimed at intensifying relations with international financial institutions, economic agents, and governments, in support of implementing transnational and binational projects.

Simultaneously with strategic guidelines, the Bank has focused efforts in continuing to be Brazil’s overseas partner with capillarity to assist its customers everywhere, with the purpose of being the first bank for Brazilians at home and overseas.

**Banco Patagonia**

On November 3, 2010, Banco do Brasil submitted a notice to the market announcing that the Brazilian Central Bank (Bacen) had approved the acquisition, by BB, of the shares representing 51% of the capital of Banco Patagonia. Bacen also authorized BB to increase its holding in Banco Patagonia to 75% of total capital, as a result of a tender offer for shares (OPA).

On February 3, 2011, Banco Central de La Republica Argentina approved the sale, to BB, of 51% of the capital of Banco Patagonia, and, therefore, the only authorization pending now is from Comisión Nacional de Defensa de la Competencia da Argentina in order for this transaction to be concluded.

We list below a selection of equity and structural indicators for Banco Patagonia, and income figures.

**Banco Patagonia – Income Statement Highlights**  
(*R$ million*)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Flow</th>
<th>Chg. %</th>
<th>Annual Flow</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q09</td>
<td>3Q10</td>
<td>4Q10</td>
<td>On 4Q09</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>108</td>
<td>150</td>
<td>147</td>
<td>35.5</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>1</td>
<td>9</td>
<td>5</td>
<td>517.4</td>
</tr>
<tr>
<td>Fee income</td>
<td>43</td>
<td>54</td>
<td>56</td>
<td>31.9</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>77</td>
<td>99</td>
<td>104</td>
<td>34.3</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>53.8</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>77</td>
<td>98</td>
<td>100</td>
<td>30.2</td>
</tr>
<tr>
<td>Taxes</td>
<td>16</td>
<td>38</td>
<td>35</td>
<td>113.7</td>
</tr>
<tr>
<td>Net Income</td>
<td>61</td>
<td>60</td>
<td>66</td>
<td>7.9</td>
</tr>
</tbody>
</table>
### Banco Patagonia – Equity Highlights

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>4,595</td>
<td>5,050</td>
<td>6,144</td>
<td>33.7</td>
</tr>
<tr>
<td>Loan Operations</td>
<td>2,019</td>
<td>2,673</td>
<td>3,137</td>
<td>55.4</td>
</tr>
<tr>
<td>Exposure to Public Sector</td>
<td>4</td>
<td>29</td>
<td>38</td>
<td>826.6</td>
</tr>
<tr>
<td>Deposits</td>
<td>3,114</td>
<td>3,671</td>
<td>4,401</td>
<td>41.3</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>847</td>
<td>836</td>
<td>884</td>
<td>4.3</td>
</tr>
</tbody>
</table>

### Banco Patagonia – Operating and Structural Highlights

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>784,439</td>
<td>793,979</td>
<td>784,151</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Bank Branches</td>
<td>138</td>
<td>141</td>
<td>142</td>
<td>2.9</td>
</tr>
<tr>
<td>Branches in Buenos Aires</td>
<td>74</td>
<td>76</td>
<td>76</td>
<td>2.7</td>
</tr>
<tr>
<td>Service Points</td>
<td>155</td>
<td>163</td>
<td>164</td>
<td>5.8</td>
</tr>
<tr>
<td>Employees</td>
<td>2,660</td>
<td>2,864</td>
<td>2,929</td>
<td>10.1</td>
</tr>
</tbody>
</table>

### Banco Patagonia – Return, Capital and Loan Ratios

<table>
<thead>
<tr>
<th></th>
<th>Dec/09</th>
<th>Sep/10</th>
<th>Dec/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity</td>
<td>26.8%</td>
<td>22.7%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Capital Adequacy Ratio (Basel)</td>
<td>36.0%</td>
<td>26.5%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Provisions/Past Due Loans (+90 days)</td>
<td>129.9%</td>
<td>160.1%</td>
<td>167.6%</td>
</tr>
<tr>
<td>Past Due Loans (+90 days)/Loan Portfolio</td>
<td>2.4%</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

### Business in Progress

#### Mapfre Partnership

On May 5th, 2010, by means of its wholly-owned subsidiary BB Seguros Participações S.A., Banco do Brasil and the insurance group Mapfre entered into a partnership agreement to form a strategic alliance in the field of personal insurance, casualties, and vehicles effective over 20 years.

Pursuant to this agreement, two privately owned holding companies will be organized, under the Mapfre group's control of the voting shares and jointly managed. In order to equalize the intended shareholding in both holding companies that will be organized, BB Seguros will pay in a sum of R$295 million.

The Mapfre group has 122 own branches and over 10 thousand active brokers, 18 territorial senior managements, and 15 million customers throughout the world. In 2009 it profited R$364.4 million, and had R$4.4 billion in revenues in Brazil.

#### Ownership Interest in IRB-Brasil Re

When an insurance company enters into an insurance agreement in excess of its financial capacity, it has to transfer this risk, or a portion of it, to a reinsurance company. Reinsurance is a common practice all over the world as a mean to mitigate risk, safeguarding the stability of insurance companies and ensuring the payment of the claim to the insured party.

IRB-Brasil Re (IRB) is the largest reinsurance group in Latin America, with assets of R$10.4 billion, issued premiums of R$2.9 billion and retained premiums of R$1.6 million as of 2009. The Federal Government holds 100% of the common shares of IRB and 50% of total capital.
In order to supplement the operations of its insurance companies and to proceed with the restructuring of the sector, BB proposed to start negotiations with no binding effect, which was accepted by the Federal Government through the Ministry of Finance, for the acquisition of an ownership interest, in compliance with the regulations in effect and the terms and conditions inherent to transactions of this nature, namely the obtaining of all the previous authorizations required.

The next step shall be the beginning of the economic and financial evaluation and the performance of a due diligence at IRB by a specialized firm.

### Strategic Alliance with the Icatu Group

In order to form a strategic alliance to develop and sell saving bonds businesses in the Brazilian market, a Memorandum of Understanding was signed between BB and the Icatu Group on January 6, 2010.

The businesses between the two institutions will be integrated in order to eliminate competition between the partners. Accordingly, the corporate structure will be revised, as shown in the table below:

#### Review of the Corporate Structure

<table>
<thead>
<tr>
<th></th>
<th>Current % – Common</th>
<th>Future % – Common</th>
<th>% – Preferred</th>
<th>% – Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Seguros</td>
<td>49.99</td>
<td>49.99</td>
<td>100.00</td>
<td>74.995</td>
</tr>
<tr>
<td>Icatu</td>
<td>16.67</td>
<td>50.01</td>
<td>-</td>
<td>25.005</td>
</tr>
<tr>
<td>SulAmérica</td>
<td>16.67</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aliança da Bahia</td>
<td>15.80</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minoritários</td>
<td>0.87</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Strategic Alliance with Odontoprev

Proceeding with the corporate restructuring process of its insurance area, BB released a notice to the market on August 8, 2010 announcing the execution of a memorandum with no binding effect with Odontoprev, Bradesco Seguros and ZNT Empreendimentos, for the purpose of forming a strategic partnership to develop and sell products of the dental care line.

The partnership provides for the creation of a company, in which BB will retain a 75% interest in total capital (49.99% of voting capital) and BB Seguros will indirectly participate by holding 10% of the total capital of Odontoprev. The same studies address the making available, on an exclusive basis, of the BB distribution channels for selling the dental care line products arising from the strategic partnership, for a 10-year period, as well as the contracting of dental care plans for employees and dependents of Banco do Brasil.

On November 11, 2010, the first Agreement for Dental Care Plan Operations with OdontoPrev was entered into. The aim is to provide dental plans to around 260 thousand beneficiaries, including employees of BB and their direct dependents as of November 19, 2010. It is also important to note that the conclusion of the stages subsequent to the negotiations and execution of the binding documents between BB Seguros Participações S.A., OdontoPrev S.A., Bradesco Saúde S.A. e ZNT Empreendimentos, Comércio e Participações Ltda. is still awaited.

OdontoPrev is a leader among the companies of the dental care segment, and has been operating for 23 years, serving over 4.4 million people through the business lines in which it operates and with a broad network of approximately 25 thousand accredited clinics all over Brazil.

### Partnership between BB, Bradesco and CEF – Cards

In order to develop a new business model in the Brazilian card market, Banco do Brasil and Banco
Bradesco started negotiations on April 4, 2010 to form a partnership in the card segment. On August 9, 2010, the execution of a memorandum was announced, with no binding effect, aiming at including Caixa Econômica Federal – CEF and Caixa Participações in the business model under development.

The new agreement announced provides for the intention of studying the possibility of increasing CEF’s ownership interest in Cielo and proceeding with the negotiations concerning a potential participation of this bank in an ATM sharing project.

The objective of the partnership is integrating part of card operations of the companies, as well as launching a Brazilian credit, debit and prepaid cards for account and non-account holders, and jointly establishing new business for private label cards (cards offered to non-account holders, via retail partners).

The operation will create a new Holding, called Elo, which will integrate and manage partnership’s business. For this purpose, three actions are anticipated: the creation of Elo Banco, responsible for the banking businesses (credit and debit) and agreements with future retail partners for the issue of private label cards; Elo Vale and Elo Promotora, responsible for the management of services, solutions in prepaid cards and promotion of the trademark, and the third pillar which will consolidate the ownership interests in Cielo.

**BB – Oi – Cielo Partnership**

On September, 29, 2010, Banco do Brasil announced a partnership with Tele Norte Leste Participações S.A., Telemar Norte Leste S.A., Brasil Telecom S.A. and Cielo S.A., the aim of which is to form a business partnership for the issue of co-branded and prepaid credit cards, in addition to other payment means in the traditional format, or which make use of the Mobile Payment technology for the current and future customer base of Oi and Paggo Administradora, sharing the knowledge and expertise each party has in its business area, with a focus on the expansion and loyalty of their respective customer bases.

The partnership will enable the issue of the co-branded and prepaid cards featuring a national and/or international brand name.

**Partnership between BB, Bradesco and BES**

Banco do Brasil, Bradesco and Banco Espirito Santo (BES) in Portugal started to hold negotiations to form a strategic partnership to operate in the African Continent. Banco Espirito Santo S.A., headquartered in Lisbon, is the second largest private bank in Portugal and carries out operations in 18 countries of four continents.

The negotiations involve the participation of the banks in a financial holding company which would consolidate the current operations of BES in Africa. In addition, the Holding Company can coordinate future investments in the acquisition of ownership interests in other banks, as well as the establishment of own operations in Africa, favoring the participation of BB in a growing market which is drawing the interest of a number of Brazilian companies. The completion of this transaction is subject to the carrying out of technical, legal and financial studies, the satisfactory negotiation of the final documents and the fulfillment of the applicable legal and regulatory requirements in each country. This partnership was disclosed through a Material Event Notice on August, 9, 2010.
### Financial Statements

#### Summarized Balance Sheet

**Balance Sheet – Assets**

(R$ million)

<table>
<thead>
<tr>
<th></th>
<th>Mar/09</th>
<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
<th>Sep/10</th>
<th>Dec/10</th>
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<tbody>
<tr>
<td>Assets</td>
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<td>598,839</td>
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*Adjusted series since June 2007, concerning the CMN Resolution # 3,535, of 08.31.2008. For further information see Presentation.
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<th>Jun/09</th>
<th>Sep/09</th>
<th>Dec/09</th>
<th>Mar/10</th>
<th>Jun/10</th>
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<td><strong>Current and Long-term Assets</strong></td>
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<td>Savings Deposits</td>
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<td>69,011</td>
<td>72,327</td>
<td>75,742</td>
<td>78,719</td>
<td>81,541</td>
<td>85,703</td>
<td>89,288</td>
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<td>7,459</td>
<td>9,627</td>
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<td>10,749</td>
<td>10,436</td>
<td>11,216</td>
<td>18,998</td>
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<td>Time Deposits</td>
<td>178,487</td>
<td>185,072</td>
<td>194,707</td>
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<td>197,934</td>
<td>192,715</td>
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<td><strong>Savings Deposits</strong></td>
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*Adjusted series since June 2007, concerning the CMN Resolution # 3,535, of 08.31.2008. For further information see Presentation.
### Summarized Corporate Law Income Statement

#### (R$ million)

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<td>2,725</td>
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# Income Statement with Reallocation

**Financial Intermediation Income**

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**Financial Intermediation Expenses**

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<td>(483)</td>
<td>(593)</td>
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<td>(997)</td>
<td>(732)</td>
<td>(841)</td>
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<td>Res. From Insurance, Pension Plan and Savings Bonds</td>
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<td>392</td>
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<td>440</td>
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<td>491</td>
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**Commercial Income**

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**Operating Income**

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<td>2,725</td>
<td>2,625</td>
<td>4,002</td>
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</table>
Vice-presidency of Finance, Capital Markets and Investor Relations

Vice-president
Ivan de Souza Monteiro

Investor Relations Manager
Gilberto Lourenço da Aparecida

Executive Manager
Gisele Campana Rodrigues

Divisional Managers
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Eduardo Amaral Pilenghi
Carla Sarkis Teixeira

Analysts
Alfredo Tertuliano de Carvalho
Bruno Pio de Abreu Travassos
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Carlos Vieira do Nascimento
Daniel Henrique Sousa Diniz
Danilo de Melo Farias
Domingos Pereira dos Santos Neto
Elias Santos Lima
Fabiola Lopes Ribeiro
Glauco Ribeiro Barbirato Tavares
Hilzenar Souza Alves da Cunha
Janaina Marques Storti
Joabel Martins de Oliveira
Leonardo Resende Nader
Marcelo de Campos e Silva
Marcone Edson de Vasconcelos Formiga Filho
Mariana Reschke da Cunha
Rafael Augusto Sperendio
Raquel Castelo de Carvalho Ferrari
Toni Rudi Schmitz