



MD&A
4Q18

This report makes references and statements, planned synergies, growth estimates, earnings and strategies projections regarding Banco do Brasil's Conglomerate. Such statements are based on current expectations, estimates and projections of management about future events and financial trends that may affect the business of the Group.

These forward looking statements are not guarantees of future performance and involve risks and uncertainties that could extrapolate the control of management, and thus can result in balances and values different from those anticipated and discussed in this report. The expectations and projections depend of the market conditions (technological changes, competitive pressures on products, prices, etc.), the macroeconomic performance of the country (interest and exchange rates, political and economic changes, inflation, changes in tax legislation, etc.) and international markets.

Future expectations based in this report should consider the risks and uncertainties about the business of the Group. Banco do Brasil has no responsibility to update any estimate contained in reports published in previous periods.

The tables and charts in this report show, in addition to the accounting balances and values, financial and managerial numbers. The changes of relative rates are calculated before rounding procedure in million of R\$. Rounding used follows the rules established by Resolution 886/66 of IBGE's Foundation: if the decimal number is equal or greater than 0.5, it increases by one unit, if the decimal number is less than 0.5, there is no increase.

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Presentation

The Management Discussion and Analysis Report (MD&A) presents Banco do Brasil's economic/financial situation. Addressed to market analysts, stockholders and investors with quarterly periodicity. The reader will find tables with historical series (up to eight periods) of the Summarized Balance Sheet, Income Statement with Reallocations, besides information about profitability, productivity, loan portfolio quality, capital structure, capital market, and structural data.

At the end of this report, a historical series summary, the Financial Statements and the Notes to the Financial Statements will be presented. All the documents are available at Investor Relations website (www.bb.com.br/ir).

On-line Access

The Management Discussion and Analysis report can also be read through Banco do Brasil's Investor Relations website. Further information about BB is also available there, such as: Corporate Governance, news, frequently asked questions and a Download center.

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2018 Guidance

We present below the 2018 Guidance and its comparison with the accomplished until the end of 2018. The loan portfolio performance is measured by comparing 12 month balances. The Adjusted Net Income and ALLL Expenses are accumulated during the fiscal year. The performance of Net Interest Income, Fee Income and Administrative Expenses is measured in relation to the same period of the previous year.

Table 1. 2018 Guidance

	2018 Guidance	2018 Performance	
Adjusted Net Income - R\$ billion	11.5 to 14	13.5	✓
NII - %	-6.5 to -5.0	-5.8	✓
Organic Domestic Loan Portfolio - Expanded View - %	1 to 4	3.0	✓
Individuals - %	4 to 7	7.5	✓
Companies - %	-3 to 0	-1.4	✓
Rural Loans - %	4 to 7	6.1	✓
Net ALLL Expenses - R\$ billion	-16.0 to -14.0	-14.2	✓
Fee Income - %	4 to 7	5.8	✓
Administrative Expenses - %	1 to 4	0.6	✓

By the end of 2018, the following indicators were different from the expected:

- Individuals Loan Portfolio: as a result of growth in lines with the best Risk and Return relation.
- Administrative Expenses: as a result of continuous efficiency management.

Table 2. Loan Portfolio

R\$ million	Balance						Chg. %	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Organic Domestic Loan Portfolio - Expanded View	630,314	100.0	640,993	100.0	649,335	100.0	3.0	1.3
Individuals	177,387	28.1	184,859	28.8	190,770	29.4	7.5	3.2
Companies	293,253	46.5	289,374	45.1	289,183	44.5	(1.4)	(0.1)
Rural Loans	159,674	25.3	166,760	26.0	169,382	26.1	6.1	1.6

Table 3. NII and ALLL Expenses

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
NII	12,820	12,578	12,490	(2.6)	(0.7)	52,706	49,625	(5.8)
Net ALLL Expenses	(3,909)	(3,226)	(3,168)	(19.0)	(1.8)	(20,094)	(14,221)	(29.2)
ALLL Expenses	(5,637)	(4,858)	(4,788)	(15.1)	(1.4)	(25,265)	(20,229)	(19.9)
Recovery of Write-offs	1,728	1,632	1,620	(6.2)	(0.7)	5,172	6,008	16.2

2019 Guidance

We present below the 2019 Guidance. The methodology for calculating the **Loan Portfolio** and **Administrative Expenses** was changed as follows:

- Loan Portfolio: As of 2019, the balance of the Companies portfolio will not contain operations with Government. The table below shows the performance of the loan portfolio in 2018 without the balance of these operations.

R\$ million	SalDOS						Var. %	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Organic Domestic Loan Portfolio - Expanded View	589,528	100.0	595,139	100.0	604,419	100.0	2.5	1.6
Individuals	177,387	30.1	184,859	31.1	190,770	31.6	7.5	3.2
Companies - Ex Government	252,467	42.8	243,520	40.9	244,267	40.4	(3.2)	0.3
Rural Loans	159,674	27.1	166,760	28.0	169,382	28.0	6.1	1.6

- Administrative Expenses: The composition of Administrative Expenses was changed to reflect reclassification of balances between Other Administrative Expenses and Other Operating Expenses lines. The table below shows the performance of the Administrative Expenses and Other Operating Expenses if the historical series were revised to reflect the reclassification:

R\$ million	Quarterly Flow - 2017				Quarterly Flow - 2018			
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Administrative Expenses	(7,456)	(7,546)	(7,560)	(7,906)	(7,432)	(7,732)	(7,593)	(7,923)
Personnel Expenses	(4,676)	(4,816)	(4,679)	(4,804)	(4,751)	(5,034)	(4,765)	(4,970)
Other Administrative Expenses	(2,780)	(2,730)	(2,880)	(3,101)	(2,681)	(2,698)	(2,828)	(2,953)
Other Operational Expenses	(3,251)	(3,227)	(3,301)	(3,452)	(2,879)	(3,187)	(3,155)	(2,465)

The results depend on market conditions and the Brazilian and international economic performance, which may affect the effective performance compared to that present in our estimates.

Table 4. 2019 Guidance

	2018 Guidance
Adjusted Net Income - R\$ billion	14.5 to 17.5
NII - %	3.0 to 7.0
Loan Portfolio ⁽¹⁾ ⁽²⁾ - %	3.0 to 6.0
Individuals - %	7.0 to 10.0
Companies ⁽²⁾ - %	0 to 3.0
Rural Loans - %	3.0 to 6.0
Net ALLL Expenses - R\$ billion	-14.5 to -11.5
Fee Income - %	5.0 to 8.0
Administrative Expenses - %	2.0 to 5.0

1 – Organic Domestic Loan Portfolio with private securities and guarantees.

2 - Government operations not included.

The forecasts for 2019 have been prepared based on the following assumptions:

Assumptions influenced by management

- Current business model maintenance;
- Prioritize businesses with better risk/return relation, adjusting profitability to sustainable levels, adding value to the shareholder;
- Focus on relationship, seeking to be the main solution provider, in order to enhance the customer experience and the Bank's results;
- Digital service model intensification, with investments in the operational structure rationalization;
- Adjustments in contracts with suppliers and collective bargaining agreement (ACT) aligned with the market practices.

Assumptions that are not under management control

- National and international regulatory changes in the financial market;
- Moderate world economy growth;
- Current domestic macroeconomic policy structure maintenance: floating exchange rate, inflation targets and fiscal discipline;
- Gradual reduction in the unemployment level;
- Domestic economy (GDP) continuous recovery.

Earnings Summary

Adjusted Net Income of R\$13.5 billion in 2018

Banco do Brasil delivered R\$13.5 billion in 2018, an increase of 22.2% over 2017. This performance was primarily due to the decrease in ALLL, increase in fee income over inflation, and the administrative expenses growth below inflation. The ROE grew to 13.9%, from 12.3% in 2017, strengthening the commitment to increase profitability. In the quarter, the ROE was 16.3%.

Table 5. Net Income – R\$ million

R\$ million				Chg. %				Chg. %
	4Q17	3Q18	4Q18	On 4Q17	On 3Q18	2017	2018	On 2017
Net Interest Income	12,820	12,578	12,490	(2.6)	(0.7)	52,706	49,625	(5.8)
Net Allowance for Loan Losses	(3,909)	(3,226)	(3,168)	(19.0)	(1.8)	(20,094)	(14,221)	(29.2)
ALLL Expenses - Credit Risk	(5,637)	(4,858)	(4,788)	(15.1)	(1.4)	(25,265)	(20,229)	(19.9)
Credit Recovery	1,728	1,632	1,620	(6.2)	(0.7)	5,172	6,008	16.2
Net Financial Margin	8,911	9,352	9,322	4.6	(0.3)	32,613	35,404	8.6
Fee income	6,735	6,871	7,236	7.4	5.3	25,941	27,452	5.8
Contribution Margin	14,396	15,109	15,399	7.0	1.9	53,553	58,267	8.8
Administrative Expenses	(8,236)	(7,916)	(8,220)	(0.2)	3.8	(31,787)	(31,966)	0.6
Commercial Income	6,031	7,062	7,052	16.9	(0.1)	21,264	25,761	21.1
Other Operating Income	32	232	773	2,288.6	233.5	21	1,481	-
Income Before Taxes	5,475	6,016	6,604	20.6	9.8	18,750	23,319	24.4
Income and Social Contribution Taxes	(1,476)	(1,832)	(1,989)	34.8	8.6	(4,604)	(6,696)	45.4
Corporate Profit Sharing	(412)	(432)	(488)	18.4	12.9	(1,436)	(1,715)	19.4
Adjusted Net Income	3,188	3,402	3,845	20.6	13.0	11,060	13,513	22.2
One-Off Items	(80)	(227)	(42)	(47.7)	(81.6)	(49)	(651)	-
Net Income	3,108	3,175	3,803	22.3	19.8	11,011	12,862	16.8
Market ROE - %	14.5	14.3	16.3			12.3	13.9	
Shareholders' ROE - %	16.0	15.7	17.8			13.6	15.1	

The ROE methodologies are presented in the Glossary.

Market Indicators

The increase in the adjusted earnings per share stands out, with an increase from R\$3.97 in 2017 to R\$4.85 in 2018.

Table 6. Market Indicators

	4Q17	4Q18	2017	2018	2019 E ¹	2020 E ¹
Earnings per Share - R\$	1.10	2.45	3.91	4.54	5.67	6.57
Adjusted Earnings per Share - R\$	1.14	1.38	3.97	4.85	5.59	6.40
Dividend Yield ² - %	3.64	3.99	3.64	3.99	4.15	5.12
Price/Earnings 12 months	8.05	10.07	8.05	10.07	9.33	8.15
Price/Book Value	0.90	1.27	0.90	1.27	1.32	1.22

¹ Bloomberg estimate, on February, 13, 2019/5p.m, based on the average projections of market analysts. BB takes no responsibility for this information.

² Dividends and Interest on Shareholders' Equity (12 months) / Market Capitalization.

Net Interest Income

As from 1Q18, the Net Interest Income (NII) is presented without considering the recovery of written of credits, which is now shown as a result of the ALLL. The series was reprocessed from the 1Q14.

The NII's main changes in the quarter were:

- I Increase of R\$63 million in revenues from credit operations, mainly due to the increase of individuals loan portfolio.
- II Funding expenses were affected by the increase in the interest rate in Argentina, which increased Banco Patagonia's time deposits expense by R\$177 million, offset by Securities result. Institutional funding expenses decreased by R\$158 million, driven by the impact of instruments issued abroad expenses, such as subordinated perpetual bonds, securities and subordinated debt issued abroad, which decreased due to the appreciation of the average exchange rate in 4Q18, as well as the decrease of these funding balance.
- III Treasury income was affected negatively by the result with financial derivatives and securities mark to market.

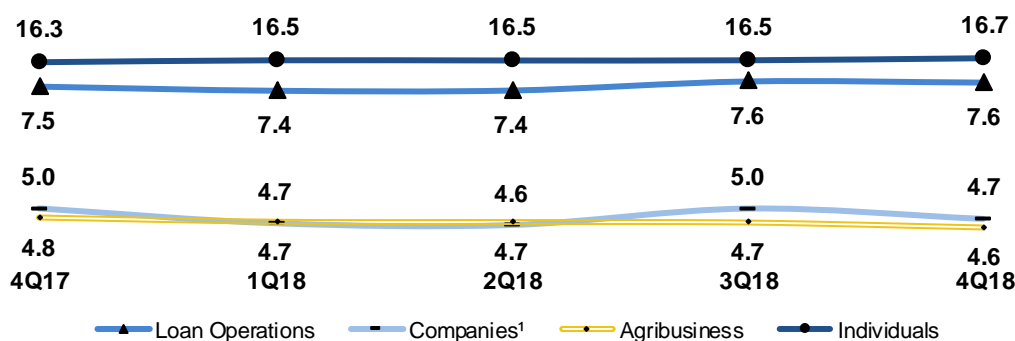
Table 7. NII – R\$ Million and NIM (%)

R\$ million	Quarterly Flow		Chg. %		Annual Flow		Chg. %	
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Net Interest Income	12,820	12,578	12,490	(2.6)	(0.7)	52,706	49,625	(5.8)
Loan Operations income	19,532	18,390	18,452	(5.5)	0.3	86,342	73,683	(14.7)
Funding Expenses	(6,469)	(6,190)	(6,437)	(0.5)	4.0	(32,441)	(24,594)	(24.2)
Financial Expense for Institutional Funding ¹	(2,823)	(2,734)	(2,576)	(8.8)	(5.8)	(12,426)	(10,887)	(12.4)
Treasury Income ²	2,580	3,112	3,051	18.3	(2.0)	11,232	11,422	1.7
NIM - %³	4.2	3.9	4.0	-	-			
Risk Adjusted NIM	2.9	2.9	3.0					

1 - It includes senior bonds, subordinated debt, and Hybrid Instruments in Brazil and abroad;

2 - It includes the result from interest, tax hedging, derivatives, and other financial instruments that offset the effects of the exchange rate variation on result.

3 - NII/Earning Assets average, annualized;

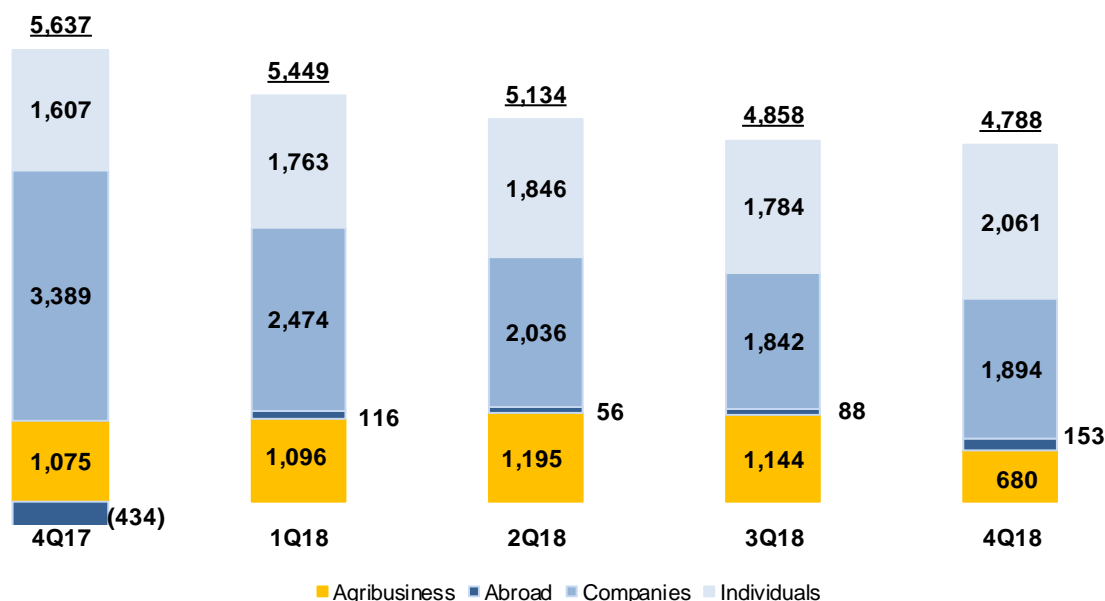
Figure 1. Managerial net interest margin by Segment – %

1 – It does not include transactions with the Government.

ALLL continues on downward trajectory

The ALLL – Credit Risk decreased 19.9% over 2017 at R\$20.2 billion with the highlight to the ALLL decrease in the Agro portfolio.

The ALLL with credit recovery decreased 29.2% compared to 2017, reaching R\$14.2 billion in 2018, due to the greater credit recovery volume (growth 16.2%).

Figure 2. ALLL Expenses by Segment – R\$ million¹

1 – Does not consider the credit recovery

Fee Income increased by 5.8%

In the 2018/2017 comparison, the checking account fees has growth of 6.2% in service package revenue. The Bank position the services packages value at a level close to the private financial institutions.

The volume of resources managed related to Asset Management rose from R\$864.5 billion in Dec/17 to R\$941.1 billion in Dec/18. In the 4Q18/3Q18 comparison, there was a reduction due to the decrease of net funding and lower the number of business days. More information in Chapter 9.2.

In comparison with 3Q18, the increase in insurance, pension and premium bonds revenues was influenced by revenues from brokerage with Brasilprev VGBL. Still in the Insurance line, highlighting the annual performance bonus of R\$276.1 million, paid by BB MAPFRE SH1 due to the achievement of insurance marketing goals from April to December 2018, as agreed in the renegotiation of the partnership with Mapfre Group.

Consortium sales exceeded R\$11 billion in 2018. 304 thousand quotas were sold in 2018, compared to 218 thousand in the previous year. Highlight for auto consortium with more than 251 thousand quotas sold in 2018. In the 4Q18, BB Consórcios registered more than 81 thousand new quotas totaling R\$3 billion.

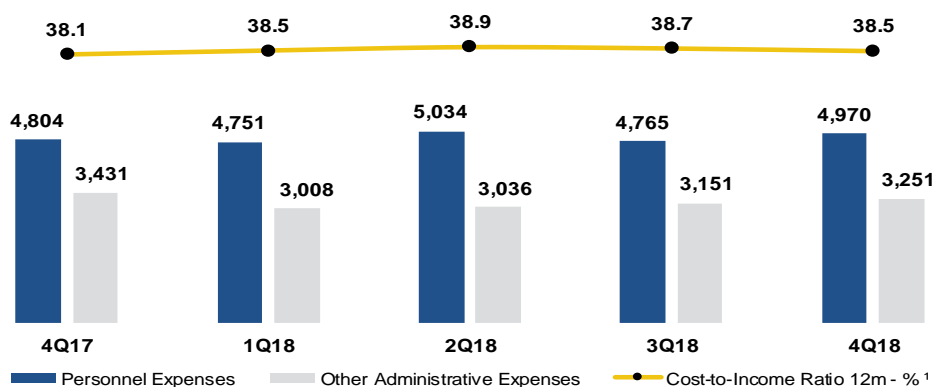
Table 8. Fee Income – R\$ million

	4Q17	3Q18	4Q18	Chg. %		2017	2018	Chg. % On 2017
				On 4Q17	On 3Q18			
Fee Income	6,735	6,871	7,236	7.4	5.3	25,941	27,452	5.8
Checking Account	1,882	1,857	1,902	1.1	2.4	6,997	7,331	4.8
Asset Management	1,347	1,556	1,487	10.4	(4.5)	5,397	6,023	11.6
Insurance, P. Plans and Premium Bonds	810	714	1,039	28.2	45.4	3,048	3,221	5.7
Loan Fees	517	462	558	7.8	20.8	1,853	1,999	7.8
Credit/Debit Cards	421	491	507	20.4	3.2	1,881	1,942	3.2
Brazil ¹	394	423	426	8.2	0.8	1,521	1,657	8.9
Collections	338	314	312	(7.7)	(0.5)	1,448	1,290	(10.9)
Billings	274	277	283	3.3	2.4	1,087	1,116	2.7
Consortium	198	236	275	38.9	16.8	725	942	29.9
Capital Market	227	185	188	(17.3)	1.6	775	788	1.7
Nat. Treasury and Manag. of Official Funds	173	225	110	(36.6)	(51.2)	689	605	(12.1)
Other	152	131	149	(2.0)	13.9	520	540	3.8

1 - Fee Income earned in the country.

Administrative Expenses grew 0.6% in 2018

The administrative expenses grew below inflation, resulting in a cost-to-income ratio of 38.5% in 4Q18, improvement of 20bps if compared to 3Q18.

Figure 3. Administrative Expenses – R\$ million

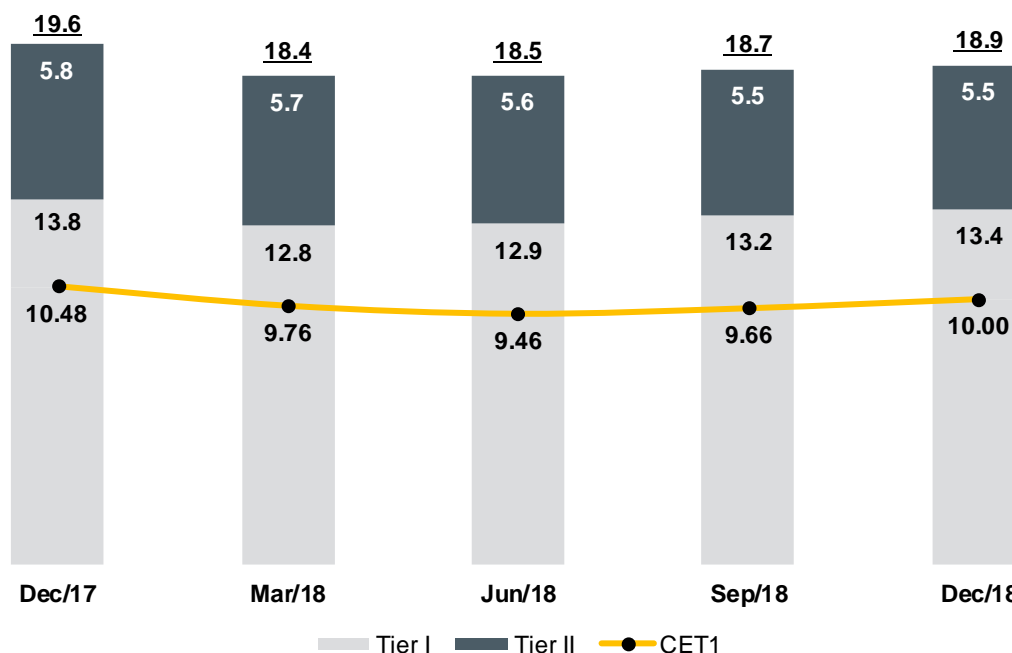
1 Cost-to-Income ratio: Administrative Expenses/Operating Revenues. Data from Income Statement with Reallocations.

BIS Ratio to 18.9%

Banco do Brasil has a three-year prospective Capital Plan incorporating the effects defined by future regulatory and prudential and considering (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

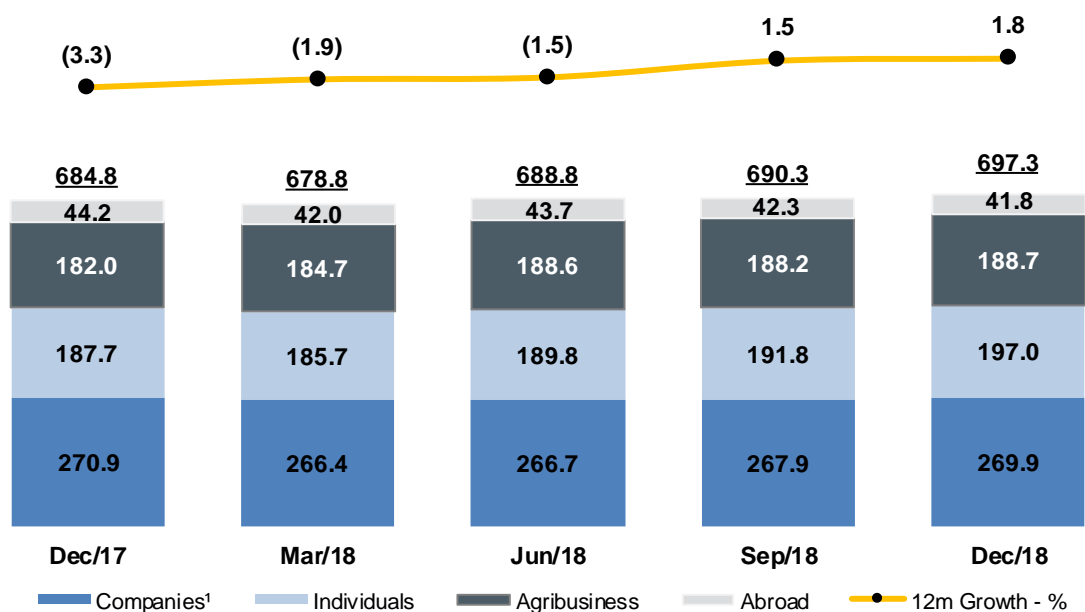
The BIS Ratio reached 18.9% in December 2018. The Tier I was 13.4%, 10.0% of CET1 and reference equity reached R\$134.2 billion.

As a goal, the objective to maintain the CET1 above 9.5% in 2019, when the rules of Basel III will be fully implemented in Brazil. In addition, following the Statement of Appetite and Risk Tolerance and Capital Plan, for January 2022, the goal is to maintain at least 11.0% of CET1. The focus is on organic capital generation with profit growth supported by the attractive lines under the criterion of return versus risk allocation and lower capital consumption.

Figure 4. Basel – %

Loan Portfolio

The Expanded View loan portfolio grew 1.8% in compared to December/17. If compared to September/18, the individuals, companies and agribusiness portfolio grew, 2.7%, 0.7% and 0.2% respectively.

Figure 5. Loan Portfolio (Expanded View) – R\$ billion

1 – The Companies Loan Portfolio reprocessed until 1Q17 on the "Receivable" line.

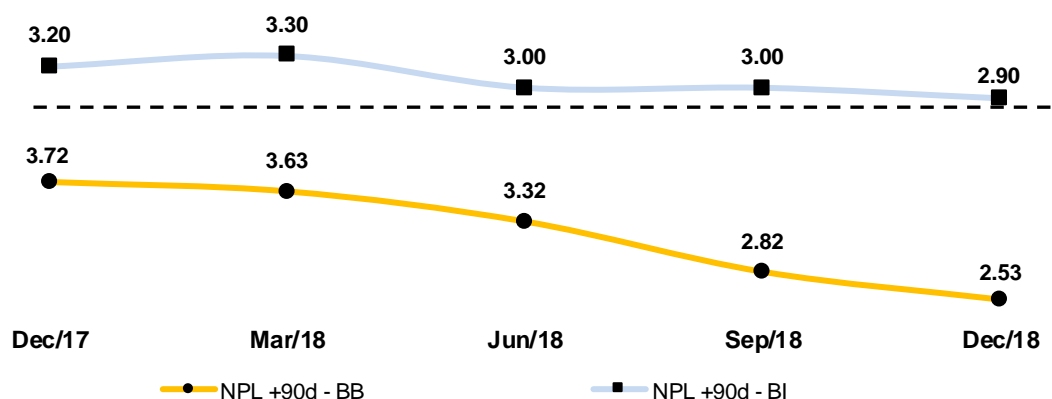
The companies expanded grew 0.7% if compared to September/18, with highlight to the growth of R\$1.4 billion in ACC/ACE (7.7%) and R\$1.3 billion (11.7%) in receivables. This increase was offset by the decrease of investments (R\$897 million) and mortgage (R\$563 million). The Very Small and Small Companies grew 1.2% compared to September/18, with highlight to foreign trade and working capital lines.

The individuals organic portfolio increased by 7.6% in 12 months (R\$13.4 billion), because of the positive performance in payroll loans (R\$3.8 billion), the 8.7% increase in mortgage (R\$3.9 billion) and credit card of 14.4%. Highlight to Personal Loans, that grew to R\$7.3 billion (55.2%) as a result of the evolution of the non-payroll loan growth strategy within BB's customer base.

The agribusiness portfolio registered a positive performance of 5.6% or R\$8.9 billion compared to December 2017, especially on FCO Rural (R\$4.0 billion), Agricultural Investments (R\$3.5 billion) e Working Capital (R\$1.7 billion), which was offset by the R\$3.1 billion decrease in loans to agribusiness companies and BNDES/Finame Rural in R\$1.5 billion

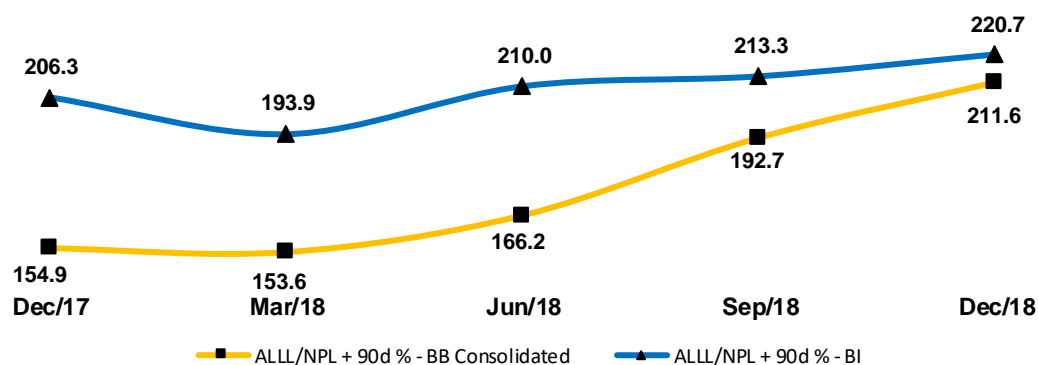
The NPL +90d (ratio between transactions more than 90 days overdue and the classified loan portfolio balance), which still with on a downward trend, was 2.53% in December/2018.

Figure 6. NPL +90 days – %



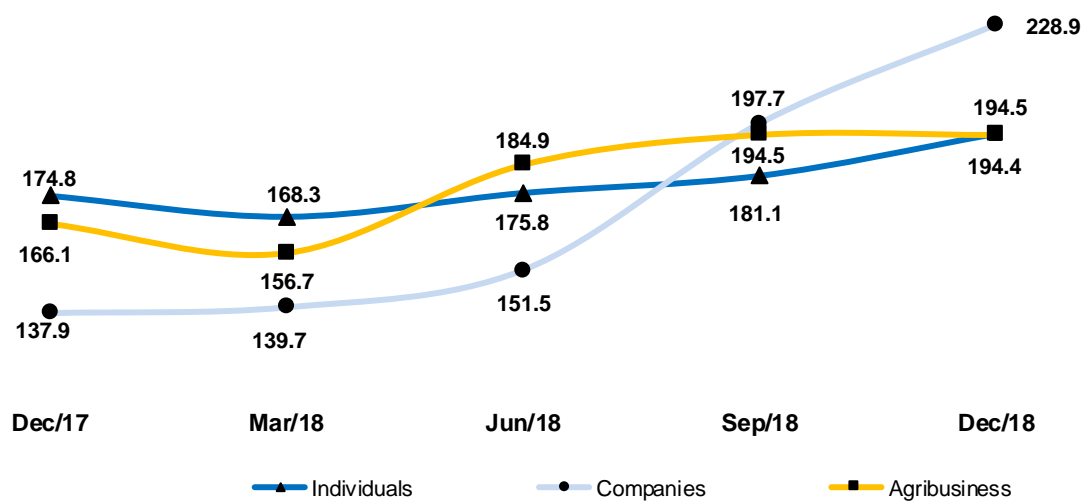
The Bank maintains coverage compatible with the risk profile of its portfolio. The index presented a relevant evolution, due to the lower NPL in the period.

Figure 7. Coverage¹



¹ Ratio between the total balance of the provision (required plus additional) and the balance of operations more than 90 days overdue.

In the case of the Companies coverage, growth has been consistent due to the fall in the NPL balance in this portfolio.

Figure 8. Coverage by Segment – %

1 – Financial Statements Summary

1.1. Balance Sheet Summary

Table 9. Balance Sheet Summary - Assets

R\$ million	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
ASSETS	1,369,201	1,471,117	1,417,144	3.5	(3.7)
Current and Long-Term Assets	1,337,369	1,439,486	1,386,851	3.7	(3.7)
Cash and Cash Equivalents	13,481	12,767	13,615	1.0	6.6
Short-Term Interbank Investments	373,023	434,821	415,092	11.3	(4.5)
Securities and Derivative Financial Instruments	138,923	172,970	151,096	8.8	(12.6)
Securities Available for Trading	7,753	6,011	6,182	(20.3)	2.8
Securities Available for Sale	123,505	148,118	124,376	0.7	(16.0)
Securities Held to Maturity	7,010	17,275	19,856	183.3	14.9
Derivative Financial Instruments	655	1,566	683	4.3	(56.4)
Interbank Accounts	78,635	74,690	68,855	(12.4)	(7.8)
Compulsory Reserves with Central Bank of Brazil	69,081	64,229	59,115	(14.4)	(8.0)
Unremunerated	11,745	14,525	10,221	(13.0)	(29.6)
Remunerated	57,336	49,704	48,894	(14.7)	(1.6)
Other	9,553	10,461	9,740	1.9	(6.9)
Interdepartamental Accounts	405	124	255	(37.1)	105.6
Loans	544,290	547,354	548,988	0.9	0.3
(Allow ance for Loan Losses)	(35,444)	(33,016)	(32,778)	(7.5)	(0.7)
Leasing	378	215	223	(40.9)	3.9
Leasing and Subleasing Receivables	399	228	234	(41.4)	2.6
(Allow ance for Lease Losses)	(21)	(13)	(10)	(50.0)	(18.9)
Other Receivables	187,695	195,563	187,818	0.1	(4.0)
Receivable from Guarantees Honored	602	504	363	(39.7)	(28.0)
Foreign Exchange Portfolio	19,058	24,936	25,114	31.8	0.7
Accrued Income	2,949	2,815	3,481	18.1	23.7
Securities Trading	891	1,234	892	0.1	(27.7)
Specific Credits	417	388	393	(5.7)	1.2
Tax Credits	39,722	39,953	38,643	(2.7)	(3.3)
Actuarial Assets (Previ Plano 1)	4,383	7,151	3,584	(18.2)	(49.9)
Fundo Paridade	103	42	-	-	-
Fundos de Destinação Superávit - Previ	9,499	9,750	9,512	0.1	(2.4)
Sundry Debtors from Escrow Deposits	55,337	56,836	56,374	1.9	(0.8)
Sundry	57,702	55,429	53,430	(7.4)	(3.6)
(Allow ance for Other Credits)	(2,968)	(3,474)	(3,968)	33.7	14.2
(With Loan Characteristics)	(1,284)	(1,388)	(1,543)	20.1	11.1
(Without Loan Characteristics)	(1,684)	(2,086)	(2,425)	44.0	16.2
Other Assets	541	981	909	68.1	(7.4)
Assets Not for Own Use and Materials in Stock	413	525	551	33.6	4.9
(Allow ance for Impairment)	(158)	(148)	(156)	(1.1)	5.6
Prepaid Expenses	286	604	513	79.6	(15.0)
Permanent Assets	31,832	31,631	30,293	(4.8)	(4.2)
Investments	17,490	18,374	16,973	(3.0)	(7.6)
Property and Equipment	7,415	7,319	7,538	1.6	3.0
Intangible	6,927	5,938	5,782	(16.5)	(2.6)

Table 10. Balance Sheet Summary - Liabilities

R\$ million	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
LIABILITIES AND SHAREHOLDER'S EQUITY	1,369,201	1,471,117	1,417,144	3.5	(3.7)
Current and Long-Term Liabilities	1,270,048	1,366,871	1,314,443	3.5	(3.8)
Deposits	450,229	491,538	486,037	8.0	(1.1)
Demand Deposits	69,981	71,357	67,811	(3.1)	(5.0)
Savings Deposits	160,290	172,754	174,855	9.1	1.2
Interbank Deposits	24,153	36,824	33,669	39.4	(8.6)
Time Deposits	195,806	210,603	209,703	7.1	(0.4)
Securities Sold Under Repurchase Agreements	376,243	434,485	402,901	7.1	(7.3)
Repurchase Agreements with Private Securities	23,576	18,048	17,418	(26.1)	(3.5)
Funds from Acceptance and Securities Issuance	133,766	130,595	124,818	(6.7)	(4.4)
Agribusiness Letters of Credit	88,898	83,530	78,937	(11.2)	(5.5)
Mortgage Bonds	16,886	17,580	17,265	2.2	(1.8)
Commercial Papers	3,977	5,473	5,537	39.2	1.2
Foreign Securities	24,005	24,012	23,080	(3.9)	(3.9)
Interbank Accounts	1	2,704	2	42.6	(99.9)
Interdepartmental Accounts	2,496	2,782	2,491	(0.2)	(10.5)
Borrowings	19,572	23,552	20,987	7.2	(10.9)
Domestic Onlending	80,885	68,279	66,731	(17.5)	(2.3)
National Treasury	145	162	166	14.0	2.0
BNDES	26,936	22,904	21,765	(19.2)	(5.0)
Caixa Econômica Federal	26,558	28,911	29,413	10.8	1.7
Finame	19,775	16,257	15,139	(23.4)	(6.9)
Other Institutions	7,470	45	249	(96.7)	-
Derivative Financial Instruments	790	1,285	809	2.4	(37.0)
Other Liabilities	206,066	211,651	209,666	1.7	(0.9)
Billing and Collection of Taxes and Contributions	493	6,163	427	(13.5)	(93.1)
Foreign Exchange Portfolio	9,740	14,542	14,523	49.1	(0.1)
Shareholders and Statutory Distributions	2,178	1,643	3,963	82.0	141.2
Taxes and Social Security	12,376	12,912	11,557	(6.6)	(10.5)
Securities Trading	1,206	1,083	978	(18.9)	(9.7)
Financial and Development Funds	16,795	15,171	15,522	(7.6)	2.3
Subordinated Debt	87,061	85,133	83,964	(3.6)	(1.4)
Equity and Debt Hybrid Securities	5,608	4,885	4,308	(23.2)	(11.8)
Subordinated Instruments	63,342	58,727	58,829	(7.1)	0.2
Debt Instruments Qualified as Capital	18,111	21,521	20,827	15.0	(3.2)
Actuarial Liabilities (Cassi)	8,724	8,198	9,152	4.9	11.6
Other Liabilities	67,494	66,807	69,581	3.1	4.2
Deferred Income	429	426	448	4.4	5.1
Shareholders' Equity	98,723	103,820	102,253	3.6	(1.5)
Capital	67,000	67,000	67,000	-	-
Instruments Qualifying to Common Equity Tier 1 Capital	8,100	8,100	8,100	0.0	0.0
Capital Reserves	12	15	15	18.1	-
Revaluation Reserves	2	2	2	(5.5)	(3.4)
Profit Reserves	35,281	39,189	42,613	20.8	8.7
Other Comprehensive Income	(13,220)	(13,644)	(16,154)	22.2	18.4
Benefit Plans	(12,443)	(10,763)	(14,086)	13.2	30.9
Retained Earnings (Accumulated Losses)	-	1,697	-	-	-
(Treasury Shares)	(1,850)	(1,833)	(1,833)	(0.9)	-
Non-Controlling Interests	3,398	3,294	2,511	(26.1)	(23.8)

1.2. Income Statement with Reallocations

Table 11. Income Statement with Reallocations – Quarterly Flow

R\$ million	Quarterly Flow			Chg. (%) on	
	4Q17	3Q18	4Q18	4Q17	3Q18
Net Interest Income (1) (2) (3) (4) (5) (6) (7) (8) (10) (14) (22) (30)	12,820	12,578	12,490	(2.6)	(0.7)
Net ALLL Expenses	(3,909)	(3,226)	(3,168)	(19.0)	(1.8)
ALLL Expenses - Credit Risk	(5,637)	(4,858)	(4,788)	(15.1)	(1.4)
Recovery of Write-offs	1,728	1,632	1,620	(6.2)	(0.7)
Net Financial Margin	8,911	9,352	9,322	4.6	(0.3)
Fee Income	6,735	6,871	7,236	7.4	5.3
Service Fee Income (33)	4,148	4,198	4,523	9.0	7.7
Banking Fee Income	2,587	2,673	2,713	4.9	1.5
Taxes on Revenues (5) (18)	(1,250)	(1,114)	(1,159)	(7.3)	4.1
Contribution Margin	14,396	15,109	15,399	7.0	1.9
Administrative Expenses	(8,236)	(7,916)	(8,220)	(0.2)	3.8
Personnel Expenses (21)	(4,804)	(4,765)	(4,970)	3.4	4.3
Other Administrative Expenses (16) (17)	(3,431)	(3,151)	(3,251)	(5.3)	3.2
Other Tax Expenses (18)	(129)	(131)	(127)	(1.3)	(3.1)
Commercial Income	6,031	7,062	7,052	16.9	(0.1)
Legal Risk	(636)	(1,341)	(1,274)	100.1	(5.0)
Civil Claims (19) (20) (23) (24)	(285)	(894)	(789)	176.5	(11.8)
Labor Law suits (21) (25)	(351)	(447)	(485)	38.1	8.4
Other Operating Income	32	232	773	-	-
Eq. Int. in Results of Associated Companies and Joint Ventures (28) (36)	943	1,057	674	(28.5)	(36.3)
Other Operating Income/Expenses Result	(910)	(825)	100	-	-
Other Operating Income (3) (11) (13) (34)	2,085	1,628	1,914	(8.2)	17.6
Previ - Plano de Benefícios 1 (11) (12)	(66)	206	206	-	(0.0)
Previ - Fundo Utilização Restatement (13)	193	172	147	(23.7)	(14.6)
Other Operating Expenses (2) (9) (12) (14) (15) (16) (17) (19) (20) (29) (35)	(3,122)	(2,832)	(2,167)	(30.6)	(23.5)
Operating Income	5,427	5,953	6,552	20.7	10.1
Non-Operating Income (26) (27) (31) (32)	48	63	52	8.7	(17.1)
Income Before Taxes	5,475	6,016	6,604	20.6	9.8
Income and Social Contribution Taxes (6) (37)	(1,476)	(1,832)	(1,989)	34.8	8.6
Interest on Own Capital Tax Benefit	408	630	891	118.7	41.6
Statutory Profit Sharing (38)	(412)	(432)	(488)	18.4	12.9
Minority Interest Earnings	(399)	(349)	(282)	(29.4)	(19.3)
Adjusted Net Income	3,188	3,402	3,845	20.6	13.0
One-Off Items	(80)	(227)	(42)	(47.7)	(81.6)
Economic Plans (22) (23)	(294)	(444)	(547)	86.1	23.1
Extraordinary Provision for Law suits (24) (25)	3	7	(633)	-	-
BB Seguridade - Premium and Brokerage Adjustments (28) (29)	(58)	-	-	-	-
Proagro Indemnity Adjustment (30)	199	-	-	-	-
Sales of Investment - Mapfre BB SH2 (32)	-	-	776	-	-
Program conciliation with Government. (33) (34) (35)	-	-	411	-	-
One-Off Items - BB Seguridade (36)	-	-	(82)	-	-
Tax Eff. and Stat. Prof. on One-Off Items (37) (38)	70	211	32	(53.9)	(84.8)
Net Income	3,108	3,175	3,803	22.3	19.8

Each index presented above corresponds to the event item in the "Reallocations and One-Off Breakdown" table.

Table 12. Income Statement with Reallocations – Annual Flow

R\$ million	Annual Flow		Chg. (%)
	2017	2018	on 2017
Net Interest Income (1) (2) (3) (4) (5) (6) (7) (8) (10) (14) (22) (30)	52,706	49,625	(5.8)
Net ALLL Expenses	(20,094)	(14,221)	(29.2)
ALLL Expenses - Credit Risk	(25,265)	(20,229)	(19.9)
Recovery of Write-offs	5,172	6,008	16.2
Net Financial Margin	32,613	35,404	8.6
Fee Income	25,941	27,452	5.8
Service Fee Income (33)	16,306	16,972	4.1
Banking Fee Income	9,636	10,480	8.8
Taxes on Revenues (5) (18)	(5,001)	(4,590)	(8.2)
Contribution Margin	53,553	58,267	8.8
Administrative Expenses	(31,787)	(31,966)	0.6
Personnel Expenses (21)	(18,976)	(19,520)	2.9
Other Administrative Expenses (16) (17)	(12,811)	(12,446)	(2.9)
Other Tax Expenses (18)	(502)	(540)	7.6
Commercial Income	21,264	25,761	21.1
Legal Risk	(2,722)	(4,141)	52.1
Civil Claims (19) (20) (23) (24)	(1,115)	(2,758)	147.3
Labor Law suits (21) (25)	(1,607)	(1,382)	(14.0)
Other Operating Income	21	1,481	-
Eq. Int. in Results of Associated Companies and Joint Ventures (28) (36)	3,962	3,748	(5.4)
Other Operating Income/Expenses Result	(3,941)	(2,267)	(42.5)
Other Operating Income (3) (11) (13) (34)	7,583	6,693	(11.7)
Previ - Plano de Benefícios 1 (11) (12)	(251)	644	-
Previ - Fundo Utilização Restatement (13)	638	796	24.9
Other Operating Expenses (2) (9) (12) (14) (15) (16) (17) (19) (20) (29) (35)	(11,911)	(10,400)	(12.7)
Operating Income	18,563	23,101	24.4
Non-Operating Income (26) (27) (31) (32)	186	218	17.0
Income Before Taxes	18,750	23,319	24.4
Income and Social Contribution Taxes (6) (37)	(4,604)	(6,696)	45.4
Interest on Own Capital Tax Benefit	1,453	2,323	59.9
Statutory Profit Sharing (38)	(1,436)	(1,715)	19.4
Minority Interest Earnings	(1,650)	(1,396)	(15.4)
Adjusted Net Income	11,060	13,513	22.2
One-Off Items	(49)	(651)	-
Economic Plans (22) (23)	(864)	(2,033)	135.2
Extraordinary Provision for Law suits (24) (25)	106	(621)	-
IPO - IRB (26)	173	-	-
Neoenergia (27)	183	-	-
BB Seguridade - Premium and Brokerage Adjustments (28) (29)	(58)	75	-
Proagro Indemnity Adjustment (30)	199	-	-
Real Estate exchange with the Federal Government (31)	-	162	-
Sales of Investment - Mapfre BB SH2 (32)	-	776	-
Program conciliation with Government. (33) (34) (35)	-	411	-
One-Off Items - BB Seguridade (36)	-	(82)	-
Tax Eff. and Stat. Prof. on One-Off Items (37) (38)	212	660	-
Net Income	11,011	12,862	16.8

Each index presented above corresponds to the event item in the "Reallocations and One-Off Breakdown" table.

1.2.1. Reallocations Breakdown

The adjustments made to the Income Statement to obtain the Income Statement with Reallocations are detailed in this chapter. The purpose of these adjustments was to:

- a) Separate the one-off items and show the adjusted net income for the period;
- b) Change the way income and expenses are shown, in order to provide a better understanding of the business and the company's performance;
- c) Allow Net Interest Income (NII) recorded during the period to effectively reflect the gain from all earning assets, informing the market on the spread achieved from the ratio of this margin by the average balance of earning assets. For this, it was necessary to:
 - I. Include, in NII, the income recorded in other operating income with financial intermediation characteristics that was derived from the earning assets recorded under other receivables in the Balance Sheet;
 - II. Identify foreign exchange gains (losses) on assets and liabilities abroad during the period in a specific NII item;
 - III. Maintain the amounts related to negative foreign exchange adjustments and expenses reversal that were recorded in Other Operating Income and/or Other Operating Expenses to avoid inverting the balance of accounts that have a financial intermediation nature;
 - IV. Include, in NII, all expenses related to Subordinated Debt and Perpetual Securities.

The next table shows the statement of the reallocations performed during the period:

Table 13. Reallocations and One-Off Items Breakdown

R\$ million							
Item	From	To	Event	Quarterly Flow		Annual Flow	
				4Q17	3Q18	4Q18	2017
							2018
1	Sale or Transference of Financial Assets*	Loan Operations*	Sale or Transference of Financial Assets	331.0	(74.4)	156.1	1,529.0
2	Other Operating Expenses	Loan Operations*	Financial Agent Revenue Compensation	(214.7)	(9.1)	(7.4)	(214.7)
3	Other Operating Income	Securities*	Financial Investment Income	0.5	0.6	1.0	5.7
4	Borrowing, Assignments and Onlending*	FX Gain (Loss) on Foreign Equity*	FX Gain (Loss) on Foreign Equity	438.1	414.0	(421.3)	413.8
5	Taxes on Revenues	Tax Hedge*	Tax Hedge	21.4	20.2	(20.5)	20.2
6	Income and Social Contribution Taxes	Tax Hedge*	Tax Hedge	375.9	355.2	(361.5)	355.0
7	Money Market Funds*	Borrowing, Assignments and Onlending*	Restatement Expenses - Funds and Programs	(96.4)	(107.7)	(114.2)	(478.2)
8	Sale or Transference of Financial Assets*	ALLL Expenses - Credit Risk	Debt Restructuring Discount	-	(277.7)	-	-
9	Other Operating Expenses	ALLL Expenses - Credit Risk	Debt Restructuring Discount	-	(301.8)	-	-
10	Loan Operations*	Net ALLL Expenses	Recovery Adjustments	1,727.6	1,631.8	1,619.7	5,171.5
11	Other Operating Income	Previ - Plano de Benefícios 1	Actuarial Assets and Liabilities Valuation Adjustments	-	205.6	205.6	-
12	Other Operating Expenses	Previ - Plano de Benefícios 1	Actuarial Assets and Liabilities Valuation Adjustments	(66.1)	-	-	(250.8)
13	Other Operating Income	Previ - Fundo Utilização Restatement	Actuarial Assets and Liabilities Valuation Adjustments	192.8	172.2	147.2	637.8
14	Securities*	Other Operating Expenses	Operating Provisions Reversal	34.3	9.3	12.2	52.9
15	ALLL Expenses - Credit Risk	Other Operating Expenses	Allowance for Loan Losses (Cred. w/o Char. of Fin. Int.)	(366.3)	(258.5)	(622.4)	(433.8)
16	Other Administrative Expenses	Other Operating Expenses	Goodwill Amortization	(304.3)	(40.2)	(53.7)	(1,217.9)
17	Other Administrative Expenses	Other Operating Expenses	Premiums Paid to Costumers	(404.8)	(370.6)	(359.9)	(1,806.3)
18	Other Tax Expenses	Taxes on Revenues	Taxes on Revenues	(1,228.3)	(1,093.4)	(1,179.3)	(4,980.4)
19	Other Operating Expenses	Civil Claims	Expenses with Civil Claims	(340.1)	(921.3)	(1,348.0)	(1,454.4)
20	Other Operating Expenses	Civil Claims	Reversal of Contingent Liabilities	-	-	-	219.7
21	Personnel Expenses	Labor Law suits	Provision for Labor Law suits	(350.1)	(445.4)	(484.6)	(1,599.2)
22	Money Market Funds*	Economic Plans	Economic Plans	(237.2)	(411.8)	(620.7)	(646.9)
23	Civil Claims	Economic Plans	Economic Plans	(56.4)	(32.2)	74.1	(217.5)
24	Civil Claims	Extraordinary Provision for Law suits	Extraordinary Provision for Law suits	1.7	4.9	(633.2)	98.0
25	Labor Law suits	Extraordinary Provision for Law suits	Extraordinary Provision for Law suits	0.9	1.6	0.1	7.9
26	Non-Operating Income	IPO - IRB	Public Offering of Shares	-	-	-	173.2
27	Non-Operating Income	Neoenergia	Capital Gain Generated in the Neoenergia Operation	-	-	-	182.9
28	Eq. Int. in Results of Associated Companies and Joint Ventures	BB Seguridade - Premium and Brokerage Adjustments	BB Seguridade - Premium and Brokerage Adjustments	-	-	-	-
29	Other Operating Expenses	BB Seguridade - Premium and Brokerage Adjustments	BB Seguridade - Premium and Brokerage Adjustments	(57.9)	-	-	(57.9)
30	Compulsory Investments	Proagro Indemnity Adjustment	Proagro Indemnity Adjustment	199.4	-	-	199.4
31	Non-Operating Income	Real Estate exchange with the Federal Government	Real Estate exchange with the Federal Government	-	-	-	-
32	Non-Operating Income	Sales of Investment - Mapfre BB SH2	Sales of Investment - Mapfre BB SH2	-	-	776.2	-
33	Service Fee Income	Program conciliation with Government.	Program conciliation with Government.	-	-	(37.7)	-
34	Other Operating Income	Program conciliation with Government.	Program conciliation with Government.	-	-	1,450.2	-
35	Other Operating Expenses	Program conciliation with Government.	Program conciliation with Government.	-	-	(1,001.3)	-
36	Eq. Int. in Results of Associated Companies and Joint Ventures	One-Off Items - BB Seguridade	One-Off Items - BB Seguridade	-	-	(81.6)	-
37	Income and Social Contribution Taxes	Tax Eff. and Stat. Prof. on One-Off Items	Tax Eff. and Stat. Prof. on One-Off Items	61.0	185.4	27.8	197.6
38	Statutory Profit Sharing	Tax Eff. and Stat. Prof. on One-Off Items	Tax Eff. and Stat. Prof. on One-Off Items	8.7	25.5	4.3	14.1

* - Net Interest Income (NII) subaccounts. More information on Chapter 2.

1.2.2. Glossary of Reallocations

- (1) Revenues (expenses) generated in the assignment of financial assets with co-obligation.
- (2) Partial compensation of financial agent revenue due to payment in advance.
- (3) Revenues from non-financial companies' financial investments.
- (4) Revenues (expenses) of exchange rate changes on investments in subsidiaries and branches abroad.
- (5) and (6) Tax effects on investments abroad hedge.
- (7) Funding expenses from funds and programs.
- (8) and (9) Discount granted in debt restructuring.
- (10) Recovery adjustment/provision of operation with corporate group.
- (11) and (12) Revenues (expenses) from Previ's actuarial assets and liabilities review.
- (13) Financial income from restatement of Previ's Fundo Utilização.
- (14) Reversal of provision for equity interests reversal losses.
- (15) Allowance for loan losses expenses for credits without financial intermediation characteristics.
- (16) Expenses from amortization of goodwill on investments.
- (17) Payroll acquisition amortization.
- (18) Tax expenses reallocated to compose the contribution margin.
- (19) and (20) Reversal or expenses arising from civil claims.
- (21) Provision for expenses arising from labor lawsuits.
- (22) and (23) Expenses with provision arising from lawsuits related to economic plans.
- (24) and (25) Extraordinary provision for lawsuits.
- (26) Revenue from the public offer of common shares issued by IRB Brasil Resseguros S.A.
- (27) Revenue from the sale of shares of Banco do Brasil in Neoenergia S.A.
- (28) Compensation adjustments of products recording deficit/surplus at BB Mapfre SH1 to comply with Susep's regulation (Circular 543/16) and reinstatement of the balance of claims to be recovered from reinsurance/equalization of the balance of third party deposits at Mapfre BB SH2.
- (29) Commissions adjustment at BB Corretora as part of the deployment of an enterprise resource planning system and reinsurance premiums adjustment at Mapfre BB SH2 to comply with the Susep's regulation.
- (30) Partial reversal of provision related to Proagro indemnity adjustment.
- (31) Real estate exchange between BB S.A. and Secretariat of the Patrimony from the Federal Government (SPU), according to information to the market of June 15, 2018.
- (32) Sales of Investment - Mapfre BB SH2.
- (33), (34) and (35) Revenues (expenses) due to program conciliation with Government.
- (36) One-Off Items - BB Seguridade. Mora information on BB Seguridade's 4Q18 MD&A.
- (37) and (38) One-off items effects on the payment of statutory profit sharing and unification of these effects on income and social contribution taxes.

1.2.3. Tax Effect and Statutory Profit Sharing on One-Off Items

The next table shows the effects of taxes and statutory profit sharing on each one-off item.

Table 14. Tax Effect and Statutory Profit Sharing on One-Off Items

R\$ million	Quarterly Flow			Annual Flow	
	4Q17	3Q18	4Q18	2017	2018
Economic Plans	142	214	263	417	980
Extraordinary Provision for Law suits	(1)	(3)	305	(51)	300
IPO - IRB	-	-	-	(73)	-
Neoenergia	-	-	-	(11)	-
BB Seguridade - Premium and Brokerage Adjustments	26	-	-	26	(4)
Proagro Indemnity Adjustment	(96)	-	-	(96)	-
Real Estate exchange with the Federal Government	-	-	-	-	(78)
Sales of Investment - Mapfre BB SH2	-	-	(278)	-	(278)
Program conciliation with Government.	-	-	(264)	-	(264)
One-Off Items - BB Seguridade	-	-	5	-	5
Total	70	211	32	212	660

2 - Financial Earnings

This chapter describes the main components of Banco do Brasil's financial results.

2.1. Net Interest Income

The following table sets forth the main economic indicators affecting the NII performance.

Table 15. Main Indicators

%	Rate					Chg. (%) on	
	4Q17	3Q18	4Q18	2017	2018	4Q17	3Q18
CDI	1.76	1.59	1.54	9.93	6.42	(12.5)	(3.0)
TMS	1.76	1.59	1.54	9.94	6.43	(12.7)	(3.1)
TJLP	1.76	1.65	1.76	7.36	6.93	(0.3)	6.4
TR	0.00	0.00	0.00	0.65	0.00	-	-
Exchange Rate (US\$)	3.31	4.00	3.87	-	-	17.1	(3.2)

The NII, since 1Q18, no longer considers write-offs recovery, which is now considered in Allowance for Loans and Lease Losses composition. The following table sets forth the NII's breakdown.

Table 16. Net Interest Income Breakdown

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Net Interest Income	12,820	12,578	12,490	(2.6)	(0.7)	52,706	49,625	(5.8)
Loan Operations	19,532	18,390	18,452	(5.5)	0.3	86,342	73,683	(14.7)
Funding Expenses	(6,469)	(6,190)	(6,437)	(0.5)	4.0	(32,441)	(24,594)	(24.2)
Financial Expense for Institutional Funding ¹	(2,823)	(2,734)	(2,576)	(8.8)	(5.8)	(12,426)	(10,887)	(12.4)
Treasury ²	2,580	3,112	3,051	18.3	(2.0)	11,232	11,422	1.7

1 - It includes senior bonds, subordinated debt, and Hybrid Instruments in Brazil and abroad;

2 - It includes the result from interest, tax hedging, derivatives, and other financial instruments that offset the effects of the exchange rate variation on result.

The NII's main changes in the quarter were:

- I Increase of R\$63 million in revenues from credit operations, mainly due to the increase of individuals loan portfolio.
- II Funding expenses were affected by the increase in the interest rate in Argentina, which increased Banco Patagonia's time deposits expense by R\$177 million, offset by Securities result. Institutional funding expenses decreased by R\$158 million, driven by the impact of instruments issued abroad expenses, such as subordinated perpetual bonds, securities and subordinated debt issued abroad, which decreased due to the appreciation of the average exchange rate in 4Q18, as well as the decrease of these funding balance.
- III Treasury income was affected negatively by the result with financial derivatives and securities mark to market.

2.2. Financial Income from Loans Operations

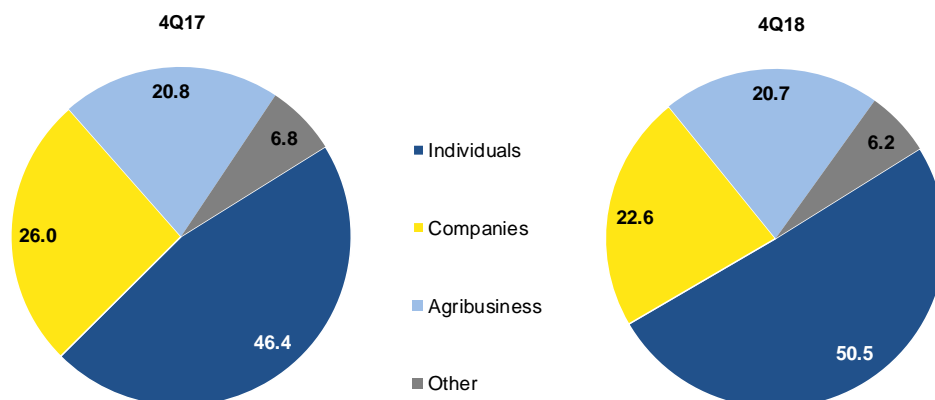
Table 17. Revenue from Loans

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Revenue from Loans	19,532	18,390	18,452	(5.5)	0.3	86,342	73,683	(14.7)
Individuals	9,064	9,101	9,312	2.7	2.3	39,116	36,464	(6.8)
Companies	5,082	4,217	4,174	(17.9)	(1.0)	24,359	17,238	(29.2)
Agribusiness	4,066	3,841	3,819	(6.1)	(0.6)	17,980	15,315	(14.8)
Equalization	985	745	842	(14.5)	13.1	4,970	3,253	(34.6)
Abroad	850	874	884	4.0	1.2	2,882	3,322	15.3
Sale or Transference of Financial Assets	331	203	156	(52.8)	(23.2)	1,529	821	(46.3)
Other	116	139	94	(19.0)	(32.3)	368	456	24.0
Leasing	23	16	14	(41.6)	(13.9)	108	67	(37.8)

Revenues from individuals increased in the quarter as a result of the individuals loan portfolio increase, mainly direct consumer credit, which balance grew 24% in quarter.

Companies' loan portfolio increased in the last month of the year, and the balance surpassed September. However, the quarterly average balance was still lower than the previous quarter, driving a drop in revenues. Agribusiness credit revenues declined slightly in relation to the previous quarter, with increase in equalization revenues and decrease in credit revenues, in line with the portfolio mix change.

Figure 9. Loans Revenue Breakdown (%)



The next table sets forth the assets synthetic composition.

Table 18. Assets Synthetic Composition

R\$ million	Balance				Chg. (%) on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	635,911	46.4	634,420	43.1	640,226	45.2	0.7	0.9
Liquidity Assets	524,772	38.3	618,993	42.1	579,120	40.9	10.4	(6.4)
Other	208,519	15.2	217,705	14.8	197,798	14.0	(5.1)	(9.1)
Total Assets	1,369,201		1,471,117		1,417,144		3.5	(3.7)

2.3. Funding Financial Expense

Funding financial expenses include transactions with clients, except repo. Funding financial expenses also include the result of compulsory investments and FGC expenses.

Table 19. Funding Result

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Funding Result	(6,469)	(6,190)	(6,437)	(0.5)	4.0	(32,441)	(24,594)	(24.2)
Commercial Funding	(5,502)	(5,309)	(5,527)	0.5	4.1	(25,773)	(21,124)	(18.0)
Judicial Deposits	(2,423)	(2,329)	(2,348)	(3.1)	0.8	(11,055)	(9,224)	(16.6)
Savings Deposits	(2,055)	(1,950)	(2,011)	(2.2)	3.1	(9,449)	(7,815)	(17.3)
Time Deposits	(1,024)	(1,029)	(1,168)	14.1	13.5	(5,268)	(4,085)	(22.5)
Bonds	(1,644)	(1,394)	(1,305)	(20.6)	(6.4)	(10,178)	(5,493)	(46.0)
Agribusiness Letters of Credit	(1,407)	(1,187)	(1,088)	(22.7)	(8.3)	(8,778)	(4,667)	(46.8)
Mortgage Bonds	(237)	(207)	(217)	(8.4)	4.9	(1,400)	(827)	(40.9)
Compulsory Deposits	820	628	509	(37.9)	(18.9)	4,103	2,519	(38.6)
FGC	(142)	(114)	(114)	(19.7)	0.1	(594)	(496)	(16.6)

In 4Q18, funding expenses increased mainly driven by Banco Patagonia's time deposit expenses, due to the increase in the deposits balance and the interest rate in Argentina (which was raised from 40% to 60% in August/2018), as well as the increase in the savings funding balance. The reduction of the agribusiness letters of credit balance positively affected this bond's expenses. In the twelve-month comparison, all the funding lines decreased the expenses, influenced mainly by the reduction in TMS and also by the variation in the balances.

The following table sets forth BB's funding costs and the average Selic rate in the period.

Table 20. Funding vs. Selic Rate

R\$ million	4Q17			3Q18			4Q18		
	Average Balance	Cost	as % of Selic	Average Balance	Cost	as % of Selic	Average Balance	Cost	as % of Selic
Savings Deposits	156.731	(2.055)	74,5	170.954	(1.950)	71,8	173.143	(2.011)	75,5
Time Deposits - Judicial Deposits	123.070	(2.423)	111,8	135.824	(2.329)	108,0	136.891	(2.348)	111,5
Agribusiness Letters of Credit	90.321	(1.407)	88,5	84.075	(1.187)	88,9	80.129	(1.088)	88,3
Time Deposits	74.228	(1.024)	78,3	75.123	(1.029)	86,3	73.617	(1.168)	103,2
Demand Deposits	65.666	-	-	68.154	-	-	65.527	-	-
Interbank Deposits	21.593	(150)	39,5	36.297	(259)	45,0	35.059	(254)	47,0
Mortgage Bonds	17.362	(237)	77,5	16.874	(207)	77,2	17.765	(217)	79,4
Total Funding	548.970	(7.297)	75,5	587.301	(6.962)	74,7	582.130	(7.086)	79,1

The increase in the cost of funding in relation to the Selic rate in the quarter was mainly due to the cost of time deposits. Agribusiness letters of credit in addition to the decrease in the balance, had a reduction of almost R\$100 million in expenses, reducing the cost in relation to the Selic by 60bps. The expenses of judicial deposits in relation to the Selic, rose due to the variation of the Selic rate due to the smaller number of working days in the quarter.

2.4. Institutional Funding Financial Expenses

The following table sets forth the breakdown of institutional funding expenses.

Table 21. Institutional Funding Expenses

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Institutional Funding	(2,823)	(2,734)	(2,576)	(8.8)	(5.8)	(12,426)	(10,887)	(12.4)
Borrowing, Assignments and Onlending	(1,379)	(1,331)	(1,247)	(9.6)	(6.3)	(6,169)	(5,317)	(13.8)
Hybrid Capital Instruments	(467)	(510)	(492)	5.2	(3.5)	(1,837)	(1,940)	5.6
Financial Letters	(592)	(421)	(399)	(32.6)	(5.1)	(3,002)	(1,861)	(38.0)
Securities Issued Abroad	(243)	(301)	(273)	12.2	(9.3)	(863)	(1,128)	30.7
Subordinated Debt Abroad	(141)	(172)	(166)	17.3	(3.5)	(556)	(641)	15.4

The decrease in institutional funding expenses was mainly due to the decrease of Selic rate, affecting financial letters expenses, and decrease of expenses from hybrid capital instruments and subordinated debt, which decreased due to Real's appreciation and decrease in balances.

2.5. Treasury

Treasury result includes the result from interest and exchange rate variation of treasury activities. It also includes the effects of structural hedge of the exchange rate variation on financial income from loans, funding expenses, and institutional funding expenses.

Table 22. Treasury Results

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Treasury	2,580	3,112	3,051	18.3	(2.0)	11,232	11,422	1.7
Securities	2,554	2,985	3,018	18.2	1.1	12,414	11,650	(6.2)
Interbank Accounts	6,984	7,096	6,724	(3.7)	(5.2)	39,516	27,459	(30.5)
Open Market	(7,340)	(7,366)	(6,889)	(6.2)	(6.5)	(41,047)	(28,465)	(30.7)
Financial Derivatives	79	55	(165)	-	-	(616)	(372)	(39.6)
Other Treasury Components ¹	303	341	362	19.7	6.0	965	1,150	19.2

1 – It includes items not listed in the treasury result breakdown, including exchange rate variation.

Below is an analysis of the components of treasury result:

Result from Securities

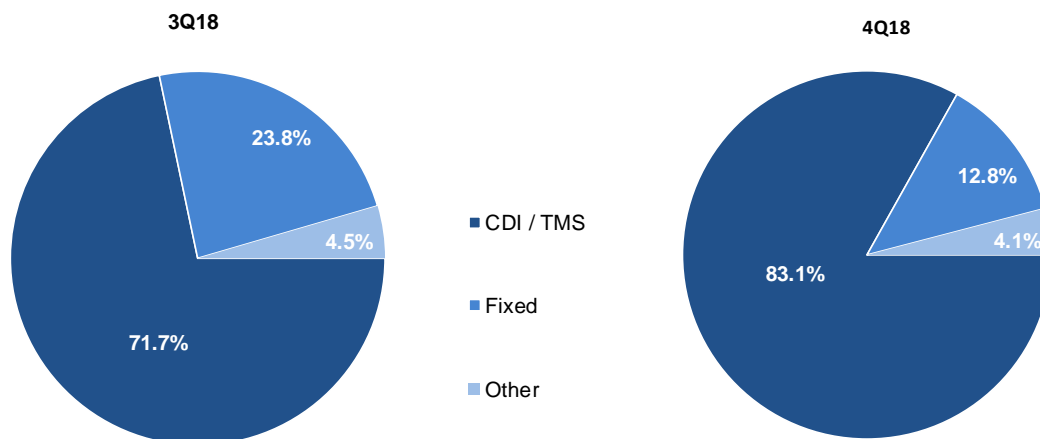
The following table sets forth the results from Securities transactions (only transactions classified by the Central Bank as securities).

Table 23. Result from Securities

R\$ million	Quarterly Flow					Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Securities Income	2,554	2,985	3,018	18.2	1.1	12,414	11,650	(6.2)
Fixed Income Securities	2,611	2,969	2,935	12.4	(1.2)	12,301	11,470	(6.8)
Revaluation – Curve	2,629	2,914	2,956	12.4	1.4	11,864	11,244	(5.2)
Income/Loss from Negotiation	(15)	(28)	19	-	-	428	219	(48.8)
Mark to Market	(3)	84	(40)	-	-	8	7	(12.8)
Other	(56)	16	84	-	-	114	180	58.4

The result with fixed income securities decreased in the quarter, mainly due to the mark-to-market of securities held abroad. In the annual comparison, the result of revaluation - curve was influenced by the lower interest rates in 2018, affecting the securities income.

In the composition of the securities portfolio by index, the Bank reduced its fixed-rate position in the available-for-sale category, maturing between 1 and 5 years, in 4Q18. The following figure shows the composition of the securities portfolio of Multiple Bank by index. The movements can be seen in the figure and in the following tables.

Figure 10. Securities Portfolio by Index (BB Multiple Bank)

The following tables set forth the breakdown of the Securities portfolio.

Table 24. Securities Portfolio by Category – Market Value

R\$ million	Balance				Chg. (%) on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Securities	136,858	100.0	170,647	100.0	150,122	100.0	9.7	(12.0)
Trading	7,753	5.7	6,011	3.5	6,182	4.1	(20.3)	2.8
Available for Sale	123,505	90.2	148,118	86.8	124,376	82.8	0.7	(16.0)
Held to Maturity	5,601	4.1	16,518	9.7	19,565	13.0	249.3	18.4
Financial Derivatives	655	-	1,566	-	683	-	4.3	(56.4)

Table 25. Securities Portfolio by Maturity – Market Value

R\$ million	Up to 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total
	Balance	Share %	Balance	Share %	Balance	Share %	Balance	Share %	
Mar/17	12,888	10.5%	76,523	62.1%	28,196	22.9%	5,627	4.6%	123,233
Jun/17	16,267	12.3%	74,993	56.7%	35,316	26.7%	5,743	4.3%	132,320
Sep/17	10,801	8.0%	83,461	61.8%	33,519	24.8%	7,363	5.4%	135,144
Dec/17	10,717	7.8%	83,014	60.7%	34,873	25.5%	8,254	6.0%	136,858
Mar/18	13,730	9.4%	105,071	71.9%	16,493	11.3%	10,916	7.5%	146,210
Jun/18	15,559	10.2%	102,649	67.0%	22,604	14.8%	12,430	8.1%	153,243
Sep/18	13,770	8.1%	114,952	67.4%	29,173	17.1%	12,751	7.5%	170,647
Dec/18	17,075	11.4%	91,761	61.1%	29,213	19.5%	12,073	8.0%	150,122

The following table sets forth the Liquidity Balance, calculated as Liquidity Assets less Liquidity Liabilities.

Table 26. Liquidity Balance

R\$ million	Balance				Chg. (%) on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Liquidity Assets (A)	524,772	100.0	618,993	100.0	579,120	100.0	10.4	(6.4)
Interbank Investments	373,023	71.1	434,821	70.2	415,092	71.7	11.3	(4.5)
Securities (except linked to Bacen)	138,268	26.3	171,404	27.7	150,413	26.0	8.8	(12.2)
Available Funds	13,481	2.6	12,767	2.1	13,615	2.4	1.0	6.6
Liquidity Liabilities (B)	400,395	100.0	471,309	100.0	436,570	100.0	9.0	(7.4)
Money Market Borrowing	376,243	94.0	434,485	92.2	402,901	92.3	7.1	(7.3)
Interbank Deposits	24,153	6.0	36,824	7.8	33,669	7.7	39.4	(8.6)
Liquidity Balance (A - B)	124,376		147,684		142,550		14.6	(3.5)

Open Market Funding

Open market funding expenses primarily consist of expenses incurred with repo backed by the Bank's own portfolio and third parties' securities. In the 4Q18, open market funding expenses decreased due to the decrease in average balance and TMS.

Table 27. Open Market Funding Expenses

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Open Market	(7,340)	(7,366)	(6,889)	(6.2)	(6.5)	(41,047)	(28,465)	(30.7)
Third Party Portfolio	(6,378)	(6,396)	(5,934)	(7.0)	(7.2)	(35,864)	(24,834)	(30.8)
Own Portfolio	(805)	(703)	(692)	(14.0)	(1.5)	(4,493)	(2,723)	(39.4)
Interbank Deposits	(150)	(259)	(254)	69.0	(2.2)	(646)	(878)	35.9
Other Open Market Operations	(7)	(8)	(9)	23.2	17.2	(44)	(30)	(32.3)

Other Treasury Components

Other treasury components include, in addition to the results from foreign exchange earnings/losses on shareholders' equity abroad and tax hedging, the exchange rate variation on credit, funding, and institutional funding transactions, among others, recorded in "others."

Table 28. Other Treasury Components

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Other Treasury Components	303	341	362	19.7	6.0	965	1,150	19.2
Gain (Loss) over Equity Abroad	438	414	(421)	-	-	414	1,567	-
Tax Hedge	397	375	(382)	-	-	375	1,421	-
Foreign Exchange Portfolio	127	180	91	(28.7)	(49.7)	401	596	48.6
Other	(660)	(628)	1,075	-	-	(226)	(2,434)	-

2.6. Assets and Liabilities Analysis

2.6.1. Assets Analysis

Table 29. Average Balances and Interest Rate – Earning Assets (Annual)

R\$ million	4Q17			4Q18		
	Average Balance ¹	Revenues ³	Yearly Rate (%) ²	Average Balance ¹	Revenues ³	Yearly Rate (%) ²
Earning Assets	1,226,828	29,943	10.5	1,275,105	28,752	9.5
Loans and Leasing ⁴	629,657	19,532	13.5	630,255	18,452	12.4
Securities	532,568	9,539	7.6	587,153	9,743	6.9
Remunerated Compulsory Deposits	57,071	820	6.1	49,250	509	4.3
Other	7,530	52	2.9	8,448	48	2.3
Non Earning Assets	161,375			171,421		
Other Assets	88,270			101,951		
Tax Credits	41,428			38,688		
Permanent Assets	31,677			30,782		
TOTAL ASSETS	1,388,202			1,446,526		

1 – Arithmetic average of the final balances in the months of the relevant periods.

2 – Annualized average (business days of the quarter divided by 252).

3 – Calculated including the partial effect of the exchange rate variation.

4 – It includes Credit Transactions, Leases, and Acquired Portfolios.

Table 30. Average Balances and Interest Rate – Earning Assets (Quarterly)

R\$ million	3Q18			4Q18		
	Average Balance ¹	Revenues ³	Yearly Rate (%) ²	Average Balance ¹	Revenues ³	Yearly Rate (%) ²
Earning Assets	1,295,657	29,152	9.2	1,275,105	28,752	9.5
Loans and Leasing ⁴	628,565	18,390	12.0	630,255	18,452	12.4
Securities	607,936	10,082	6.7	587,153	9,743	6.9
Remunerated Compulsory Deposits	51,817	628	4.9	49,250	509	4.3
Other	7,340	52	2.8	8,448	48	2.3
Non Earning Assets	178,967			171,421		
Other Assets	107,387			101,951		
Tax Credits	40,144			38,688		
Permanent Assets	31,436			30,782		
TOTAL ASSETS	1,474,624			1,446,526		

1 – Arithmetic average of the final balances in months of the relevant periods.

2 – Annualized average (business days of the quarter divided by 252).

3 – Calculated including the partial effect of the exchange rate variation.

4 – It includes Credit Transactions, Leases, and Acquired Portfolios.

Table 31. Average Balances and Interest Rate – Earning Assets (12 Months)

R\$ million	2017			2018		
	Average Balance ¹	Revenues ³	Yearly Rate (%) ²	Average Balance ¹	Revenues ³	Yearly Rate (%) ²
Earning Assets	1,249,910	142,577	11.4	1,279,763	115,566	9.0
Loans and Leasing ⁴	634,243	86,342	13.6	627,626	73,683	11.7
Securities	553,909	51,931	9.4	590,309	39,110	6.6
Remunerated Compulsory Deposits	53,911	4,103	7.6	53,868	2,519	4.7
Other	7,846	201	2.6	7,960	254	3.2
Non Earning Assets	162,604			171,730		
Other Assets	88,694			100,748		
Tax Credits	42,277			39,630		
Permanent Assets	31,633			31,352		
TOTAL ASSETS	1,412,514			1,451,493		

1 – Arithmetic average of the final balances in months of the relevant periods.

2 – Annualized average (business days of the quarter divided by 252).

3 – Calculated including the partial effect of the exchange rate variation.

4 – It includes Credit Transactions, Leases, and Acquired Portfolios.

2.6.2. Liabilities Analysis

Table 32. Average Balances and Interest Rates - Interest Bearing Liabilities (Annual)

R\$ million	4Q17			4Q18		
	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²
Interest Bearing Liabilities	1,122,061	(17,927)	6.8	1,164,137	(16,916)	6.0
Money Market Borrowing	397,590	(7,190)	7.7	423,911	(6,635)	6.5
Time Deposits	197,297	(3,447)	7.4	210,508	(3,516)	7.0
Saving Deposits	156,731	(2,055)	5.5	173,143	(2,011)	4.8
Borrowing and Onlending	100,592	(1,379)	5.8	87,769	(1,247)	5.9
Subordinated Debt	94,499	(1,201)	5.4	91,424	(1,057)	4.8
Agribusiness Letters of Credit	90,321	(1,407)	6.6	80,129	(1,088)	5.6
Foreign Securities Borrowing	25,371	(243)	4.0	23,910	(273)	4.7
Interbank Deposits	21,593	(150)	2.9	35,059	(254)	3.0
Others Commercial Papers ³	21,212	(237)	4.7	23,138	(217)	3.9
Financial and Development Funds	16,856	(616)	16.0	15,147	(619)	17.7
Other Liabilities	266,141			282,389		
Other Liabilities	112,684			120,491		
Shareholder's Equity	87,791			96,371		
Demand Deposits	65,666			65,527		
TOTAL LIABILITIES	1,388,202			1,446,526		

1 – Arithmetic average of the final balances in the months of the relevant periods.

2 – Annualized average (business days of the quarter divided by 252).

3 – Included: Letters of Credit, Debentures, Mortgage Bonds and Mortgage Receivables Certificates.

4 – Calculated including the partial effect of the exchange rate variation.

Table 33. Average Balances and Interest Rates - Interest Bearing Liabilities (Quarterly)

R\$ million	3Q18			4Q18		
	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²
Interest Bearing Liabilities	1,192,634	(17,434)	5.9	1,164,137	(16,916)	6.0
Money Market Borrowing	439,989	(7,107)	6.5	423,911	(6,635)	6.5
Time Deposits	210,948	(3,359)	6.4	210,508	(3,516)	7.0
Saving Deposits	170,954	(1,950)	4.6	173,143	(2,011)	4.8
Borrowing and Onlending	94,673	(1,331)	5.7	87,769	(1,247)	5.9
Subordinated Debt	92,569	(1,102)	4.8	91,424	(1,057)	4.8
Agribusiness Letters of Credit	84,075	(1,187)	5.7	80,129	(1,088)	5.6
Foreign Securities Borrowing	25,302	(301)	4.8	23,910	(273)	4.7
Interbank Deposits	36,297	(259)	2.8	35,059	(254)	3.0
Others Commercial Papers ³	22,231	(207)	3.7	23,138	(217)	3.9
Financial and Development Funds	15,596	(631)	16.9	15,147	(619)	17.7
Other Liabilities	281,990			282,389		
Other Liabilities	118,295			120,491		
Shareholder's Equity	95,542			96,371		
Demand Deposits	68,154			65,527		
TOTAL LIABILITIES	1,474,624			1,446,526		

1 – Arithmetic average of the final balances in the months of the relevant periods.

2 – Annualized average (business days of the quarter divided by 252).

3 – Included: Letters of Credit, Debentures, Mortgage Bonds and Mortgage Receivables Certificates.

4 – Calculated including the partial effect of the exchange rate variation.

Table 34. Average Balances and Interest Rates - Interest Bearing Liabilities (12 Months)

R\$ million	2017			2018		
	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²	Average Balance ¹	Expenses ⁴	Yearly Rate (%) ²
Interest Bearing Liabilities	1,149,936	(91,810)	8.0	1,173,085	(68,440)	5.8
Money Market Borrowing	421,010	(40,401)	9.6	430,458	(27,587)	6.4
Time Deposits	201,477	(16,324)	8.1	207,628	(13,309)	6.4
Saving Deposits	152,403	(9,449)	6.2	167,730	(7,815)	4.7
Agribusiness Letters of Credit	102,027	(8,778)	8.6	84,024	(4,667)	5.6
Borrowing and Onlending	100,092	(6,169)	6.2	95,886	(5,317)	5.5
Subordinated Debt	93,410	(5,395)	5.8	92,402	(4,442)	4.8
Foreign Securities Borrowing	22,500	(863)	3.8	25,575	(1,128)	4.4
Others Commercial Papers ³	22,385	(1,400)	6.3	22,224	(827)	3.7
Interbank Deposits	19,344	(646)	3.3	31,443	(878)	2.8
Financial and Development Funds	15,288	(2,386)	15.6	15,715	(2,471)	15.7
Other Liabilities	262,578			278,408		
Other Liabilities	115,286			116,761		
Shareholder's Equity	83,863			94,464		
Demand Deposits	63,429			67,183		
TOTAL LIABILITIES	1,412,514			1,451,493		

1 - Arithmetic average of the final balances in the months of the relevant periods.

2 - Annualized average (business days of the quarter divided by 252).

3 - Included: Letters of Credit, Debentures, Mortgage Bonds and Mortgage Receivables Certificates.

4 - Calculated including the partial effect of the exchange rate variation.

2.6.3. Volume and Rate Analysis

Table 35. Analysis of Volume (Earning Assets) – Quarterly Rate

R\$ million	3Q18	4Q18	Abs. Chg.
Assets – Earning Assets (a) ¹	1,295,657	1,275,105	(20,552)
Net Interest Income (b)	12,578	12,490	(88)
Spread - % (b/a)	0.971	0.980	0.009
Gain/(loss) w ith Volume ²			(200)
Gain/(loss) w ith Spread ³			113
Gain/(loss) w ith Volume and Spread			(2)

1 - Arithmetic average of the closing balances of months that comprise the period.

2 - Gain/(Loss) resulting from multiplying the earning assets volume of the current period for the spread of the previous period net previous NII;

3 - Gain/(Loss) resulting from multiplying the earning assets volume of the previous period for the spread of the current period net previous NII;

Table 36. Analysis of Volume (Earning Assets) – 12 Months Rate

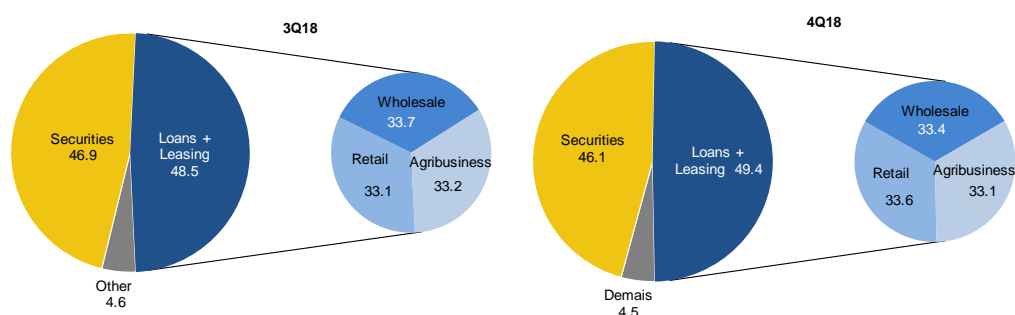
R\$ million	2017	2018	Abs. Chg.
Assets – Earning Assets (a) ¹	1,249,910	1,279,763	29,853
Net Interest Income (b)	52,706	49,625	(3,081)
Spread - % (a/b)	4.217	3.878	(0.339)
Gain/(loss) w ith Volume ²			1,259
Gain/(loss) w ith Spread ³			(4,239)
Gain/(loss) w ith Volume and Spread			(101)

1 - Arithmetic average of the closing balances of months that comprise the period.

2 - Gain/(Loss) resulting from multiplying the earning assets volume of the current period for the spread of the previous period net previous NII;

3 - Gain/(Loss) resulting from multiplying the earning assets volume of the previous period for the spread of the current period net previous NII;

The earning assets balance decreased R\$21.7 billion in 4Q18, driven by the decrease of securities average balance, which represents a drop of 80 bps in share of all earning assets. The increase of the credit portfolio's share drove the NIM's increase in 4Q18.

Figure 11. Revenues from Loans Breakdown (%)**Table 37. NIM**

%	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Net Interest Margin (NIM) ¹	4.4	4.2	4.2	4.2	3.8	4.0	3.9	4.0
Risk Adjusted NIM ²	2.5	2.5	2.5	2.9	2.5	2.8	2.9	3.0

1 - NII/Earning Assets average, annualized;

2 - Risk adjusted Net Interest Margin (NII less Provision for Loan Losses)/Earning Assets average, annualized.

From 1Q18 on, the NIM is no longer presented considering the recovering of written-off loans composing the NII. The NIM considering the methodology used up to the 4Q17 remained stable compared to 3Q18.

Table 38. NIM Considering Recovered Loans

%	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
NIM with recovered credits	4.8	4.7	4.6	4.8	4.2	4.5	4.5	4.5

Table 39. Adjusted NIM and Net Interest Income

R\$ million	4Q17	3Q18	4Q18	2017	2018
Average Interest Earning Assets (AIEA) (a)	1,226,828	1,295,657	1,275,105	1,249,910	1,279,763
Average Interest Bearing Liabilities (AIBL) (b)	1,122,061	1,192,634	1,164,137	1,149,936	1,173,085
NII (c)	12,820	12,578	12,490	52,706	49,625
Net Interest Gain (d)	12,016	11,718	11,836	50,767	47,127
Interest Income (1.d)	29,943	29,152	28,752	142,577	115,566
Interest Expense(2.d)	(17,927)	(17,434)	(16,916)	(91,810)	(68,440)
Net Interest Income Other Items ¹ (e)	804	861	654	1,939	2,499
AIBL / AIEA – % (b/a)	91.5	92.0	91.3	92.0	91.7
Yield Average Assets ^{2 4} - % (1.d/a)	10.1	9.3	9.3	11.4	9.0
Liabilities Average Cost ^{2 4} - % (2.d/b)	6.5	6.0	5.9	8.0	5.8
Net Interest Rate ^{2 3} - %	3.6	3.3	3.4	3.4	3.2
Adjusted NIM ² - % (d/a)	4.0	3.7	3.8	4.1	3.7
NIM ² – % (c/a)	4.2	3.9	4.0	4.2	3.9

1 - Includes derivatives, debt assumption contracts, foreign exchange portfolio, recovery of write-offs, gold loans, credit guarantor fund, foreign exchange gain/loss abroad and other income of a financial intermediation nature.

2 - Annualized Rates.

3 - Difference between average rate of earning assets and average rate of interest bearing liabilities.

4 - Calculated partial effect of exchange rate change.

The following tables set forth the variations in interest income and expenses due to the variation in the average volume of interest earning assets and interest bearing liabilities and by the change in the average interest rate on these assets and liabilities, for the periods indicated.

Table 40. Change in Revenues and Expenses and Change Volume / Rate (Quarterly)

R\$ million	4Q18 / 3Q18			4Q18 / 4Q17		
	Average Volume ¹	Average Rate ²	Net Change ³	Average Volume ¹	Average Rate ²	Net Change ³
Earning Assets⁴	(463)	64	(400)	1,089	(2,280)	(1,191)
Secur. + Interbank Invest. w/o Hedge	(345)	5	(339)	906	(702)	204
Loans and Leasing	49	13	63	17	(1,097)	(1,080)
Remunerated Compulsory Deposits	(27)	(92)	(118)	(81)	(230)	(311)
Other	6	(11)	(4)	5	(10)	(4)
Interest Bearing Liabilities⁴	414	104	518	(611)	1,622	1,011
Saving Deposits	(25)	(35)	(60)	(191)	235	45
Interbank Deposits	9	(3)	6	(97)	(6)	(103)
Time Deposits	7	(165)	(158)	(221)	151	(70)
Open Market Borrowing	252	220	472	(412)	967	555
Borrowing and Onlending	98	(14)	85	182	(50)	132
Financial and Development Funds	18	(6)	12	70	(72)	(2)
Subordinated Debt	13	32	45	36	109	145
Foreign Securities Borrowing	16	12	28	17	(46)	(30)
Agribusiness Letters of Credit	54	45	99	138	181	319
Others Commercial Papers ⁵	(9)	(2)	(10)	(18)	38	20

1 – Net variation – Average Rate.

2 – (Interest for the Current Period / Balance in the Current Period) x (Balance in the Previous Period) – (Interest for the Previous Period).

3 – Interest for the Current Period – Interest for the Previous Period.

4 – Calculation based on the same method presented in footnotes 1, 2, and 3.

5 – Included: Letters of Credit, Debentures, Mortgage Bonds and Mortgage Receivables Certificates.

Table 41. Change in Revenues and Expenses and Change Volume / Rate (12 Months)

R\$ million	2018 / 2017		
	Average Volume ¹	Average Rate ²	Net Change ³
Earning Assets⁴	2,696	(29,707)	(27,011)
Secur. + Interbank Invest. w/o Hedge	2,412	(15,233)	(12,821)
Loans and Leasing	(777)	(11,882)	(12,658)
Remunerated Compulsory Deposits	(2)	(1,582)	(1,584)
Other	4	49	53
Interest Bearing Liabilities⁴	(1,351)	24,721	23,370
Saving Deposits	(714)	2,348	1,634
Interbank Deposits	(338)	106	(232)
Time Deposits	(394)	3,409	3,015
Money Market Borrowing	(606)	13,420	12,815
Domestic Borrowing and Onlending	233	618	851
Financial and Development Funds	(67)	(18)	(85)
Subordinated Debt	48	904	952
Foreign Securities Borrowing	(136)	(129)	(265)
Agribusiness Letters of Credit	1,000	3,112	4,111
Others Commercial Papers ⁵	6	567	573

1 – Net variation – Average Rate.

2 – (Interest for the Current Period / Balance in the Current Period) x (Balance in the Previous Period) – (Interest for the Previous Period).

3 – Interest for the Current Period – Interest for the Previous Period.

4 – Calculation based on the same method presented in footnotes 1, 2, and 3.

5 – Included: Letters of Credit, Debentures, Mortgage Bonds and Mortgage Receivables Certificates.

2.7. Credit Spread by Portfolio

Determining the managerial financial margin begins as follows:

- accrued interest income, classified by type of portfolio;
- opportunity costs determined for each line item of the portfolios.

In the case of fixed rate transactions, the managerial financial spread takes into account the funding cost at the time of the contracting, and it is not affected by the variation in the Selic rate.

The opportunity cost for Loans allocated to Individuals and Businesses with free resources is the TMS and/or Term Structure of Estimated Interest Rates (*Estrutura a Termo das Taxas de Juros Estimada – ETTJ*). The opportunity cost for the agribusiness portfolio and other directed resources is calculated based on the source of funds and the need to make any compulsory investment with a portion of the funds from the relevant source.

Table 42. Managerial Margin

R\$ million	Quarterly Flow			Chg. (%) on		Annual Flow		Chg. (%) on
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Loan Operations	10,203	10,346	10,349	1.4	0.0	41,082	40,776	(0.7)
Individuals	5,598	5,871	6,059	8.2	3.2	22,033	23,334	5.9
Companies	2,483	2,334	2,194	(11.6)	(6.0)	10,585	8,974	(15.2)
Agribusiness	2,122	2,140	2,096	(1.2)	(2.1)	8,463	8,468	0.1

Spread

The following table presents the managerial spread by portfolio. The rate results from the managerial financial margin divided by respective average balances.

Table 43. Spread by Portfolio

%	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Loan Operations	7.7	7.3	7.4	7.5	7.4	7.4	7.6	7.6
Individuals	16.1	16.1	16.3	16.3	16.5	16.5	16.5	16.7
Companies ¹	6.0	5.0	5.1	5.0	4.7	4.6	5.0	4.7
Agribusiness	4.8	4.7	4.7	4.8	4.7	4.7	4.7	4.6

1 – It does not include transactions with the Government.

2.8. Foreign Currency Exposure Management

Balance in Foreign Currencies

Banco do Brasil manages its foreign exchange exposure to minimize its effects on the Consolidated Result. The following table presents BB's Consolidated statement of assets, liabilities, and derivatives in foreign currencies. At December 31, 2018, net foreign exchange exposure totaled an expense of US\$1,456 million.

Table 44. Balance in Foreign Currencies

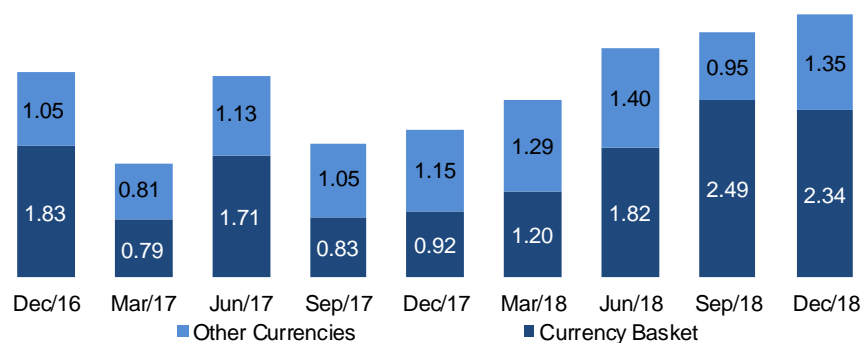
R\$ million Currency	Balance Sheet	
	Assets	Liabilities
U.S. Dollar	171,116	188,391
Euro	14,390	7,293
Yen	3,225	1,831
Pound Sterling	114	392
Swiss Franc	15	1,119
Canadian Dollar	5	18
Gold	14	-
Other	11,452	10,425
Total	200,331	209,469
Net Position - Balance Sheet Items	9,138	

R\$ million Currency	Derivatives	
	Long	Short
U.S. Dollar	27,605	15,995
Euro	1,332	8,965
Pound Sterling	29	575
Swiss Franc	1,111	1
Yen	-	1,827
Canadian Dollar	14	-
Other	808	39
Total	30,899	27,402
Net Position - Derivatives	3,497	

Total of Derivatives and Balance Sheet	231,230	236,871
Total Net Position		(5,641)
Total Net Position in US\$ million		(1,456)

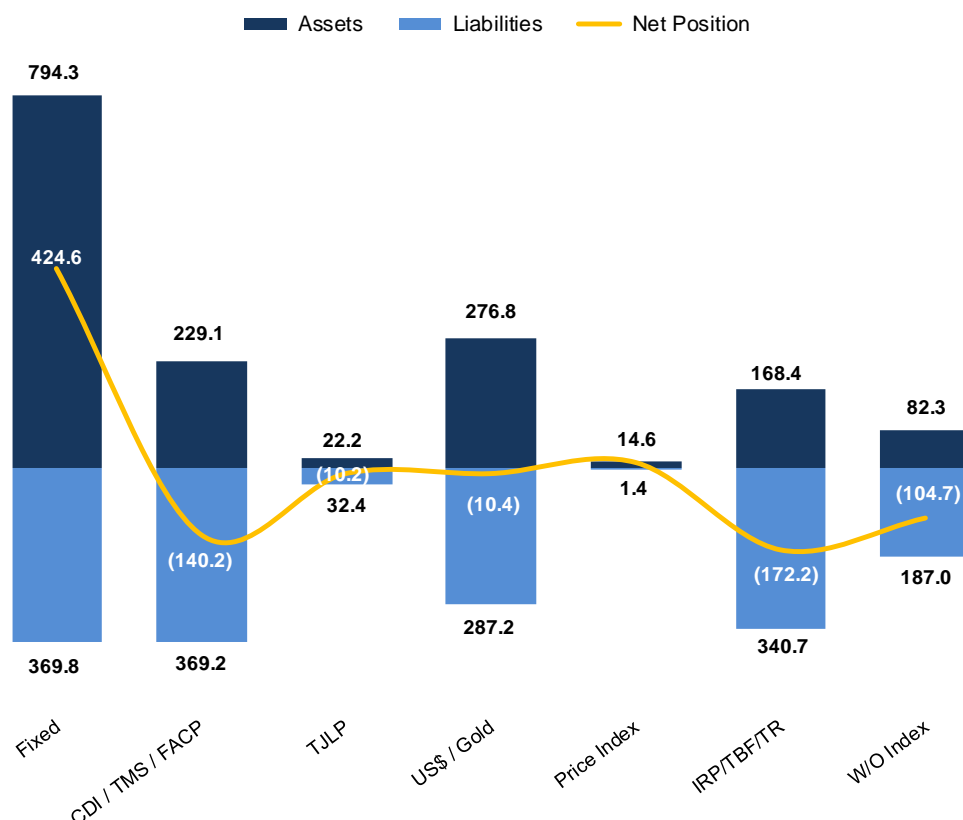
BB's Consolidated regulatory foreign exchange exposure, calculated pursuant to the Central Bank Circular Letter No. 3,641, dated March 4, 2013, including the tax hedging strategy, totaled R\$4,898 million at December 31, 2018. The purpose of tax hedging is to reduce the result's volatility, after tax effects, considering that earnings with the exchange rate variation of investments abroad are not taxed, just as losses do not generate a deduction in the tax base.

The following figure presents BB's Consolidated foreign exchange exposure, as a percentage of the Reference Equity, for the quarters indicated, since December, 2016.

Figure 12. Evolution of the Foreign Exchange Exposure as a % of the Reference Equity (RE)

Balance Sheet by Index

The following figure presents the breakdown of BB's Consolidated assets and liabilities, including derivatives, by index, at December 31, 2018.

Figure 13. Balance Sheet by Index and Net Position (R\$ billion)

Maturity Mismatch Profile

The following table presents BB's Consolidated inventory of transactions sensitive to variations in interest rates, by maturity:

Table 45. Maturity Mismatch

R\$ million	< 1 Mo	1 > 3 Mo	3 > 6 Mo	6 > 12 Mo	1 > 3 Yrs	> 3 Yrs	Total
Assets	175,269	442,928	88,900	124,091	254,173	419,993	1,505,354
Fixed	86,349	397,856	42,498	60,728	105,418	101,492	794,340
CDI / TMS	21,137	19,278	8,051	13,363	78,728	88,520	229,077
TR/TBF/IRP	10,234	6,265	7,763	26,693	26,018	91,438	168,410
Price Index	18	83	186	3,031	7,605	3,647	14,570
TJLP	459	952	1,233	2,124	4,946	12,461	22,175
US\$/ME	57,073	18,495	29,170	18,153	31,457	122,434	276,782
Liabilities	323,268	226,876	59,907	115,297	241,365	433,976	1,400,688
Fixed ¹	211,086	43,464	14,787	20,831	29,507	50,087	369,761
CDI / TMS	35,901	162,326	16,672	50,192	97,898	6,253	369,243
TR/TBF/IRP	25,998	4,309	4,773	10,339	76,792	218,442	340,654
Price Index	21	1	1	1	482	929	1,436
TJLP	399	836	1,278	2,386	6,690	20,803	32,391
US\$/ME	49,863	15,940	22,395	31,549	29,996	137,462	287,204
Gap	(147,999)	216,051	28,993	8,795	12,808	(13,983)	104,666
Cumulative Gap	(147,999)	68,053	97,046	105,841	118,649	-	-
Cumul. Gap as % Assets	(84.4)	15.4	109.2	85.3	46.7	-	-

1 - Fixed liabilities include all deposits in current accounts (R\$52.1 billion).

3 - Fee Income

The Bank's strategy of improving relationship with customers, offering convenience in service through its network and the use of the digital channel specialization is fundamental for the evolution of service package revenue and for the greater consumption of products and services.

The following table sets forth the evolution of fee income, resulting from customer relationship efforts with special attention to the strategy to enhance the digital channel as instrument to provide more convenience to our customers in the relationship with the Bank.

The fee income result is linked to the products and services volume transacted in the period, the number of business days and seasonal effects.

Table 46. Fee Income

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Fee Income	6,735	6,871	7,236	7.4	5.3	25,941	27,452	5.8
Checking Account Fees ¹	1,882	1,857	1,902	1.1	2.4	6,997	7,331	4.8
Asset Management Fees	1,347	1,556	1,487	10.4	(4.5)	5,397	6,023	11.6
Insurance, Pension and Premium Bonds	810	714	1,039	28.2	45.4	3,048	3,221	5.7
Loan Fees ¹	517	462	558	7.8	20.8	1,853	1,999	7.8
Credit / Debit Cards	421	491	507	20.4	3.2	1,881	1,942	3.2
Brazil ²	394	423	426	8.2	0.8	1,521	1,657	8.9
Collections	338	314	312	(7.7)	(0.5)	1,448	1,290	(10.9)
Billings	274	277	283	3.3	2.4	1,087	1,116	2.7
Consortium	198	236	275	38.9	16.8	725	942	29.9
Capital Market	227	185	188	(17.3)	1.6	775	788	1.7
National Treasury and Manag. of Official Funds	173	225	110	(36.6)	(51.2)	689	605	(12.1)
Interbank	37	35	37	1.2	7.3	154	145	(5.8)
Other	510	519	538	5.6	3.7	1,887	2,051	8.7

1 - Revised historical series in 3Q18.

2 - Fee Income earned in the country.

In the 2018/2017 comparison, the checking account fees has growth of 6.2% in service package revenue. The Bank position the services packages value at a level close to the private financial institutions.

The volume of resources managed related to Asset Management rose from R\$864.5 billion in Dec/17 to R\$941.1 billion in Dec/18. In the 4Q18/3Q18 comparison, there was a reduction due to the decrease of net funding and lower the number of business days. More information in Chapter 9.2.

In comparison with 3Q18, the increase in insurance, pension and premium bonds revenues was influenced by revenues from brokerage with Brasilprev VGBL. Still in the Insurance line, highlighting the annual performance bonus, of R\$276.1 million, paid by BB MAPFRE SH1 due to the achievement of insurance marketing goals from April to December 2018, as agreed in the renegotiation of the partnership with Mapfre Group.

Consortium sales exceeded R\$11 billion in 2018. The sale of quotas was 304 thousand quotas in 2018, compared to 218 thousand in the previous year. Highlight for auto consortium with more than 251 thousand quotas sold in 2018. In the 4Q18, the BB Consórcios registered more than 81 thousand new quotas of consortiums, totaling R\$3 billion.

The positive performance in the loan fees line, with an increase of R\$41.6 million in 2018, was influenced by revenues obtained from advising clients in the small and very small companies segment. In the 4Q18/3Q18 comparison, the increase is result of commission income in the advisory of the companies segment.

The credit/debit cards fees had a positive impact of 8.9% of the Brazil's revenues, with a high of 3.2% in total compared to 2017, was result of higher revenue with annuity rate (R\$100.5 million).

The national treasury and management of official funds fee income decreased 12.1%, due to the end of Pasep's withdrawal period in the 3Q18 and, the decrease occurred mainly to the Bank not to acting as financial agent of the FIES in new operations.

4 - Administrative Expenses

Banco do Brasil seeks to improve its operating efficiency and productivity by maintaining control of its administrative, personnel and operating expenses.

This chapter presents the performance of BB's administrative expenses and the indicators used to analyze the productivity and efficiency.

4.1. Personnel Expenses

In 2018, the growth in personnel expenses was mainly due to the increase in administrative provisions impacted by the 2018/2019 Collective Agreement.

In the quarterly comparison (4Q17/3Q17), the line "Salaries" had an increase due to the payment of Christmas bonus in November/2018. Consequently, there was reduction in Administrative Personnel Provisions, in which are accounted throughout the year, provisions with vacations and Christmas bonus, reversed in the other lines.

Table 47. Personnel Expenses

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Personnel Expenses	(4,804)	(4,765)	(4,970)	3.4	4.3	(18,976)	(19,520)	2.9
Salaries	(2,660)	(2,241)	(2,773)	4.2	23.7	(9,644)	(9,834)	2.0
Social Charges	(866)	(766)	(905)	4.6	18.2	(3,180)	(3,224)	1.4
Benefits	(783)	(748)	(797)	1.7	6.6	(3,046)	(3,064)	0.6
Pension Fund	(251)	(204)	(259)	3.0	26.6	(859)	(872)	1.5
Administrative Personnel Provisions	(207)	(779)	(193)	(6.8)	(75.2)	(2,137)	(2,405)	12.5
Training	(25)	(16)	(30)	20.3	85.6	(64)	(73)	13.1
Remunerat. for Directors and Officers	(12)	(11)	(13)	7.9	13.6	(45)	(48)	7.3

The following table sets forth the BB's staff profile (employees and interns).

Table 48. BB's Staff Profile

	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18
Gender	99,161	97,981	97,675	97,232	96,889
Female	41,044	40,576	40,475	40,324	40,243
Male	58,117	57,405	57,200	56,908	56,646
Educational Level					
High School	17,533	16,404	15,901	15,274	14,846
College	41,073	40,408	39,957	39,450	38,703
Specialization, Master's and Doctorate	40,354	40,977	41,627	42,318	43,150
Others	201	192	190	190	190
Position					
Management	32,203	32,957	32,655	32,677	32,635
Technical	4,110	4,112	4,105	4,215	4,221
Advisor	7,745	7,691	7,710	7,692	7,717
Operational ¹	55,103	53,221	53,205	52,648	52,316
Turnover - Quarterly Index (%)	0.3	1.2	0.3	0.4	0.4
Interns	2,086	1,926	1,911	2,021	1,783

1- Series revised with the reclassification of the Other Category to the Operational Category.

In 2018, the PAQ (Structure Adjustment Program), occurred in the 1Q18, has significantly influenced the shutdowns of more than 2,200 employees.

4.2. Other Administrative Expenses

Other administrative expenses decreased 2.9% over 2017, mainly due to the substitution of automated teller machines (BB ATM) with automated teller machines Partner Banks (ATM). The line Telecommunications and Data Processing decreased R\$141.7 million, and the Security and Transport Services decreased R\$205.5 million.

The efficiency actions with property contracts renegotiations and spaces optimization were responsible for the R\$178.9 million reduction.

In the quarterly comparison (4Q17/3Q17), the increase in Other Administrative Expenses were influenced by BB's advertising campaigns.

Table 49. Other Administrative Expenses

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Other Administrative Expenses	(3,431)	(3,151)	(3,251)	(5.3)	3.2	(12,811)	(12,446)	(2.9)
Rent and Property Maintenance ¹	(687)	(660)	(678)	(1.3)	2.8	(2,796)	(2,617)	(6.4)
Security and Transport Services	(639)	(532)	(564)	(11.8)	6.0	(2,359)	(2,153)	(8.7)
Expenses with Outsourced Services	(524)	(500)	(504)	(3.7)	0.8	(2,011)	(1,989)	(1.1)
Telecommunications and Data Processing	(547)	(445)	(460)	(15.8)	3.5	(1,995)	(1,853)	(7.1)
Amortization and Depreciation	(365)	(376)	(386)	5.7	2.4	(1,432)	(1,498)	4.6
Advertising and Public Affairs	(212)	(157)	(198)	(7.0)	25.4	(558)	(597)	7.0
Other Administrative Expenses	(457)	(480)	(461)	0.9	(4.0)	(1,660)	(1,738)	4.7

1 - Includes expenses with property insurance.

4.3. Indicators

In the 4Q18, the personnel expenses, administrative expenses and cost-to-income ratio coverage rates (administrative expenses / total operating income) grew on fees performance and expenses control.

Table 50. Cost-to-Income and Coverage Ratios – Adjusted¹

%	4Q17	1Q18	2Q18	3Q18	4Q18	2017	2018
Personnel Expenses Coverage - Quarterly	140.2	137.8	135.0	144.2	145.6	136.7	140.6
Personnel Expenses Coverage - 12 months	136.7	137.9	138.3	139.2	140.6	-	-
Administrative Expenses Coverage - Quarterly	81.8	84.4	84.2	86.8	88.0	81.6	85.9
Administrative Expenses Coverage - 12 months	81.6	82.7	83.3	84.3	85.9	-	-
Cost-to-Income Ratio - 12 months	38.1	38.5	38.9	38.7	38.5	-	-

1 - Data refers to the income statement with reallocations.

The following table sets forth other productivity and efficiency indicators.

Table 51. Other Productivity and Efficiency Indicators

	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18
Checking Accounts/Own Service Network	2,444	2,441	2,447	2,527	2,626
Checking Accounts/Employees in Branches	563	566	569	573	586
Fee Income/Own Service Network - R\$ thousand	452	441	460	481	523
Loan Portf. (Expanded View)/Own Service Network - R\$ million	46.0	45.7	46.6	48.3	50.4
Commercial Funding/Employees in Branches - R\$ million	9.0	9.1	9.4	9.7	9.7
Inv. Funding/Employees in Branches - R\$ million	13.4	14.2	14.5	14.8	15.2
Personnel Expenses per Employee (quarter average) - R\$ thousand	48.4	48.2	51.5	48.9	51.2
Employees in Branches/(Branches+Services Posts)	9.5	9.4	9.4	9.3	9.4

In the 12-month comparison, Pre-Tax and Pre-Provision Earnings declined, mainly due to the Net Interest Income decrease, and the legal risk increase.

Table 52. Pre-Tax and Pre-Provision Earnings

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Total Operating Income (Banking Product)	22,709	22,513	22,667	(0.2)	0.7	90,580	88,959	(1.8)
Operating Income	22,583	22,135	22,314	(1.2)	0.8	90,193	87,519	(3.0)
Net Interest Income	12,820	12,578	12,490	(2.6)	(0.7)	52,706	49,625	(5.8)
Fee Income	6,735	6,871	7,236	7.4	5.3	25,941	27,452	5.8
Eq. Interest of Subsidiaries and Affiliates	943	1,057	674	(28.5)	(36.3)	3,962	3,748	(5.4)
Other Operating Income	2,085	1,628	1,914	(8.2)	17.6	7,583	6,693	(11.7)
Previ - Plano de Benefícios 1	(66)	206	206	-	(0.0)	(251)	644	-
Previ - Fundo de Utilização Restatement	193	172	147	(23.7)	(14.6)	638	796	24.9
Total Operating Expenses	(13,373)	(13,334)	(12,947)	(3.2)	(2.9)	(51,923)	(51,636)	(0.6)
Administrative Expenses	(8,236)	(7,916)	(8,220)	(0.2)	3.8	(31,787)	(31,966)	0.6
Personnel Expenses	(4,804)	(4,765)	(4,970)	3.4	4.3	(18,976)	(19,520)	2.9
Other Administrative Expenses	(3,431)	(3,151)	(3,251)	(5.3)	3.2	(12,811)	(12,446)	(2.9)
Legal Risk	(636)	(1,341)	(1,274)	100.1	(5.0)	(2,722)	(4,141)	52.1
Other Tax Expenses	(129)	(131)	(127)	(1.3)	(3.1)	(502)	(540)	7.6
Taxes on Revenues	(1,250)	(1,114)	(1,159)	(7.3)	4.1	(5,001)	(4,590)	(8.2)
Other Operating Expenses	(3,122)	(2,832)	(2,167)	(30.6)	(23.5)	(11,911)	(10,400)	(12.7)
Non-Operating Income	48	63	52	8.7	(17.1)	186	218	17.0
Pre-Tax and Pre-Provision Earnings	9,385	9,242	9,772	4.1	5.7	38,844	37,541	(3.4)

5 - Other Operating Income

5.1. Information on Subsidiaries and Affiliates

The following table presents Banco do Brasil S.A. equity on its subsidiaries and affiliates.

Table 53. Interest in the Capital of Subsidiaries and Affiliates

Equity Interest R\$ thousand	Activity	Share (%)	Book Value		Equity Income
			Dec/18	Dec/17	Dec/18 4Q18
Banco do Brasil - AG. Viena	Holding	(I)	100.00	654,351	890,236 (8,677)
Banco Patagonia S.A.	Multiple Bank	(I)	80.39	1,210,602	1,199,444 174,163
Banco Votorantim S.A.	Multiple Bank	(II)	50.00	4,433,632	4,686,715 140,889
BB Adm. de Cartões de Crédito S.A.	Service Rendering	(I)	100.00	19,055	24,332 6,755
BB Administradora de Consórcios S.A.	Consortiums	(I)	100.00	215,401	230,582 137,788
BB Americas	Multiple Bank	(I)	100.00	152,634	197,946 5,603
BB Banco de Investimento S.A.	Investment Bank	(I)	100.00	3,074,108	3,169,918 357,899
Ativos S.A. Securitizadora de Créd. Financ. ¹	Credit Acquisition	(I)	100.00	895,410	902,093 43,629
Cielo S.A.	Service Rendering	(II)	28.68	3,264,584	3,072,049 208,314
Companhia Brasileira de Securit. – Cibrasec ²	Credit Acquisition	(II)	12.12	9,366	9,192 (16)
Kepler Weber S.A.	Industry	(II)	17.45	75,988	76,230 3,817
Neoenergia S.A.	Energy	(II)	9.35	1,570,055	1,749,313 13,502
Seg. Brasileira de Créd. à Exportação – SBCE	Insurance Company	(II)	12.09	2,410	2,492 72
Tecnologia Bancária S.A. – Tecban ³	Service Rendering	(II)	12.52	58,604	57,367 6,013
BB DTV M S.A.	Asset Management	(I)	100.00	131,639	131,792 297,651
BB Elo Cartões Participações S.A.	Holding	(I)	100.00	5,026,871	5,156,938 156,702
Elo Participações S.A.	Holding	(II)	49.99	976,121	1,157,461 32,873
CBSS - Alelo	Service Rendering	(II)	49.99	819,668	375,977 38,505
Elo Serviços	Service Rendering	(II)	33.33	44,673	91,047 7,217
Cateno Gestão de Contas de Pagamento S.A. ^{4,5}	Service Rendering	(II)	50.08	3,655,182	3,661,905 55,551
BB Leasing S.A. – Arrendamento Mercantil	Leasing	(I)	100.00	4,548,114	4,664,961 27,717
Banco do Brasil Securities LLC.	Brokerage	(I)	100.00	234,536	293,340 3,796
BB Seguridade Participações S.A.	Holding	(I)	66.36	5,042,021	4,220,210 1,022,081
BB Corretora de Seg. e Adm. de Bens S.A. ⁶	Brokerage	(I)	66.36	47,074	47,074 544,569
BB Seguros Participações S.A.	Holding	(I)	66.36	6,604,923	5,341,696 150,242
BB Mapfre SH1 Participações S.A.	Holding	(II)	49.76	1,686,052	1,277,205 108,135
Brasilcap Capitalização S.A.	Capitalization	(II)	44.24	241,544	254,055 24,900
Brasilidental Operadora de Planos Odontológicos S.A.	Service Rendering	(II)	49.77	12,341	10,395 3,450
Brasilprev Seguros e Previdência S.A.	Insurance/Pension	(II)	49.77	1,975,877	2,136,459 132,760
IRB - Brasil Resseguros	Reinsurance	(II)	10.11	540,685	1,032,693 26,361
Mapfre BB SH2 Participações S.A.	Holding	(II)	-	1,469,780	- (138,375)
BB Tecnologia e Serviços S.A.	IT	(I)	99.99	256,236	260,378 (194)
BB USA Holding Company, Inc.	Holding	(I)	100.00	652	724 (16)
Besc DTV M S.A.	Asset Management	(I)	99.62	7,056	6,817 (85)
BB Cayman Islands Holding	Holding	(I)	100.00	1,572,586	1,663,734 (24,448)
BB Securities Asia Pte. Ltd.	Brokerage	(I)	100.00	24,582	30,816 329
BB Securities Ltd.	Brokerage	(I)	100.00	209,091	252,602 3,870

(I) Subsidiaries fully included in the accounting consolidation.

(II) Affiliate companies accounted for by equity method.

1 - BB holds indirect participation in Ativos SA 75.71% by BB-BI and 24.29% by BB Cayman Islands Holding.

2 - BB holds indirect participation in Cibrasec 9.09% by BB-BI and direct participation 3.03% by BB Multiple Bank, totaling 12.12%.

3 - BB holds indirect participation in Tecban 8.01% by BB-BI and direct participation 4.51% by BB Multiple Bank, totaling 12.52%.

4 - BB holds direct participation in Cateno 30.0% by BB Multiple Bank and indirect participation 20.7% by BB-BI, totaling 50.08%.

5 - The values shown (Book Value and Equity Income) of company Cateno Gestão de Contas de Pagamento S.A. are equivalent to 30% of direct participation by BB Multiple Bank.

6 - On Dec/16 BB Cor. Participações S.A was incorporated by BB Corretora de Seg. e Adm. de Bens S.A.

5.2. Other Operating Income and Expenses

The following table sets forth the main items of other operating income/expenses. The line "Other" represents the sum of non-relevant and pulverized sub-lines amounts.

Table 54. Other Operating Income/Expenses

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	4Q17	3Q18	4Q18	4Q17	3Q18	2017	2018	2017
Other Operating Income	2,085	1,628	1,914	(8.2)	17.6	7,583	6,693	(11.7)
Recovery of Charges and Expenses	541	520	531	(1.9)	2.1	2,069	2,137	3.3
Income from Guarantee Deposits	560	482	467	(16.6)	(3.1)	2,673	1,979	(26.0)
Receivables Income	204	236	98	(52.1)	(58.6)	785	542	(31.0)
Card Transactions ¹	316	90	377	19.4	-	600	734	22.3
Income from non-financial Associated Companies	94	41	52	(44.5)	26.2	290	206	(28.8)
Other Operating Expenses	(3,122)	(2,832)	(2,167)	(30.6)	(23.5)	(11,911)	(10,400)	(12.7)
Card Transactions	(367)	(399)	(476)	29.6	19.2	(1,429)	(1,709)	19.6
Negotiation Relationship Allowance	(405)	(371)	(360)	(11.1)	(2.9)	(1,806)	(1,484)	(17.9)
Actuarial Liabilities	(288)	(341)	(341)	18.7	(0.0)	(1,159)	(1,310)	13.0
Negotiation Relationship Bonus	(347)	(266)	(263)	(24.3)	(1.2)	(1,067)	(1,024)	(4.0)
Discounts Granted on Renegotiations	(375)	(252)	(301)	(19.8)	19.3	(1,441)	(1,125)	(22.0)
Guarantee Deposits Expenses	(208)	(178)	(174)	(16.7)	(2.7)	(1,027)	(695)	(32.3)
Other Oper. Exp. from Non-Financ. Comp.	(125)	(88)	(122)	(2.5)	39.0	(440)	(399)	(9.4)
Self-Service Terminals	(76)	(64)	(66)	(13.4)	2.4	(332)	(320)	(3.6)
Payment Bonus	(42)	(59)	(58)	35.8	(3.1)	(200)	(226)	12.9
INSS Agreement	(51)	(51)	(54)	7.3	6.7	(171)	(202)	17.6
Operating losses	(64)	(45)	(48)	(25.3)	5.8	(319)	(208)	(34.9)
Remuneration for Transactions of Banco Postal	(70)	(42)	(40)	(43.1)	(3.8)	(237)	(203)	(14.4)
Goodwill Amortization	(304)	(40)	(54)	(82.4)	33.5	(1,218)	(176)	(85.5)
Life Insurance Premium - Consumer Credit	(33)	(33)	(34)	5.0	4.9	(132)	(129)	(2.4)
Other²	3	(342)	612	-	-	234	(124)	-

1 - Series revised in 3Q17 in accordance with Bacen Circular Letter No. 3,828/2017.

2 - Includes IHCD repurchase costs incurred in April/18.

6 - Capital Management

Risk and capital management are fundamental to the banking system's sustainability. Risk identification, measurement, evaluation, monitoring, reporting, control and mitigation methods safeguard financial institutions at adverse times and provide support for the generation of positive and recurring results over time.

Risk management at Banco do Brasil includes credit, market, liquidity and operational risks supported by specialized structures, according to objectives, policies, strategies, processes, procedures and systems described in each of these risks.

More information on Banco do Brasil's risk management process can be found in the Risk Management Report – Pillar III at bb.com.br/ir, published quarterly.

6.1. Capital Structure

The main information regarding Banco do Brasil's capital structure and considering the technical terms used for capital regulation, we introduce a glossary to help interpret the information in this chapter:

- a) Common Equity Tier 1: Shareholders' Equity and income accounts, deducted the Regulatory Adjustments. On August 28, 2014, the Hybrid Instrument in the amount of R\$8.1 billion, was authorized by Bacen to compose the Bank's Common Equity Tier 1 Capital;
- b) Prudential Adjustments: The Regulatory Adjustments are deductions from the Common Equity Tier 1 Capital of elements that can degrade its quality due to their low liquidity, difficulty to evaluate or reliance on future profits to be realized;
- c) Additional Tier 1 Capital: Hybrid Capital and Debt Instruments that meet the CMN Resolution nº 4,192/13 requirements can make up Tier 1, as long as they are authorized by Bacen;
- d) Tier 1: sum of Common Equity Tier 1 and Additional Tier 1 Capital;
- e) Tier 2: Subordinated Debt Instruments that meet the CMN Resolution nº 4,192/13 requirements can make up Tier 2, as long as they are authorized by Bacen;
- f) RE: Reference Equity is the sum of Tier 1 with Tier 2;
- g) MRRE: The Minimum Required Reference Equity (MRRE) is the equity required (capital volume required) of institutions, conglomerates, and other institutions authorized to operate by Bacen, to face the risks to which they are exposed due to the activities they are involved in, and it is defined by CMN Resolution nº 4,193/13;
- h) RWA: Risk Weighted Asset;
 - RWA_{OPAD}: related to capital requirement for operational risk exposures under the standardized approach;
 - RWA_{MPAD}: related to market risk exposures, subject to the calculation of capital requirements under the standardized approach;
 - RWA_{CPAD}: related to credit risk exposures, subject to the calculation of capital requirements under the standardized approach.

CMN Resolutions No. 4,192/2013 and No. 4,193/2013, provides for the calculation of the Reference Equity and the Minimum Required Reference Equity (MRRE) in relation to the Risk Weighted Assets (RWA), respectively, considering Banco Votorantim by the Equity Method, as determined by the Central Bank.

Performance

BIS ratio reached 18.86% in December 2018. The Tier I capital ratio reached 13.39%, with 10.00% of CET 1 and reference equity reached R\$134.2 billion.

The following table sets forth the Reference Equity and Risk-Weighted Assets and its main components.

Table 55. Basel Ratio

Quarterly Flow	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18
Reference Equity (RE)	135,511	126,583	130,078	131,940	134,178
Tier I	95,228	87,687	90,679	93,107	95,290
Common Equity Tier 1 Capital (CET1)	72,320	66,996	66,676	68,182	71,169
Shareholders Equity	88,068	90,269	91,861	92,746	92,016
Instruments Eligible to Capital	8,100	8,100	8,100	8,100	8,100
Prudential Adjustments	(23,848)	(31,373)	(33,285)	(32,664)	(28,947)
Investments and Tax credits (temporary differences) exceeding more than 15% of the CET1 ¹	(9,231)	(11,605)	(11,875)	(12,036)	(11,895)
Intangible Assets	(5,159)	(6,626)	(6,281)	(5,923)	(5,777)
Tax credits (temporary differences) exceeding more than 10% of the CET1	(2,663)	(3,163)	(3,980)	(3,777)	(4,631)
Investments exceeding more than 10% of the CET1	(1,718)	(2,868)	(2,500)	(2,582)	(716)
Tax credits arising from tax losses and negative basis of Social Contribution Goodwill paid on acquisition of investment on the basis of expected future profitability	(791)	(1,572)	(2,519)	(1,419)	(1,878)
Non-controlling interest ²	(248)	(274)	(237)	(745)	(217)
Tax credits arising from tax loss of excess depreciation	(674)	(853)	(0)	(0)	(0)
0	(71)	(83)	(75)	(68)	(62)
Actuarial Assets related to Defined Benefit Pension Funds net of deferred tax liability associated	-	-	-	-	(39)
(3,294)	(4,329)	(5,817)	(6,114)	(3,732)	
Additional Tier I Capital	22,908	20,691	24,002	24,924	24,121
HCDI authorized by CMN n.º 4,192/2013 resolution	18,111	17,865	20,725	21,521	20,827
HCDI authorized by previous rules to the CMN n.º 4,192/2013 resolution ³	4,797	2,825	3,277	3,403	3,294
Tier II	40,283	38,896	39,400	38,834	38,889
Eligible to Capital Subordinated Debts	40,328	38,931	39,433	38,878	38,926
Subordinated Debts authorized by CMN n.º 4,192/2013 resolution - Financial Letters	4,559	4,316	3,777	3,222	3,270
Subordinated Debts authorized by previous rules to the CMN n.º 4,192/2013 resolution	35,769	34,615	35,656	35,656	35,656
FCO Funding ⁴	27,870	28,612	29,337	29,337	29,337
Financial Letters and Certificates of Deposits ⁵	7,899	6,003	6,319	6,319	6,319
Tier II deductions	(44)	(34)	(34)	(45)	(37)
Funding instruments issued by financial institutions	(44)	(34)	(34)	(45)	(37)
Risk-Weighted Assets (RWA)	689,857	686,569	704,880	705,466	711,490
Credit Risk (RWACPAD)	616,822	599,856	611,008	614,373	624,019
Market Risk (RWAMPAD)	17,296	22,527	29,686	30,012	26,390
Operational Risk (RWAOPAD)	55,738	64,186	64,186	61,081	61,081
Minimum Required Referential Equity (MRRE)⁶	63,812	59,217	60,796	60,846	61,366
MRRE Margin (RE-MRRE)	71,700	67,367	69,282	71,094	72,812
Tier I Capital Ratio (Tier I/RWA) - (%)	13.80	12.77	12.86	13.20	13.39
CET1 Ratio (CET1/RWA) - (%)	10.48	9.76	9.46	9.66	10.00
BIS Ratio (RE/RWA) - (%)	19.64	18.44	18.45	18.70	18.86

1 – On 09/30/2018, regarding the investment in Financial Institutions (BV and Banco CBSS), R\$2,674,833 thousand were fully deducted from the Reference Equity and R\$2,272,905 thousand were weighted by 250% in the RWA.

2 – On 09/30/2018, the deduction of non-controlling interest corresponds to the application of Paragraph 1, Article 9 of CMN Resolution No. 4,192/2013. In previous periods, the power of Paragraph 4, Article 9 of CMN Resolution No. 4,192/2013 was applicable.

3 – On 09/30/2018, Banco do Brasil considered all the debt instruments eligible for Tier I Capital, authorized by the Central Bank to compose the Reference Equity in accordance with Resolution CMN No. 3,444/2007 and which do not meet the required requirements by Resolution CMN No. 4,192/2013, based on the orientation of the Central Bank, related to the limit established in Article 28, Paragraphs I to X of CMN Resolution No. 4,192/2013.

4 – Pursuant to CMN Resolution No.4,192/2013, FCO balances are eligible to be included in the Reference Equity.

5 – On 09/30/2018, the Bank included the balance of the Subordinated Debt instruments that were included in the Reference Equity on December 31, 2012, applying a 40% limit percentage, pursuant to CMN Resolution No. 4,192/2013.

6 – Pursuant to CMN Resolution No.4,193/2013, corresponds to the application of the factor "F" to the amount of RWA, being that "F" equal to: 11%, on 10.01.2013 a 12.31.215; 9.875%, on 01.01.2016 to 12.31.2016; 9.25%, on 01.01.2017 to 12.31.2017; 8.625%, on 01.01.2018 to 12.31.2018 and 8% from 01.01.2019.

The scope of the consolidation used as a base to verify operating limits is the Prudential Conglomerate, defined in CMN Resolution No. 4,280/2013, as of January 1, 2015.

Pursuant to the Accounting Plan of Financial Institutions (Cosif), the Prudential Conglomerate encompasses not only financial institutions, but also purchase consortium administrators, payment institutions, companies that directly or indirectly purchase transactions or assume credit risk, and investment funds in which the conglomerate retains significant risks and benefits.

CMN Resolution No. 4,193/2013 presents the "F" Factor, representing the Basel index during the implementation process of the Basel III requirements.

Table 56. Factor “F” applied to the amount of Risk-Weighted Assets (RWA)

Period	Factor “F” (%)
10/01/2013 to 12/31/2015	11.0
01/01/2016 to 12/31/2016	9.875
01/01/2017 to 12/31/2017	9.25
01/01/2018 to 12/31/2018	8.625
From 01/01/2019 on	8.0

The Reference Equity, which takes into account the requirements to assess Basel III regulatory capital, reached R\$134,178 million and MRRE totaled R\$61,366 million at 12/31/2018.

Full Application of Basel III

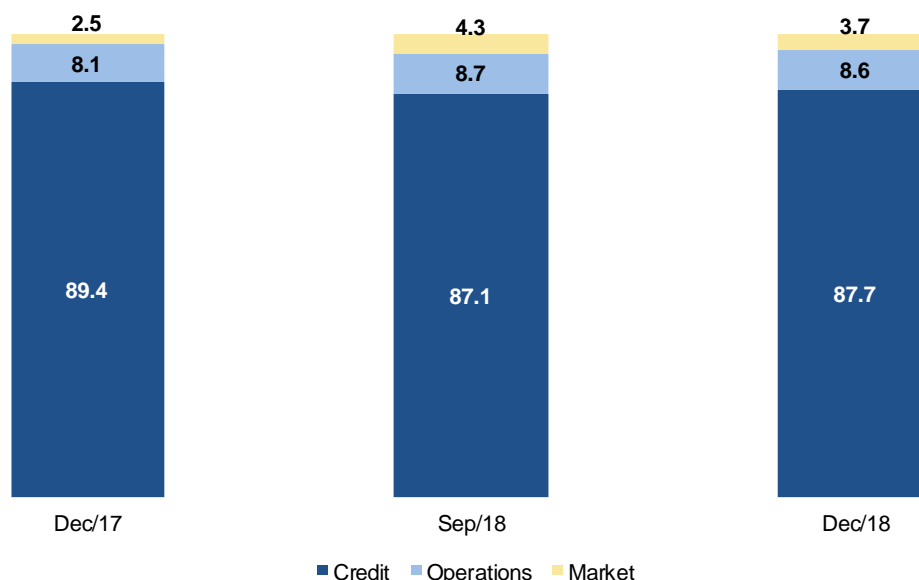
In 2018 the factors related to the deductions resulting from prudential adjustments of the Common Equity Tier 1 reached the integrality (percentage of 100%), defined in CMN Resolution No. 4,192/2013, as of March 1, 2013. From the Basel III transition schedule, only the increase in the multiplier of the market and operational risk will come into effect, from 11.6 to 12.5 in 2019.

Banco do Brasil has a three-year prospective Capital Plan incorporating the effects defined by Basel III and considering (a) the Risk Appetite Statement (RAS), (b) the Corporate Strategy and (c) the Corporate Budget.

The focus is on organic capital generation and credit growth on more attractive lines under the criterion of return versus risk and strategic interest in the Bank's core business. As a goal, the objective to maintain the CET1 above 9.5% in 2019, when the rules of Basel III will be fully implemented in Brazil.

In addition, following the RAS and Capital Plan, for January 2022, the goal is to maintain at least 11% of CET1. The Bank plans to sustain this growth organically, with growth of profits supported in the allocation in lines with less capital consumption and more attractive, under the criteria of risk verses return.

The following image presents RWA composition by risk type.

Figure 14. RWA breakdown by risk type (%)

The following tables present the MRRE breakdown correspondent to the RWA subject to operational, market and credit risk, through the standardized approach. The “F” Factor in 2018 was 8.625% and in 2019, 8.0%.

Table 57. MRRE in relation to RWA_{OPAD}

R\$ million	Dec/17			Sep/18			Dec/18		
	RWA _{OPAD}	MRRE	%	RWA _{OPAD}	MRRE	%	RWA _{OPAD}	MRRE	%
Commercial	26,093	2,414	46.8%	28,368	2,447	46.4%	28,368	2,447	46.4%
Retail	14,920	1,380	26.8%	15,354	1,324	25.1%	15,354	1,324	25.1%
Trading and Sales	8,200	758	14.7%	8,746	754	14.3%	8,746	754	14.3%
Payments and Settlements	3,446	319	6.2%	4,578	395	7.5%	4,578	395	7.5%
Asset Management	1,770	164	3.2%	2,449	211	4.0%	2,449	211	4.0%
Financial Agent Services	1,749	162	3.1%	1,835	158	3.0%	1,835	158	3.0%
Corporate Finance	(491)	(45)	-0.9%	(294)	(25)	-0.5%	(294)	(25)	-0.5%
Retail Brokerage	50	5	0.1%	46	4	0.1%	46	4	0.1%
TOTAL	55,738	5,156		61,081	5,268		61,081	5,268	

Table 58. MRRE in relation to RWA_{MPAD}

R\$ million	Dec/17			Sep/18			Dec/18		
	RWA _{MPAD}	MRRE	%	RWA _{MPAD}	MRRE	%	RWA _{MPAD}	MRRE	%
FX	10,041	929	58.1%	22,862	1,972	76.2%	22,272	1,921	84.4%
Interest Rate	7,255	671	41.9%	7,148	617	23.8%	4,114	355	15.6%
Shares	-	-	0.0%	-	-	0.0%	-	-	0.0%
Commodities	0	0	0.0%	2	0	0.0%	4	0	0.0%
TOTAL	17,296	1,600		30,012	2,589		26,390	2,276	

Table 59. MRRE in relation to RWA_{CPAD}

R\$ million	Dec/17			Sep/18			Dec/18		
	RWA _{CPAD}	MRRE	%	RWA _{CPAD}	MRRE	%	RWA _{CPAD}	MRRE	%
Loan Operations	392,821	36,336	63.7	390,872	33,713	63.6	395,020	34,071	63.3
Other Credits	59,809	5,532	9.7	52,967	4,568	8.6	52,219	4,504	8.4
Tax Credits	37,548	3,473	6.1	37,456	3,231	6.1	32,456	2,799	5.2
Permanent Assets	31,566	2,920	5.1	28,455	2,454	4.6	29,375	2,534	4.7
Securities and Derivatives	27,497	2,543	4.5	30,514	2,632	5.0	32,673	2,818	5.2
Loans to release	17,312	1,601	2.8	18,329	1,581	3.0	19,875	1,714	3.2
Guarantees Provided	1,947	180	0.3	5,053	436	0.8	6,469	558	1.0
Investments in Clearings Guarantee									
Funds	16	2	0.0	46	4	0.0	42	4	0.0
Other	48,307	4,468	7.8	50,681	4,371	8.2	55,889	4,820	9.0
TOTAL	616,822	57,056		614,373	52,990		624,019	53,822	

The following table presents the breakdown of RWA_{CPAD}, including the main exposures.

Table 60. RWA_{CPAD} Segregated by Risk Weighting Factor (RWF)

R\$ million	Dec/18		
	RWF (%)	RWA _{CPAD} ¹	MRRE ²
Available Funds	20	658	57
	100	3,042	262
Short-Term Interbank Investments	20	1,842	159
	50	1,983	171
	75	90	8
	85	8,256	712
	100	16,617	1,433
Securities and Financial Derivatives	2	4	0
	20	20	2
	50	253	22
	85	7,367	635
	100	24,527	2,115
	1,250	501	43
Investments in Clearings Guarantee Funds	2	22	2
	100	20	2
Interbank Accounts	20	544	47
	50	2,313	200
	85	1,935	167
	100	62	5
Loans	20	25	2
	35	15,145	1,306
	50	1,541	133
	75	156,673	13,513
	85	80,856	6,974
	100	140,780	12,142
Leasing	75	85	7
	85	3	0
	100	107	9
Other Receivables	50	8,838	762
	75	20,149	1,738
	85	1,403	121
	100	21,830	1,883
Other Assets	100	880	76
Permanent Assets	100	13,140	1,133
	250	16,234	1,400
Credit Commitment non-cancellable unconditionally and unilaterally by the Institution	50	680	59
	75	8,929	770
	85	1,422	123
	100	4,265	368
Loans to Concede	50	348	30
	75	584	50
	85	2,369	204
	100	1,277	110
Advance payment granted by the Institution	75	218	19
	85	10,735	926
	100	5,419	467
Guarantees provided	20	6	1
	50	2	0
	75	90	8
	85	1,493	129
	100	4,877	421
Tax Credits	100	21,786	1,879
	250	10,454	902
	300	216	19
Operations for settlement of purchase of foreign currency, gold or securities on the spot market	50	1	0
	85	1	0
Operations for settlement of sale of foreign currency, gold or securities on the spot market	50	1	0
	100	0	0
Derivatives adjustment due to variation of credit quality from counterparty	-	1,097	95
Total		624,019	53,822

1 – Sum of the exposures multiplied by the respective Risk Weighting Factors, adjusted by the Conversion Factor.

2 – Exposure weighted by the Risk Factor multiplied by 8.625%.

7 - Loan

Banco do Brasil's Lending Process

Advanced methodologies for credit risk calculation support Banco do Brasil's lending process. BB develops these methodologies and follows the best risk management practices.

Customer risk reflects the likelihood that a borrower will default in one year after the risk analysis. Banco do Brasil determines the amount of resources exposed to that borrower. To calculate the risk the Bank uses internal and external information, in addition to the history of the relationship with that customer, as follows.

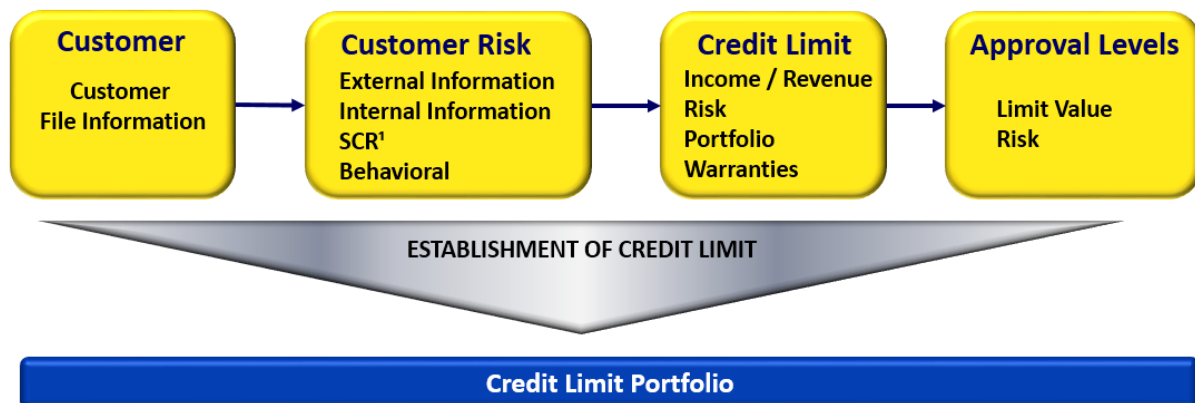
- I. Customer File Information: analysis of client information obtained from internal and external sources, including restrictive client information;
- II. Behavior within BB: indebtedness analysis, use of credit products, timely payments and data on relationships with the Bank;
- III. Behavior within the Banking Industry: indebtedness analysis at other banks, use of competitors' products and payment punctuality within the Banking Industry;
- IV. Personalized Methodologies: evaluation of financial statements, customer's segment outlook and other market information.

Risk is collectively calculated for individuals, very small companies, and farmers, and individually calculated for companies and government entities. Clients' credit risk is automatically calculated in the collective risk analysis, generating immediate results for the intended transaction.

Individual analyses are conducted by the technical staff of Banco do Brasil, using corporate systems calculations. Committees are responsible for approving these customers' risk.

Customer risk is an important input to establish credit limits, to define proper classification of loan risk, and to guide business transactions with customers.

Figure 15. Banco do Brasil's Lending Process



1 - SCR: Central Bank of Brazil Credit Information System.

7.1. Loan Portfolio

For a better understanding of BB's loan operations, we present the following definitions related to the loan portfolio. The information presented in this chapter is divided into individuals, companies and agribusinesses segments.

a) Classified Loan Portfolio: sum of credit operations, financing, leasing, other credit with loan characteristics and acquired loan portfolio.

b) Loan Portfolio – Expanded View: it corresponds to the classified loan portfolio plus private securities and guarantees, where:

b.1) Private Securities: operations characterized by the acquisition of securities (commercial papers and debentures) mainly issued by private companies and underwritten by BB.

b.2) Guarantees: operations in which BB ensures the settlement of the contracts.

Table 61. Loan Portfolio – Classified and Expanded View

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio (a)¹	635,911	100.0	634,420	100.0	640,226	100.0	0.7	0.9
Brazil	599,206	94.2	597,729	94.2	603,798	94.3	0.8	1.0
Individuals	187,336	29.5	191,575	30.2	196,654	30.7	5.0	2.7
Payroll Loan	67,465	10.6	70,270	11.1	71,037	11.1	5.3	1.1
Mortgage	44,572	7.0	47,957	7.6	48,455	7.6	8.7	1.0
Credit Card	25,655	4.0	25,511	4.0	29,180	4.6	13.7	14.4
Salary Loans	18,793	3.0	19,257	3.0	18,611	2.9	(1.0)	(3.4)
Auto Loans	14,796	2.3	11,108	1.8	10,363	1.6	(30.0)	(6.7)
Consumer Finance	4,720	0.7	5,911	0.9	7,327	1.1	55.2	24.0
Overdraft Account	1,951	0.3	1,886	0.3	1,658	0.3	(15.0)	(12.1)
Other	9,385	1.5	9,674	1.5	10,022	1.6	6.8	3.6
Companies¹	230,490	36.2	218,719	34.5	219,951	34.4	(4.6)	0.6
Middle Market and Corporates	142,674	22.4	133,875	21.1	135,557	21.2	(5.0)	1.3
Government	40,786	6.4	45,854	7.2	44,916	7.0	10.1	(2.0)
Very Small and Small Companies	47,029	7.4	38,991	6.1	39,477	6.2	(16.1)	1.2
Agribusiness	181,381	28.5	187,434	29.5	187,193	29.2	3.2	(0.1)
Individuals	138,894	21.8	144,609	22.8	148,420	23.2	6.9	2.6
Companies	42,487	6.7	42,826	6.8	38,773	6.1	(8.7)	(9.5)
Abroad	36,704	5.8	36,691	5.8	36,428	5.7	(0.8)	(0.7)
Private Securities and Guarantees (b)	48,846		55,885		57,098		16.9	2.2
Loan Portfolio - Expanded View (a + b)	684,756	100.0	690,305	100.0	697,324	100.0	1.8	1.0
Brazil	640,593	93.6	647,959	93.9	655,519	94.0	2.3	1.2
Individuals	187,666	27.4	191,825	27.8	196,955	28.2	4.9	2.7
Companies ¹	270,913	39.6	267,911	38.8	269,894	38.7	(0.4)	0.7
Agribusiness	182,013	26.6	188,223	27.3	188,671	27.1	3.7	0.2
Abroad	44,164	6.4	42,346	6.1	41,805	6.0	(5.3)	(1.3)

1 – The Companies Loan Portfolio reprocessed until 1Q17 on the "Receivable" line. All tables and figures with those lines have been reprocessed.

For its guidance, Banco do Brasil considers the organic domestic loan portfolio – expanded view, calculated by the sum of the domestic organic loan portfolio and private securities and guarantees, not considering acquired loan portfolio. The agroindustry loans are excluded from rural loan portfolio and added to the companies loan portfolio.

Table 62. Organic Domestic Loan Portfolio – Expanded View

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Organic Domestic Loan Portfolio - Expanded View	630,314	100.0	640,993	100.0	649,335	100.0	3.0	1.3
Individuals	177,387	28.1	184,859	28.8	190,770	29.4	7.5	3.2
Companies	293,253	46.5	289,374	45.1	289,183	44.5	(1.4)	(0.1)
Rural	159,674	25.3	166,760	26.0	169,382	26.1	6.1	1.6

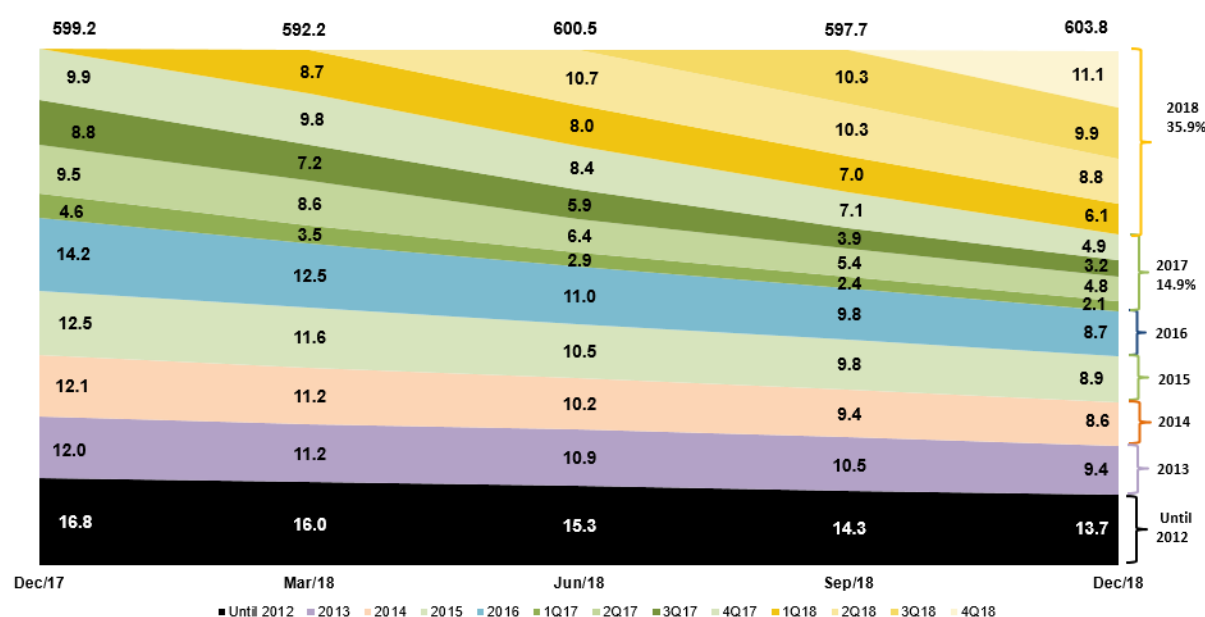
The table below shows BB's market share in the classified loan portfolio of the Brazilian Banking Industry (BI).

Table 63. Loans in the Brazilian Banking Industry

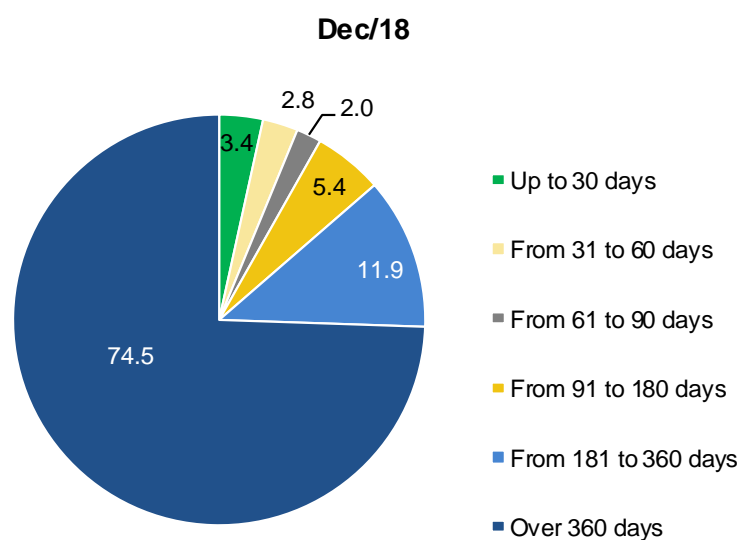
R\$ billion	Balance				Chg. % on		
	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Dec/17	Sep/18
BI	3,092	3,082	3,130	3,171	3,260	5.5	2.8
Individuals	1,649	1,668	1,694	1,728	1,791	8.6	3.6
Companies	1,442	1,414	1,436	1,443	1,469	1.9	1.8
BB Market Share - %	19.4	19.2	19.2	18.8	18.5		

The following figure sets forth the domestic classified loan portfolio by the loans closing date. In certain cases, loan disbursement may continue to occur during quarters after the loan's closing, being then added to the original closing quarter.

Considering the portfolio of December 2018, 50.7% of the assets were contracted in 2017 and 2018. Assets contracted before 2014 correspond to 31.6%.

Figure 16. BB's Classified Loan Portfolio in Brazil by Contracted Period - % and R\$ billion

The following figure sets forth the BB's Classified Loan Portfolio in Brazil by maturity. 74.5% of the portfolio has a maturity period of over 360 days, in line with the investment, mortgage and payroll loans trend, while 8.2% of the portfolio has a maturity of less than 90 days, notably working capital operations with companies.

Figure 17. BB's Classified Loan Portfolio in Brazil by Maturity - %

7.1.1. Individuals Loan Portfolio

The following tables show the main credit lines to individuals. BB's total acquired loan portfolio is composed of payroll and auto loan operations.

Table 64. Individuals Loan Portfolio

R\$ million	Balance						Chg. % on	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Organic Classified Loan Portfolio	177,057	94.3	184,609	96.2	190,470	96.7	7.6	3.2
Direct Consumer Credit	90,620	48.3	95,274	49.7	96,839	49.2	6.9	1.6
Payroll Loan	67,108	35.8	70,106	36.5	70,902	36.0	5.7	1.1
Salary Loan	18,793	10.0	19,257	10.0	18,611	9.4	(1.0)	(3.4)
Consumer Finance	4,720	2.5	5,911	3.1	7,327	3.7	55.2	24.0
Mortgage	44,572	23.8	47,957	25.0	48,455	24.6	8.7	1.0
Credit Card	25,655	13.7	25,511	13.3	29,180	14.8	13.7	14.4
Renegotiated Loan	8,436	4.5	8,758	4.6	9,144	4.6	8.4	4.4
Auto Loan	4,875	2.6	4,306	2.2	4,315	2.2	(11.5)	0.2
Overdraft Account	1,951	1.0	1,886	1.0	1,658	0.8	(15.0)	(12.1)
Microcredit	427	0.2	357	0.2	336	0.2	(21.2)	(5.8)
Other	522	0.3	560	0.3	541	0.3	3.6	(3.3)
Acquired Loan Portfolio	10,279	5.5	6,966	3.6	6,184	3.1	(39.8)	(11.2)
Payroll Loan	357	0.2	164	0.1	136	0.1	(62.0)	(17.3)
Auto Loan	9,922	5.3	6,802	3.5	6,049	3.1	(39.0)	(11.1)
Classified Loan Portfolio (a)	187,336	99.8	191,575	99.9	196,654	99.8	5.0	2.7
Private Securities and Guarantees (b)	330	0.2	250	0.1	300	0.2	(9.0)	20.1
Expanded View Loan Portfolio (a+b)	187,666	100.0	191,825	100.0	196,955	100.0	4.9	2.7

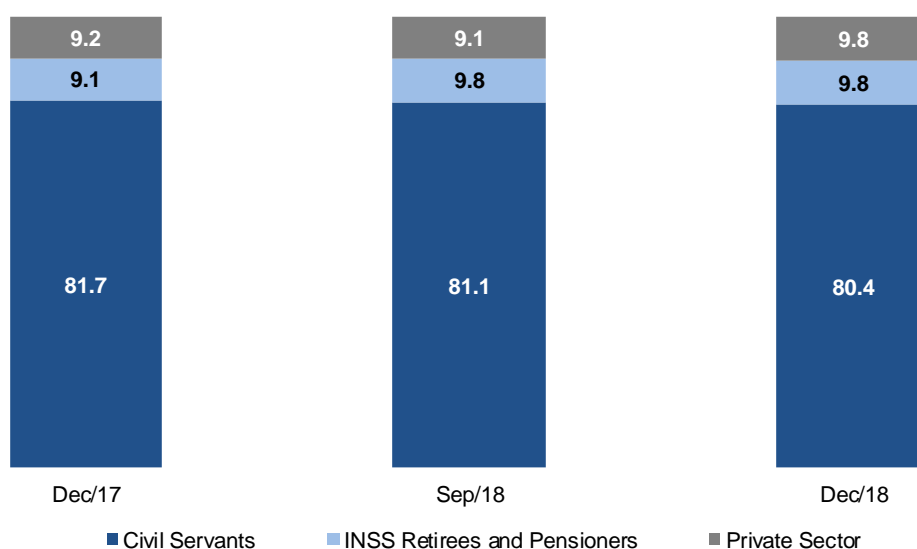
BB remains among the market leaders in loan operations with collateral. The following table shows BB's participation in these segments.

Table 65. Individuals Loan Portfolio – Market Share

R\$ million	Dec/17			Sep/18			Dec/18		
	BB	BI	Share %	BB	BI	Share %	BB	BI	Share %
Payroll Loan	67,465	310,785	21.7	70,270	330,723	21.2	71,037	336,831	21.1
Auto Loan ¹	13,832	150,826	9.2	10,251	163,600	6.3	9,510	171,232	5.6
Mortgage	44,572	565,105	7.9	47,957	583,813	8.2	48,455	592,362	8.2

1 – Includes only free resources.

Civil servants and pensioners contracted the majority of direct consumer credit and auto loans, which totaled R\$101.2 billion in December 2018.

Figure 18. Organic Individuals Loan Portfolio – Direct Consumer Credit and Auto Loan - %

BB's knowledge of its customers is an important component of the credit methodology. Of those with credit transactions at BB, 92.5% have an account for at least five years.

Table 66. Account Time – Customers with Credit Transactions

%	Dec/17	Sep/18	Dec/18
Account Time			
Up to 1 year	0.6	0.7	0.7
From 1 to 2 years	1.2	1.0	1.0
From 2 to 5 years	7.7	6.4	5.9
From 5 to 10 years	18.0	17.4	17.3
Over 10 years	72.6	74.5	75.1

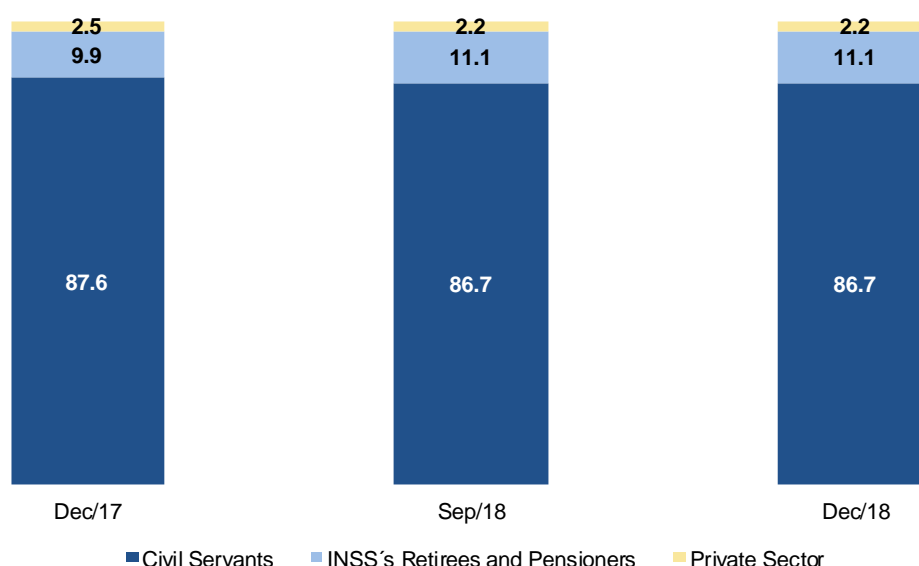
The table below shows the average maturity and rates of the operations. The average maturity is calculated by weighting the remaining term with the closing balance. The average rate is calculated considering the portfolio.

Table 67. Average Rates and Maturity

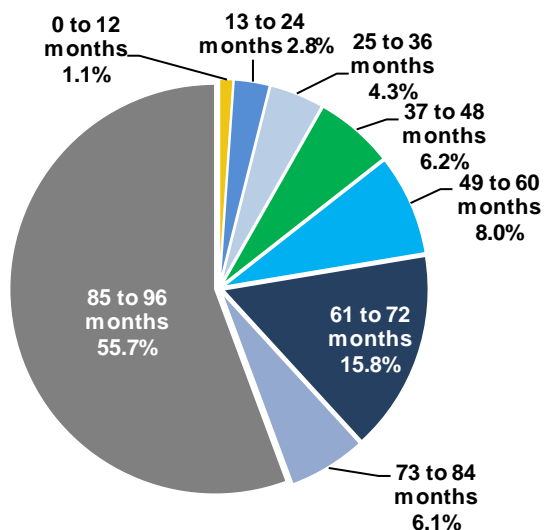
	Mar/17	Jun/17	Sep/17	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18
Banco do Brasil								
Auto Financing								
Average Rate - % p.m.	1.82	1.83	1.84	1.84	1.83	1.80	1.77	1.73
Average Maturity - months	29	29	29	30	30	30	31	32
LTV	66.1	66.5	66.1	67.4	66.3	66.7	66.4	66.8
Mortgage								
Average Contract Amount - R\$ thousand	132.1	149.2	160.2	172.2	173.4	158.8	151.4	147.3
Average Rate - % p.y.	7.12	7.13	7.15	7.17	7.21	7.26	7.28	7.29
Average Maturity - months	335	332	329	328	325	333	336	337
LTV	60.2	60.6	60.7	60.7	60.9	58.0	61.2	61.3
Payroll Loan								
Average Rate - % p.m.	1.92	1.92	1.91	1.89	1.88	1.86	1.83	1.80
Average Maturity - months	60	60	61	61	61	62	63	63
Direct Consumer Credit								
Average Rate - % p.m.	4.21	4.22	4.21	4.17	4.13	4.06	4.03	4.02
Average Maturity - months	43	43	43	45	44	44	45	47

Payroll Loan

The payroll loan portfolio was R\$70.9 billion in December 2018. It is mainly composed of operations with civil servants and INSS pensioners. The table below shows the portfolio breakdown.

Figure 19. Organic Payroll Loan Breakdown - %

Most of the payroll loan granted by BB in this quarter had a maturity period of over 60 months. The profile of this portfolio allows customers to extend the term, generating loyalty and opportunity to offer other products during this time.

Figure 20. Maturity of Transactions Contracted in the Quarter – Payroll Loan

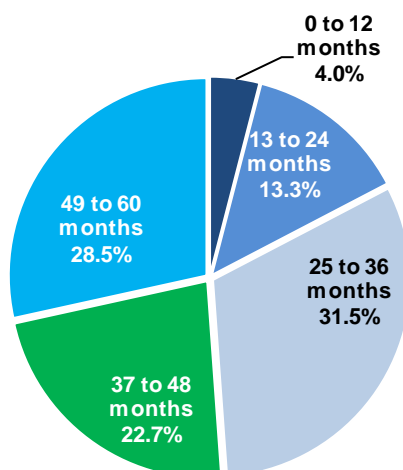
Auto Loan

The following table shows the main characteristics of the customers of BB's organic auto loan portfolio. Most customers have hold accounts for over 10 years and receive their salary through the Bank.

Table 68. BB's Organic Auto Loan Portfolio - Customers Characteristics

%	Dec/17	Sep/18	Dec/18
Account Time			
Up to 5 years	7.7	5.7	5.3
From 5 to 10 years	18.3	17.2	17.1
Over 10 years	74.0	77.1	77.6
Salary			
Paid through Banco do Brasil	74.1	65.7	66.3
Paid through other banks	25.9	34.3	33.7

The next figure shows maturity of auto loan transactions contracted at Banco do Brasil in the quarter. Approximately 71.5% of the disbursement matures within 48 months.

Figure 21. Maturity of Transactions Contracted in the quarter – Auto Loan

Mortgage

In the last 12 months the balance increased R\$3.6 billion confirming the upward trend as a percentage of the total portfolio, with an increase from 25.2% to 25.4% in the organic portfolio. The increase was due to the expansion of products offered to customers and efficiency gains in the process.

BB had 8.2% market share in June 2018, an increase of 30bps in the last 12 months.

7.1.2. Companies Loan Portfolio

The companies' loan portfolio grew in the quarter, mainly, due to the growth in ACC/ACE, working capital operations and Receivables, both in very small and small companies segment (1.2%) and Middle Market and Corporates (1.3%).

Table 69. Companies Loan Portfolio

R\$ million	Balance						Chg. % on	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio (a) ¹	230,490	85.1	218,719	81.6	219,951	81.5	(4.6)	0.6
Working Capital	111,830	41.3	109,653	40.9	110,278	40.9	(1.4)	0.6
Investments	55,601	20.5	52,369	19.5	51,472	19.1	(7.4)	(1.7)
ACC/ACE	15,540	5.7	17,590	6.6	18,947	7.0	21.9	7.7
Renegotiated Loan	16,817	6.2	14,100	5.3	13,687	5.1	(18.6)	(2.9)
Receivables ¹	11,472	4.2	10,789	4.0	12,056	4.5	5.1	11.7
Mortgage	9,224	3.4	6,926	2.6	6,363	2.4	(31.0)	(8.1)
Credit Card	6,194	2.3	3,743	1.4	3,441	1.3	(44.4)	(8.1)
Pre-Approved-Credit	1,221	0.5	1,404	0.5	1,611	0.6	32.0	14.8
Overdraft Account	344	0.1	322	0.1	270	0.1	(21.4)	(16.1)
BNDES Exim	112	0.0	21	0.0	6	0.0	(94.6)	(71.7)
Other	2,135	0.8	1,802	0.7	1,820	0.7	(14.8)	1.0
Private Sec. and Guarantees (b)	40,424	14.9	49,191	18.4	49,943	18.5	23.5	1.5
Loan Portfolio - Expanded View (a+b) ¹	270,913	100.0	267,911	100.0	269,894	100.0	(0.4)	0.7

1 - The Companies Loan Portfolio reprocessed until 1Q17 on the "Receivable" line.

The following table sets forth the distribution of the companies portfolio, considering the expanded view.

Table 70. Companies Portfolio Breakdown

R\$ million	Balance						Chg. % on	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio (a)¹	230,490	85.1	218,719	81.6	219,951	81.5	(4.6)	0.6
Middle Market and Corporates	142,674	52.7	133,875	50.0	135,557	50.2	(5.0)	1.3
Government	40,786	15.1	45,854	17.1	44,916	16.6	10.1	(2.0)
Very Small and Small Companies	47,029	17.4	38,991	14.6	39,477	14.6	(16.1)	1.2
Private Sec. and Guarantees (b)	40,424	14.9	49,191	18.4	49,943	18.5	23.5	1.5
Loan Portfolio - Expanded View (a+b)¹	270,913	100.0	267,911	100.0	269,894	100.0	(0.4)	0.7

1 - The Companies Loan Portfolio reprocessed until 1Q17 on the "Receivable" line.

Foreign Trade Finance

BB is one of the main partners in Brazilian foreign trade, finishing the quarter with a market share of 20.0% and 15.4% in foreign exchange for export and import operations, respectively. BB ended the year with a 25.1% market share in operations of Forward Exchange Contracts (ACC) and Advance against Draft Presentation (ACE).

Table 71. Foreign Exchange for Export and Import Operations

	Balance					Chg. % on	
	4Q17	1Q18	2Q18	3Q18	4Q18	4Q17	3Q18
Export Exchange							
Contracted Amount (US\$ thousand)	9,286	9,930	14,376	11,451	11,745	26.5	2.6
Market Share - %	18.2	20.0	23.8	19.4	20.0		
Import Exchange							
Contracted Amount (US\$ thousand)	4,738	4,339	5,795	8,211	7,383	55.8	(10.1)
Market Share - %	12.2	11.9	13.9	16.2	15.4		

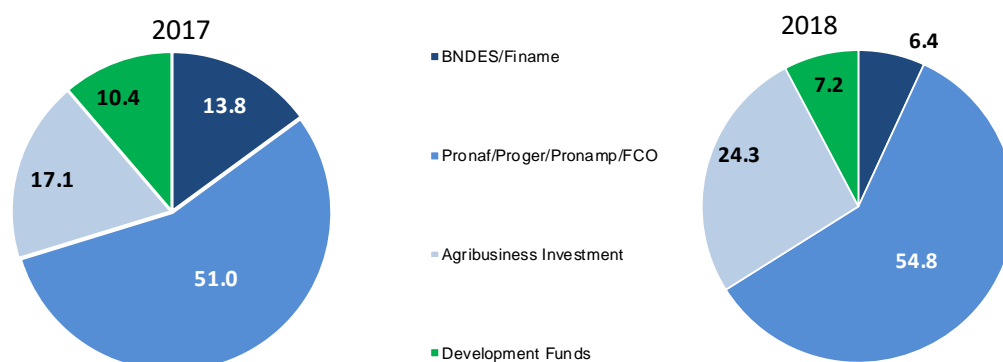
Table 72. Forward Exchange Contracts (ACC) and Advance against Draft Presentation (ACE)

	Balance					Chg. % on	
	4Q17	1Q18	2Q18	3Q18	4Q18	4Q17	3Q18
Contracted Amount (US\$ million)	2,131	2,505	2,769	2,122	2,523	18.4	18.9
Quantity of Contracts	3,154	2,722	2,823	2,815	3,204	1.6	13.8
Average Vol. per Contract (US\$ thousand)	676	920	981	754	787	16.5	4.4

Investment Loan

Banco do Brasil's disbursements for investment loan were R\$27.5 billion in 2018. Pronaf/Pronamp/Proger/FCO products stand out, accounting for more than half of disbursements in period.

The next chart shows the onlending funds share in disbursements.

Figure 22. Disbursements by Onlending Fund - %

Loan to the Government

Banco do Brasil supports the states, Federal District and the municipalities in their demands, financing investment programs that aims to improve quality and transparency of public administration, urban mobility, health, education and public safety, generating real benefits for the population and contributing to the develop of the country. In the quarter, R\$968 million were disbursed to the states and municipalities to make capital expenditures and execution of investment programs included in the pluriannual plan of public entities.

Under Central Bank of Brazil Circular 3,644/2013, Article 37, a Risk Weighting Factor (FPR) of 0% must be applied to the portion of exposure covered by credit guarantees provided by the National Treasury transactions, without thereby compromising capital.

Loan to Very Small and Small Companies

At the end of December/2018, BB had 2.2 million very small and small companies' customers. Companies with annual revenues up to R\$25 million are categorized as very small and small companies customers.

The following table shows that 97.1% of this portfolio was concentrated by account holders who have accounts over two years.

Table 73. Account Time - Percentage of the Very Small and Small Companies Portfolio Balance

%	Dec/17	Sep/18	Dec/18
Account Time			
Up to 1 year	0.4	0.7	0.9
From 1 to 2 years	0.8	1.4	1.9
From 2 to 5 years	13.3	9.7	9.7
From 5 to 10 years	32.9	30.5	29.6
Over 10 years	52.6	57.7	57.8

The following tables show the main details of loan to very small and small companies.

Table 74. Very Small and Small Companies Loans by Sector

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Trade	18,329	39.0	14,760	37.9	15,092	38.2	(17.7)	2.3
Service Segment	15,839	33.7	13,683	35.1	13,830	35.0	(12.7)	1.1
Industry	12,861	27.3	10,548	27.1	10,555	26.7	(17.9)	0.1
Total	47,029	100.0	38,991	100.0	39,477	100.0	(16.1)	1.2

Table 75. Very Small and Small Companies Loan Products

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Working Capital	29,976	63.7	25,866	66.3	27,091	68.6	(9.6)	4.7
Investment	16,146	34.3	12,071	31.0	11,231	28.4	(30.4)	(7.0)
Foreign Trade	906	1.9	1,054	2.7	1,155	2.9	27.4	9.6
Total	47,029	100.0	38,991	100.0	39,477	100.0	(16.1)	1.2

7.1.3. Agribusiness Loan Portfolio

Agribusiness is one of the main sectors of the Brazilian economy, with fundamental importance to the country's growth and development.

Brazil is one of the world's leading agribusiness exporters, especially in terms of production, export and trade of major agricultural supply chains.

Table 76. Brazil's Share in World Agribusiness in December 2018

Item	Production	Export	% World Trade
Orange Juice	1st	1st	76.0%
Sugarcane	2nd	1st	34.0%
Coffee	1st	1st	26.0%
Soybean and Related Products	2nd	1st	52.0%
Poultry	2nd	1st	32.0%
Cattle	3rd	4th	21.0%
Corn	2nd	1st	16.0%
Cotton	4th	2nd	14.0%

Source: USDA – PSD online.

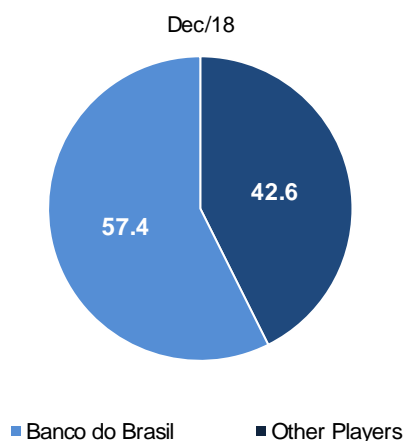
The main role played by Brazilian agribusiness results from the competence of farmers, available natural resources, state-of-the-art technology, and offer of credit. These factors place Brazil in a privileged position in the world scenario.

Agribusiness at BB

Banco do Brasil is one of the main agents encouraging agribusiness development in Brazil, in line with the criteria established to maintain socio-environmental sustainability.

Operating from the small producer to large agribusiness companies, BB finances the costs of producing and trading agricultural products, stimulates rural investment, including construction and enlargement of warehouses, purchase and modernization of agricultural machinery and farm implements, besides processing and industrialization of agricultural goods, as well as the compliance of rural properties with environmental legislation. Thus, BB supports the Brazilian agribusiness in all stages of the production chain.

Historically, Banco do Brasil remains as the main agribusiness financial agent in the country, contributing significantly to supply the credit demand. According to Central Bank of Brazil's data, BB accounted for 57.4% of all financings granted to the agribusiness sector in December 2018.

Figure 23. BB's Market Share in Brazilian Agribusiness – %

The distribution of agribusiness operations by Brazilian region shows the share of each in the loan portfolio.

Table 77. Classified Agribusiness Loan Portfolio by Region

Region	Rural Credit - %	Agroindustry - %	Total - %
Southeast	31.1	94.0	37.6
South	29.3	4.2	26.7
Midwest	25.8	1.0	23.3
Northeast	7.4	0.3	6.6
North	6.4	0.4	5.8

The following table shows the breakdown of the agribusiness loan portfolio by credit line/program.

Table 78. Agribusiness Loan Portfolio by Credit Line/Program

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	181,381	99.7	187,434	99.6	187,193	99.2	3.2	(0.1)
Rural Loans	159,042	87.4	165,971	88.2	167,904	89.0	5.6	1.2
Pronaf	43,190	23.7	43,341	23.0	44,069	23.4	2.0	1.7
Work. Capital for Input Purchase	36,164	19.9	36,732	19.5	37,871	20.1	4.7	3.1
Pronamp	24,369	13.4	23,994	12.7	23,387	12.4	(4.0)	(2.5)
FCO Rural	13,676	7.5	16,864	9.0	17,668	9.4	29.2	4.8
Agricultural Investment	11,624	6.4	13,919	7.4	15,108	8.0	30.0	8.5
Agricultural Selling	10,762	5.9	12,528	6.7	11,266	6.0	4.7	(10.1)
Low Carbon Agriculture Program	8,784	4.8	8,802	4.7	8,782	4.7	(0.0)	(0.2)
BNDES/Finame Rural	7,814	4.3	6,749	3.6	6,359	3.4	(18.6)	(5.8)
Other	2,657	1.5	3,041	1.6	3,393	1.8	27.7	11.6
Loans to Companies	22,339	12.3	21,463	11.4	19,289	10.2	(13.7)	(10.1)
Rural Product Bills and Guarantees	633	0.3	789	0.4	1,478	0.8	133.6	87.3
Rural Loans - Broad Definition	159,674	87.7	166,760	88.6	169,382	89.8	6.1	1.6
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0	3.7	0.2

The following table sets forth a breakdown of BB's agribusiness portfolio, divided into working capital for input purchase, investments, agroindustry, crop trading and others.

Table 79. Agribusiness Loan Portfolio by Purpose

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	181,381	99.7	187,434	99.6	187,193	99.2	3.2	(0.1)
Investment	87,031	47.8	91,696	48.7	93,597	49.6	7.5	2.1
Working Capital for Input Purchase	58,433	32.1	56,828	30.2	57,755	30.6	(1.2)	1.6
Agroindustry	22,339	12.3	21,463	11.4	19,289	10.2	(13.7)	(10.1)
Crop Trading	11,081	6.1	12,859	6.8	11,647	6.2	5.1	(9.4)
Industrial	364	0.2	1,956	1.0	1,958	1.0	437.8	0.1
Other	2,132	1.2	2,632	1.4	2,947	1.6	38.2	12.0
Rural Product Bills and Guarantees	633	0.3	789	0.4	1,478	0.8	133.6	87.3
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0	3.7	0.2

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

Table 80. Agribusiness Loan Portfolio by Financed Item

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	181,381	99.7	187,434	99.6	187,193	99.2	3.2	(0.1)
Livestock	39,867	21.9	41,964	22.3	42,513	22.5	6.6	1.3
Meat	26,112	14.3	27,739	14.7	28,210	15.0	8.0	1.7
Milk	13,756	7.6	14,225	7.6	14,303	7.6	4.0	0.5
Machinery and Equipment	23,410	12.9	24,751	13.1	25,637	13.6	9.5	3.6
Soybean	18,457	10.1	20,237	10.8	20,392	10.8	10.5	0.8
Corn	9,865	5.4	8,821	4.7	9,095	4.8	(7.8)	3.1
Agricultural Storage	5,910	3.2	6,457	3.4	6,752	3.6	14.2	4.6
Soil Improvement	4,694	2.6	5,296	2.8	5,553	2.9	18.3	4.9
Coffee	4,677	2.6	5,072	2.7	4,830	2.6	3.3	(4.8)
Sugarcane	5,041	2.8	5,037	2.7	4,619	2.4	(8.4)	(8.3)
Pasture	3,755	2.1	4,056	2.2	4,159	2.2	10.7	2.5
Aviculture	3,548	1.9	3,425	1.8	3,392	1.8	(4.4)	(1.0)
Trucks/vehicles	3,363	1.8	3,227	1.7	3,185	1.7	(5.3)	(1.3)
Rice	2,466	1.4	2,413	1.3	2,271	1.2	(7.9)	(5.9)
Eucalyptus / Pinus / Forests	1,713	0.9	2,064	1.1	1,986	1.1	15.9	(3.8)
Swine Production	2,160	1.2	2,018	1.1	1,869	1.0	(13.5)	(7.4)
Cotton	965	0.5	1,140	0.6	1,101	0.6	14.0	(3.5)
Wheat	1,322	0.7	1,089	0.6	1,045	0.6	(21.0)	(4.1)
Other	27,829	15.3	28,904	15.4	29,507	15.6	6.0	2.1
Loans to Companies	22,339	12.3	21,463	11.4	19,289	10.2	(13.7)	(10.1)
Rural Product Bills and Guarantees	633	0.3	789	0.4	1,478	0.8	133.6	87.3
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0	3.7	0.2

The following table shows the balance of agribusiness loan portfolio and the breakdown for customer size.

Table 81. Agribusiness Loan Portfolio by Customer Size

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	181,381	99.7	187,434	99.6	187,193	99.2	3.2	(0.1)
Medium and Large Sized	92,368	50.7	98,004	52.1	101,038	53.6	9.4	3.1
Small	46,526	25.6	46,605	24.8	47,382	25.1	1.8	1.7
Companies	34,232	18.8	35,071	18.6	31,266	16.6	(8.7)	(10.8)
Agroindustrial Cooperatives	8,255	4.5	7,755	4.1	7,506	4.0	(9.1)	(3.2)
Rural Product Bills and Guarantees	633	0.3	789	0.4	1,478	0.8	133.6	87.3
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0	3.7	0.2

The following table sets forth the breakdown of agribusiness loan portfolio by customer type.

Table 82. Agribusiness Loan Portfolio by Customer Type

R\$ million	Balance				Chg. % on			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Classified Loan Portfolio	181,381	99.7	187,434	99.6	187,193	99.2	3.2	(0.1)
Individuals	138,894	76.3	144,609	76.8	148,420	78.7	6.9	2.6
Companies	42,487	23.3	42,826	22.8	38,773	20.6	(8.7)	(9.5)
Rural Product Bills and Guarantees	633	0.3	789	0.4	1,478	0.8	133.6	87.3
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0	3.7	0.2

BB uses 78.0% own funds in rural and agro industrial financing (mainly demand deposits, rural savings accounts and agribusiness letters of credit). In addition to those, BB also onlends funds from the BNDES (Brazilian development bank), FCO (constitutional fund for financing of the Midwest) and the Funcafé (coffee production economy defense fund).

The following table sets forth the breakdown of agribusiness loan portfolio – expanded view by funding sources.

Table 83. Agribusiness Loan Portfolio Expanded View by Funding Sources

R\$ million	Balance					
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %
Agricultural Savings	93,808	51.5	91,096	48.4	88,760	47.0
Agribusiness Letters of Credit	28,769	15.8	30,078	16.0	36,885	19.5
Demand Deposits	20,838	11.4	26,768	14.2	21,584	11.4
FCO	18,543	10.2	21,561	11.5	22,558	12.0
BNDES/FINAME	11,056	6.1	9,774	5.2	9,223	4.9
Other ¹	9,000	4.9	8,946	4.8	9,661	5.1
Loan Portfolio - Expanded View	182,013	100.0	188,223	100.0	188,671	100.0

1 – National Treasury, Funcafé, Rural Product Bills and Guarantees.

To enable financing with lower interest rates, covering the funding costs, credit risks, tax and administrative costs and BB's profitability, National Treasury and Central Bank of Brazil may authorize following subsidies:

a) Equalization Revenues: amount paid by the National Treasury that represents revenues for the banks to cover the administrative and tax costs, besides the guarantee of a profitability rate on the applied resources;

b) Weighting factor: multiplier adopted by the Federal Government to the use of resources from demand deposits and rural savings. Through this mechanism the banks are authorized to operate lower rates of rural credit. The released amount is invested in operations with market rates, in order to compensate the profitability difference from operations encouraged by the Federal Government.

The mechanism of a weighting factor reduces the amount of assets subject to equalization, and allows banks to increase interest income proportionally. At BB, the released funds has TMS remuneration.

The next table shows a history of equalization revenues and weighting factor.

Table 84. Equalization Revenues and Weighting Factor

R\$ million	Quarterly Flow				
	4Q17	1Q18	2Q18	3Q18	4Q18
Equalization Revenues	985	844	822	745	842
Weighting Factor	35	43	37	37	26
Total	1,021	887	859	781	868

Table 85. Equalization Revenues Flow¹

R\$ million	Quarterly Flow				
	4Q17	1Q18	2Q18	3Q18	4Q18
Initial Balance	2,783	1,184	2,166	916	1,630
Flow	(1,599)	983	(1,250)	714	(819)
Final Balance	1,184	2,166	916	1,630	812

1 – Source: Notes to the Consolidated Financial Statements 12.b.

The following table sets forth the distribution of BB's Agribusiness Portfolio equalization funds.

Table 86. Equalizable resources in the Agribusiness Portfolio

R\$ million	Balance		
	Dec/17	Sep/18	Dec/18
Classified Loan Portfolio	181,381	187,434	187,193
Equalizable Resources	91,410	87,388	90,598
Investments	49,464	50,836	52,195
Working Capital for Input Purchase	38,386	33,950	36,089
Crop Trading	2,086	931	755
Other	1,475	1,671	1,558
Non-Equalizable Resources	89,971	100,046	96,595
Rural Product Bills and Guarantees	633	789	1,478
Loan Portfolio - Expanded View	182,013	188,223	188,671

In the first half of 2018/2019 crop, BB disbursed R\$46.3 billion in agricultural loans.

The next table compares the disbursements the first half of 2018/2019 crop to the same period of 2017/2018 one, detailing the credit purpose, destination and customer type.

Table 87. Disbursements by Purpose – Rural Credit

R\$ million	Crop 16/17	Crop 17/18	Change (%)
Family - Pronaf	6,940	7,428	7.0
Working Capital for Input Purchase	4,292	4,165	(3.0)
Investment	2,648	3,263	23.2
Medium - Pronamp	6,222	6,175	(0.8)
Working Capital for Input Purchase	5,092	5,564	9.3
Investment	1,130	611	(45.9)
Companies	28,252	32,693	15.7
Working Cap. for Input Purch./Crop Trading	23,078	24,774	7.4
Investment	5,009	6,457	28.9
industrialization	165	1,462	784.9
Total	41,414	46,296	11.8

Risk Mitigators

Banco do Brasil encourages the contracting of protection against bad weather (agricultural insurance or Proagro) in operations of working capital for input purchase. The strategy improves with each new crop, including the mass offering of options, such as *seguro faturamento* (price assurance).

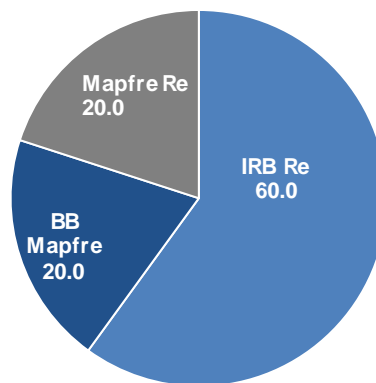
The risk mitigation strategy takes into account several types of information on the customers' requested transactions, such as activity risk, type of crop to be financed and financing location. Those types of information allow the use of protective devices (agricultural insurance/Proagro or options) that best fit the risk profile of each transaction.

The following table shows the recent historic use of risk mitigators in the working capital for input purchases.

Table 88. Insurance in the Working Capital for Input Purchase

R\$ million	Operation Contracted					
	Crop 16/17	Share %	Crop 17/18	Share %	Crop 18/19	Share %
Working Capital for Input Purchase	16,783	100.0	17,794	100.0	18,858	100.0
Total Insured	10,771	64.2	11,160	62.7	11,962	63.4
Proagro	4,146	24.7	3,650	20.5	3,545	18.8
Crop Insurance	6,338	37.8	7,210	40.5	8,159	43.3
Hedge Price	287	1.7	300	1.7	257	1.4
Without Insurance	6,012	35.8	6,634	37.3	6,896	36.6

The distribution of risks assumed as a result of agricultural insurance in the 2018/2019 crop is detailed below.

Figure 24. Working Capital for Input Purchase Breakdown Risks - %

7.1.4. Concentration

The following tables sets forth the concentration level of the portfolio with customers and business groups with which Banco do Brasil has relations. The first table sets forth the 100 largest borrowers over the classified loan portfolio and the second, over the Reference Equity (RE).

Table 89. 100 Largest Customers in Relation to the Classified Loan Portfolio

Period	1st. Customer (%)	Balance	2nd. to 20th. (%)	Balance	21st. to 100th (%)	Balance	Top 100 Largest (%)	Balance
Mar/17	3.9	25,136	12.8	82,148	9.0	58,001	25.8	165,284
Jun/17	3.9	25,467	12.6	81,145	9.2	59,263	25.7	165,876
Sep/17	4.0	25,616	12.4	78,329	9.2	58,478	25.7	162,423
Dec/17	3.9	25,032	11.8	75,008	9.6	61,042	25.3	161,082
Mar/18	3.8	24,017	11.7	73,391	9.9	62,117	25.4	159,525
Jun/18	3.8	23,894	11.9	75,643	9.7	61,723	25.3	161,260
Sep/18	3.8	23,917	11.8	74,629	9.4	59,613	24.9	158,159
Dec/18	3.4	21,860	11.5	73,442	9.1	58,179	24.0	153,481

Table 90. 100 Largest Customers in Relation to Reference Equity (R\$ million)

Period	1st Customer (%)	Balance	2nd to 20th (%)	Balance	21st to 100th (%)	Balance	Top 100 Largest (%)	Balance
Mar/17	20.3	25,136	66.2	82,148	46.8	58,001	133.2	165,284
Jun/17	20.0	25,467	63.9	81,145	46.6	59,263	130.6	165,876
Sep/17	19.8	25,616	60.6	78,329	45.3	58,478	125.8	162,423
Dec/17	18.5	25,032	55.4	75,008	45.0	61,042	118.9	161,082
Mar/18	19.0	24,017	58.0	73,391	49.1	62,117	126.0	159,525
Jun/18	18.4	23,894	58.2	75,643	47.5	61,723	124.0	161,260
Sep/18	18.1	23,917	56.6	74,629	45.2	59,613	119.9	158,159
Dec/18	16.3	21,860	54.7	73,442	43.4	58,179	114.4	153,481

The next table shows the concentration of the companies and agro companies' considering Multiple Bank, guarantees and securities and abroad loan portfolio.

Each macro sector is divided into various economic sectors related with each other. The portfolio is in accordance with the main business of each customer.

Table 91. Concentration of Companies and Agro Companies Loan Portfolio by Macro-Sector

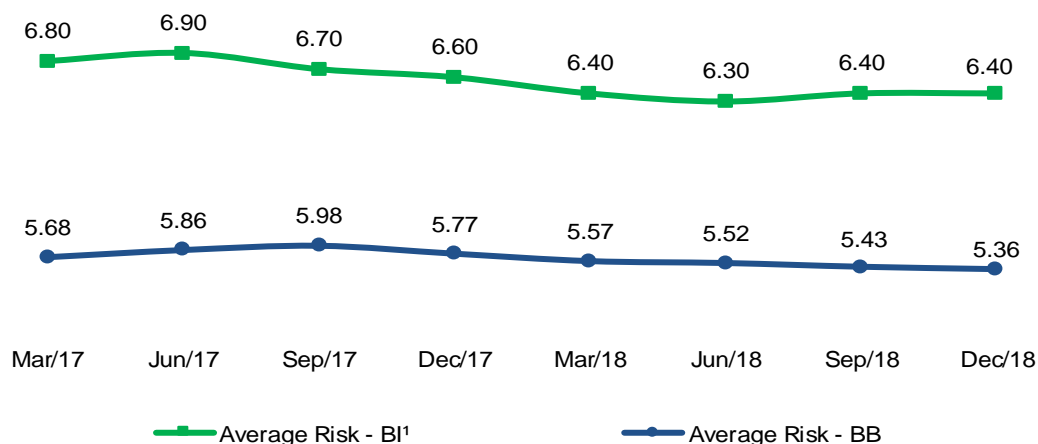
R\$ million	Balance				Chg. % on			
Macrosector	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Public Administration	41,412	12.0	46,616	13.6	45,704	13.5	10.4	(2.0)
Oil and Gas	36,041	10.5	36,156	10.5	34,956	10.3	(3.0)	(3.3)
Food products of Vegetable Origin	31,050	9.0	35,046	10.2	34,412	10.1	10.8	(1.8)
Metalworking and Steel	28,145	8.2	25,366	7.4	24,609	7.3	(12.6)	(3.0)
Electric Utilities	26,306	7.6	24,587	7.2	24,363	7.2	(7.4)	(0.9)
Transportation	23,951	7.0	24,203	7.1	24,423	7.2	2.0	0.9
Services	20,625	6.0	20,156	5.9	21,771	6.4	5.6	8.0
Automobiles and Components	16,606	4.8	17,481	5.1	15,987	4.7	(3.7)	(8.5)
Food products of Animal Origin	13,959	4.1	14,175	4.1	15,096	4.5	8.1	6.5
Housing	15,623	4.5	13,121	3.8	12,440	3.7	(20.4)	(5.2)
Retail	11,169	3.2	9,882	2.9	10,440	3.1	(6.5)	5.6
Construction Materials	10,290	3.0	8,904	2.6	9,067	2.7	(11.9)	1.8
Financials	13,579	3.9	11,046	3.2	8,790	2.6	(35.3)	(20.4)
Agricultural Inputs	7,984	2.3	8,090	2.4	8,556	2.5	7.2	5.8
Telecommunication Services	6,224	1.8	7,769	2.3	6,155	1.8	(1.1)	(20.8)
Textiles	6,495	1.9	6,554	1.9	6,341	1.9	(2.4)	(3.2)
Chemicals	5,953	1.7	6,367	1.9	6,501	1.9	9.2	2.1
Pulp and Paper	5,185	1.5	5,577	1.6	5,529	1.6	6.6	(0.9)
Electrical and Electronic Goods	6,392	1.9	5,887	1.7	6,809	2.0	6.5	15.7
Wholesale and Industries	5,191	1.5	5,055	1.5	5,919	1.7	14.0	17.1
Heavy Construction	4,992	1.4	4,105	1.2	4,134	1.2	(17.2)	0.7
Furniture and Forest Products	4,159	1.2	3,639	1.1	3,797	1.1	(8.7)	4.3
Leather and Shoes	1,741	0.5	1,662	0.5	1,788	0.5	2.7	7.6
Beverages	1,145	0.3	1,316	0.4	1,504	0.4	31.4	14.3
Other Activities	33	0.0	29	0.0	26	0.0	(21.8)	(12.7)
Total	344,251	100.0	342,790	100.0	339,115	100.0	(1.5)	(1.1)
Domestic Loan Portfolio	272,979		261,566		258,720			
Abroad Loan Portfolio	23,688		26,522		25,269			
Guarantees	13,106		16,591		16,013			
Securities	34,480		38,112		39,112			
Total	344,251		342,790		339,115			

7.2. Credit Risk

All risk segmentations of the loan portfolio in this section refer to the Classified Portfolio, in compliance with CMN Resolution 2,682/99, unless otherwise indicated.

The figure below shows BB's classified loan portfolio average risk historical evolution and its comparison with the Brazilian Banking Industry (BI). This index at BB remains lower than BI.

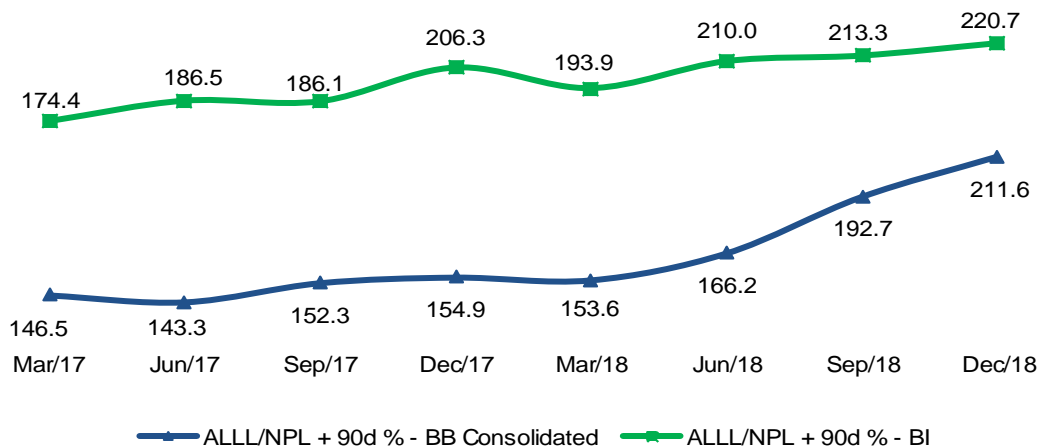
Figure 25. Classified Loan Portfolio Average Risk



1 - Ratio created through Average Risk Index available at SGS (Time Series Management System) of the Central Bank of Brazil.

The following chart shows the coverage index (ALLL/NPL +90d), which states the ratio between the total provision (minimum, supplementary and additional) and the balance of operations more than 90 days overdue.

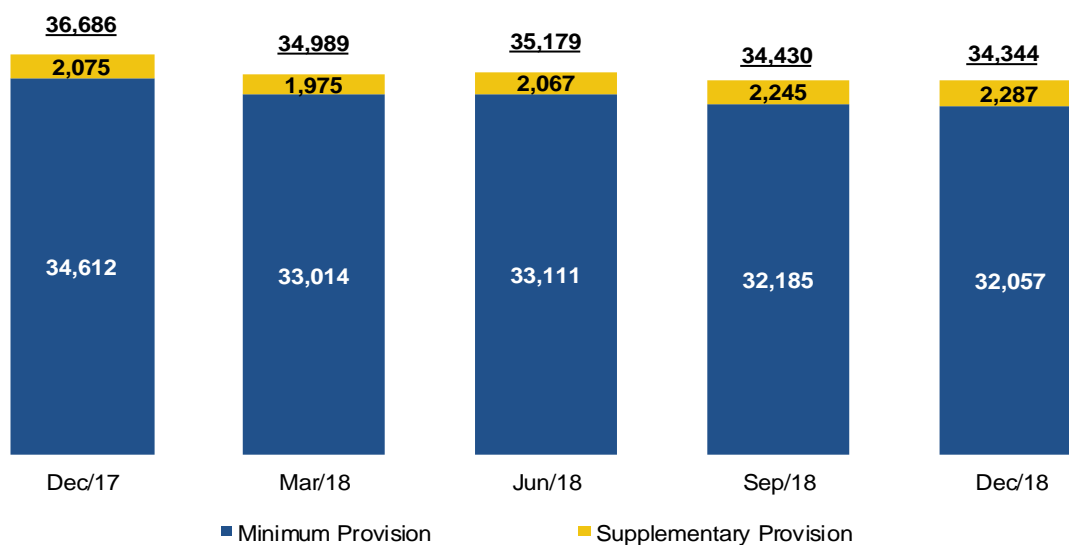
Figure 26. Classified Loan Portfolio Coverage Index



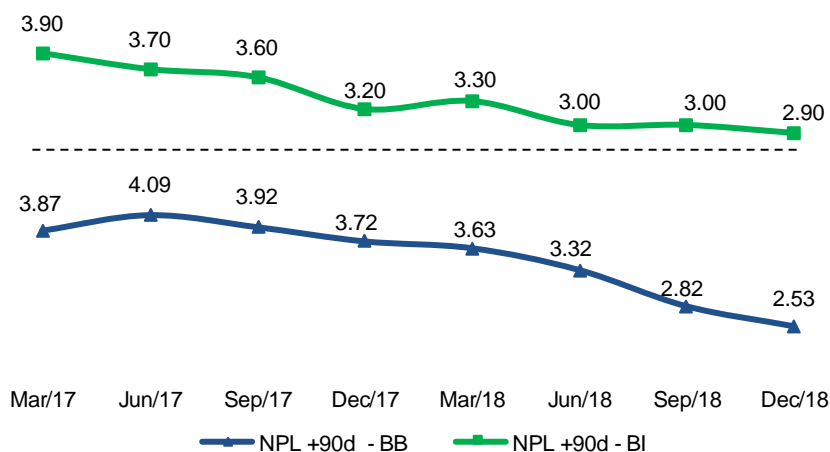
The next figure shows the Allowance for Loan and Lease Losses – ALLL, detailing the minimum provision, which is the provision corresponding to the nine risk levels (AA to H) pursuant to CMN Resolution 2,682/99, the supplementary provision, which corresponds to the provision of intermediate levels established by BB's Management, and the required provision, which corresponds to the sum of the previous ones.

Figure 27. ALLL – Classified Loan Portfolio

R\$ million

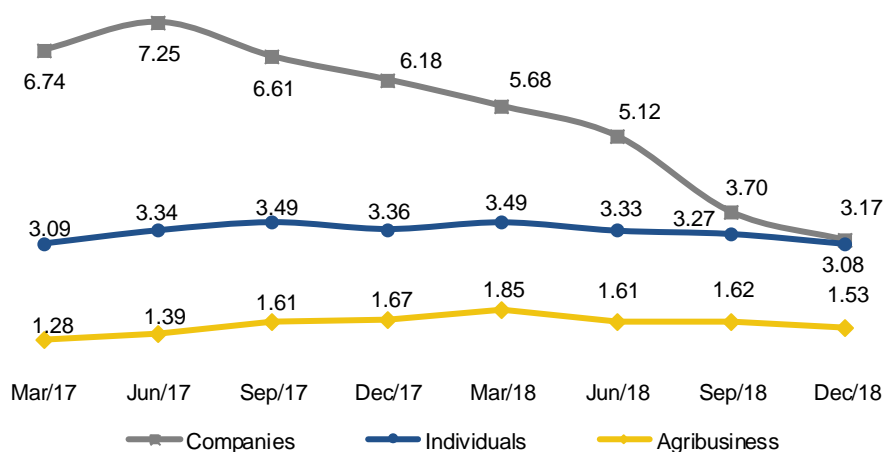


The delinquency ratio (NPL +90d) states the ratio between the operations more than 90 days overdue and the classified loan portfolio balance.

Figure 28. NPL +90d – As a Percentage of the Classified Loan Portfolio

1 - Simulation excluding specific case effect.

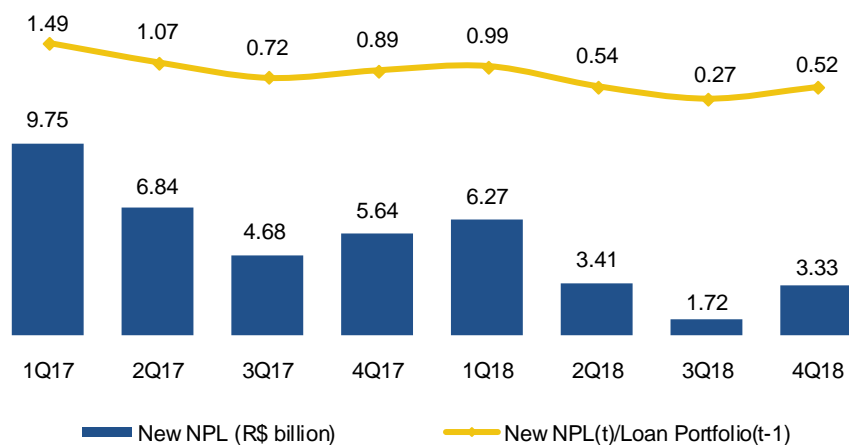
The following chart shows the NPL by BB's business segments.

Figure 29. NPL +90d per segment – As a Percentage of the Domestic Classified Loan Portfolio

The following chart shows the New NPL/Loan Portfolio index, which indicates the future delinquency trend. The index is calculated by the ratio between: (i) the quarterly change of the operations more than 90 days overdue balance plus the quarterly write-off, and (ii) the classified loan portfolio balance of the previous quarter.

The write-off process is strictly pursuant to CMN Resolution 2,682/99. Operations classified as H risk are accounted as write-off only after six months in delinquency at this risk level, never before that period.

Figure 30. New NPL and Write-Off – As a Percentage on the Classified Loan Portfolio



The next figure shows the index between Allowance for Loan Losses expenses and the New NPL index.

Figure 31. ALLL Expenses / New NPL (%)

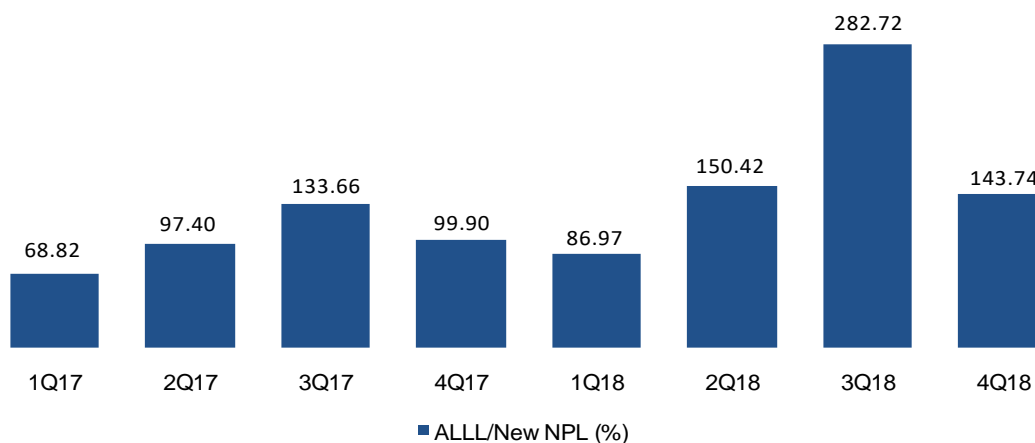


Table 92. Classified Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	318,100	-	-	-	50.0	330,628	-	-	-	51.6
A	68,405	342	39	381	10.8	66,510	333	38	371	10.4
B	134,631	1,346	492	1,838	21.2	138,845	1,388	485	1,874	21.7
C	61,252	1,838	1,058	2,895	9.6	54,054	1,622	1,104	2,726	8.4
D	10,194	1,019	118	1,138	1.6	13,106	1,311	596	1,907	2.0
E	12,645	3,793	298	4,091	2.0	8,995	2,698	16	2,715	1.4
F	5,261	2,630	70	2,700	0.8	4,399	2,199	45	2,244	0.7
G	5,939	4,157	1	4,158	0.9	3,944	2,761	3	2,763	0.6
H	19,485	19,485	0	19,485	3.1	19,745	19,745	-	19,745	3.1
Total	635,911	34,612	2,075	36,686	100.0	640,226	32,057	2,287	34,344	100.0
AA-C	582,387	3,526	1,588	5,114	91.6	590,038	3,343	1,627	4,970	92.2
D-H	53,523	31,086	487	31,572	8.4	50,188	28,714	660	29,374	7.8
Sep/18						Dec/18				
AA	330,403	-	-	-	52.1	330,628	-	-	-	51.6
A	66,001	330	38	368	10.4	66,510	333	38	371	10.4
B	133,183	1,332	468	1,800	21.0	138,845	1,388	485	1,874	21.7
C	53,885	1,617	1,041	2,657	8.5	54,054	1,622	1,104	2,726	8.4
D	12,860	1,286	574	1,860	2.0	13,106	1,311	596	1,907	2.0
E	9,793	2,938	58	2,996	1.5	8,995	2,698	16	2,715	1.4
F	4,750	2,375	63	2,437	0.7	4,399	2,199	45	2,244	0.7
G	4,127	2,889	3	2,892	0.7	3,944	2,761	3	2,763	0.6
H	19,419	19,419	-	19,419	3.1	19,745	19,745	-	19,745	3.1
Total	634,420	32,185	2,245	34,430	100.0	640,226	32,057	2,287	34,344	100.0
AA-C	583,471	3,278	1,547	4,825	92.0	590,038	3,343	1,627	4,970	92.2
D-H	50,948	28,907	698	29,605	8.0	50,188	28,714	660	29,374	7.8

1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

The next table presents the ALLL expenses over the Classified Loan Portfolio, as well the average Classified Loan Portfolio and the ALLL indexes.

Table 93. ALLL Expenses over the Classified Loan Portfolio

R\$ million, unless other indicated	Balance					Chg. %	
	4Q17	1Q18	2Q18	3Q18	4Q18	4Q17	3Q18
ALLL Expenses							
(A) 12 months	(25,265)	(24,002)	(22,477)	(21,078)	(20,229)	(19.9)	(4.0)
(B) 3 months	(5,637)	(5,449)	(5,134)	(4,858)	(4,788)	(15.1)	(1.4)
Average Loan Portfolio							
(C) 12 months	639,383	634,218	632,884	631,567	631,970	(1.2)	0.1
(D) 3 months	633,457	628,346	632,114	633,774	634,395	0.1	0.1
Recovery of Write-offs							
(E) 12 months	5,172	5,421	5,577	6,116	6,008	16.2	(1.8)
(F) 3 months	1,728	1,205	1,551	1,632	1,620	(6.2)	(0.7)
ALLL Indexes - %							
(A/C) 12 months	3.95	3.78	3.55	3.34	3.20		
(B/D) 3 months	0.89	0.87	0.81	0.77	0.75		

The following table shows the key credit risk management indicators, some of them previously mentioned.

Table 94. Classified Loan Portfolio Delinquency Indicators

R\$ million, unless other indicated	4Q17	1Q18	2Q18	3Q18	4Q18
Classified Loan Portfolio	635,911	627,693	636,783	634,420	640,226
NPL + 15 days	35,343	34,160	33,401	28,841	27,628
NPL + 15 days/Loan Portfolio - %	5.56	5.44	5.25	4.55	4.32
NPL + 60 days	26,723	25,906	23,983	21,027	18,829
NPL + 60 days/Loan Portfolio - %	4.20	4.13	3.77	3.31	2.94
NPL 15-59 days/Loan Portfolio - %	1.36	1.31	1.48	1.23	1.37
NPL + 90 days	23,682	22,779	21,169	17,865	16,228
NPL + 90 days/Loan Portfolio - %	3.72	3.63	3.32	2.82	2.53
NPL 15-89 days/Loan Portfolio - %	1.83	1.81	1.92	1.73	1.78
NPL + 90 days/Loan Portfolio - BI - %	3.20	3.30	3.00	3.00	2.90
Net Loss	5,058	5,964	3,472	3,390	3,348
Write-off	6,786	7,169	5,023	5,022	4,968
Recovery of Write-off	(1,728)	(1,205)	(1,551)	(1,632)	(1,620)
Recovery of Write-off/Write-off - %	25.46	16.81	30.88	32.49	32.60
Net Loss/Loan Portfolio - % annualized	3.22	3.86	2.20	2.15	2.11
Provision (Minimum + Supplementary + Additional)	36,686	34,989	35,179	34,430	34,344
ALLL/Loan Portfolio - %	5.77	5.57	5.52	5.43	5.36
ALLL/NPL + 15 days - %	103.80	102.43	105.32	119.38	124.31
ALLL/NPL + 60 days - %	137.29	135.06	146.68	163.74	182.40
ALLL/NPL + 90 days - %	154.91	153.61	166.18	192.72	211.64

7.2.1. Individuals Loan Portfolio

The following table shows the individuals classified loan portfolio and the respective changes in the allowance for loan losses and the NPL +90d.

Table 95. Individuals Classified Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	42,194	-	-	-	22.5	41,684	-	-	-	21.2
A	26,640	133	17	150	14.2	29,272	146	19	166	14.9
B	73,194	732	324	1,056	39.1	76,630	766	340	1,106	39.0
C	30,839	925	639	1,564	16.5	32,581	977	670	1,648	16.6
D	4,145	414	71	486	2.2	5,776	578	106	684	2.9
E	2,304	691	-	691	1.2	2,327	698	-	698	1.2
F	1,268	634	-	634	0.7	1,151	576	-	576	0.6
G	1,060	742	-	742	0.6	1,089	762	-	762	0.6
H	5,693	5,693	-	5,693	3.0	6,147	6,147	-	6,147	3.1
Total	187,336	9,965	1,051	11,016	100.0	196,654	10,650	1,136	11,785	100.0
AA-C	172,866	1,790	980	2,770	92.3	180,166	1,890	1,029	2,919	91.6
D-H	14,469	8,175	71	8,246	7.7	16,489	8,760	106	8,866	8.4
Sep/18						Dec/18				
AA	42,320	-	-	-	22.1	41,684	-	-	-	21.2
A	28,524	143	19	162	14.9	29,272	146	19	166	14.9
B	73,974	740	321	1,060	38.6	76,630	766	340	1,106	39.0
C	31,476	944	646	1,590	16.4	32,581	977	670	1,648	16.6
D	4,883	488	83	571	2.5	5,776	578	106	684	2.9
E	2,289	687	-	687	1.2	2,327	698	-	698	1.2
F	1,066	533	-	533	0.6	1,151	576	-	576	0.6
G	1,008	706	-	706	0.5	1,089	762	-	762	0.6
H	6,035	6,035	-	6,035	3.2	6,147	6,147	-	6,147	3.1
Total	191,575	10,275	1,069	11,343	100.0	196,654	10,650	1,136	11,785	100.0
AA-C	176,295	1,827	985	2,812	92.0	180,166	1,890	1,029	2,919	91.6
D-H	15,280	8,448	83	8,531	8.0	16,489	8,760	106	8,866	8.4

1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

Table 96. Changes in Allowance for Loan Losses – Individuals Classified Loan Portfolio

R\$ million, unless other indicated	4Q17	1Q18	2Q18	3Q18	4Q18
Classified Individuals Loan Portfolio	187,336	185,558	189,628	191,575	196,654
Initial Allowance	11,195	11,016	10,891	11,106	11,343
1- Risk Migration	1,214	1,421	1,454	1,182	1,272
a) Risk Deterioration	2,076	2,142	2,299	2,008	2,011
b) Risk Improvement	(863)	(721)	(845)	(826)	(738)
2 - New Transactions	340	347	434	554	622
3 - Write-offs	(1,786)	(1,888)	(1,632)	(1,547)	(1,618)
Total (1+2+3)	(232)	(120)	256	189	276
Other Impacts ¹	53	(5)	(41)	48	166
Required Provision	11,016	10,891	11,106	11,343	11,785
Provision Expenses - R\$ million	1,607	1,763	1,846	1,784	2,061
Provision / Loan Portfolio - %	5.88	5.87	5.86	5.92	5.99
Provision Flow / Loan Portfolio - %	0.86	0.95	0.97	0.93	1.05
NPL + 15 days/Loan Portfolio - %	6.13	6.78	6.36	6.42	6.31
NPL + 60 days/Loan Portfolio - %	3.94	4.21	3.95	3.93	3.71
NPL + 90 days/Loan Portfolio - %	3.36	3.49	3.33	3.27	3.08

1 - Amortization, settlement, release of installments and charge debt.

The following table shows the NPL of the main lines regarding the individuals' loan portfolio and the share of each line in relation to the total loan portfolio. Thus, it is possible to analyze the delinquency of each product in relation to the relevance of this line in the portfolio.

Table 97. NPL +90d Individuals Portfolio - % by Credit Line

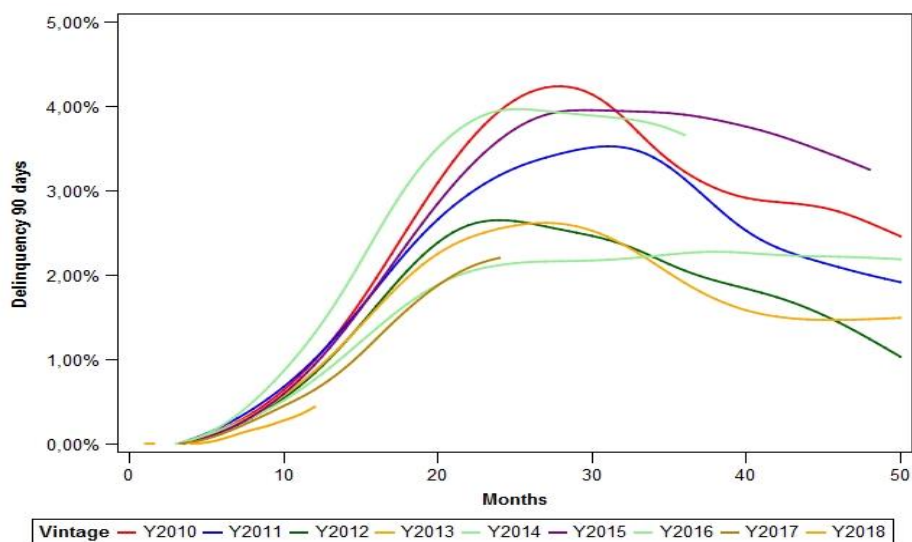
	Dec/17		Sep/18		Dec/18	
	NPL	Share %	NPL	Share %	NPL	Share %
Individuals	3.36	100.0	3.27	100.0	3.08	100.0
Payroll Loan	1.92	36.0	1.95	36.7	1.94	36.1
Mortgage	2.31	23.8	2.86	25.0	2.54	24.6
Credit Card	2.82	13.7	2.60	13.3	2.41	14.8
Salary Loan	5.26	10.0	4.70	10.1	4.63	9.5
Auto Loans	1.10	7.9	0.96	5.8	0.94	5.3

Vintage

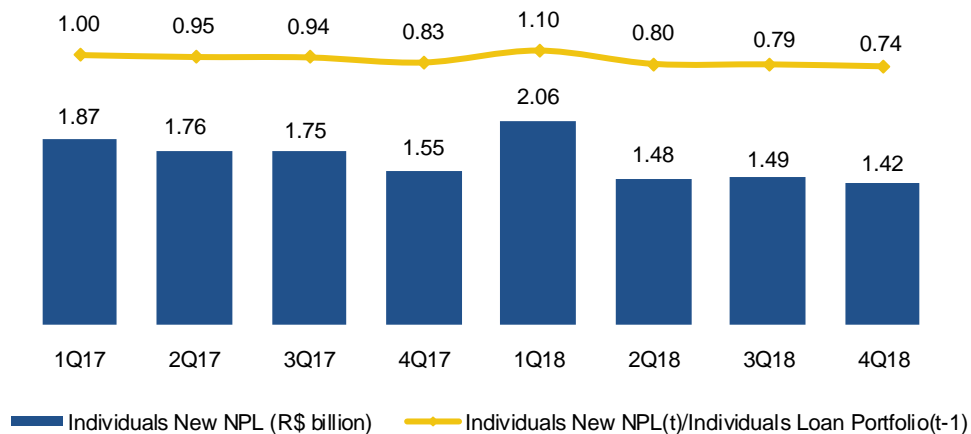
The following graph shows the vintage of the individual's loan portfolio delinquency. This methodology provides greater detailing and is closer to the portfolio than traditional indicators, in order to evaluate how the delinquency of a set of operations contracted for in a particular period behaves over time.

Loans that have been nonperforming for more than 90 days are considered delinquent. Overdraft and credit card operations are not included in the individuals' loan portfolio.

The following graph shows the vintage by year, making it easier to interpret the data.

Figure 32. Individuals Loan Portfolio – Annual Vintage

The next figure shows the individuals loan portfolio's new NPL in the last eight quarters.

Figure 33. New NPL – Individuals Loan Portfolio

7.2.2. Loans to Companies

The following tables show the classified loan portfolio for companies and the respective changes in the allowance for loan losses.

Table 98. Classified Loans to Companies by Risk Level

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	145,838	-	-	-	63.3	149,083	-	-	-	67.8
A	13,783	69	7	76	6.0	11,295	56	4	61	5.1
B	20,897	209	96	304	9.1	22,896	229	82	311	10.4
C	18,919	568	303	870	8.2	13,411	402	335	738	6.1
D	4,263	426	30	456	1.8	3,099	310	127	437	1.4
E	9,104	2,731	298	3,029	4.0	5,570	1,671	16	1,687	2.5
F	3,229	1,614	65	1,679	1.4	2,506	1,253	45	1,298	1.1
G	4,149	2,905	1	2,905	1.8	2,154	1,508	0	1,508	1.0
H	10,306	10,306	-	10,306	4.5	9,936	9,936	-	9,936	4.5
Total	230,490	18,829	798	19,627	100.0	219,951	15,365	610	15,975	100.0
AA-C	199,437	845	405	1,251	86.5	196,686	688	422	1,110	89.4
D-H	31,053	17,983	393	18,376	13.5	23,265	14,678	188	14,865	10.6
Sep/18						Dec/18				
AA	148,164	-	-	-	67.7	149,083	-	-	-	67.8
A	11,232	56	5	61	5.1	11,295	56	4	61	5.1
B	21,144	211	82	293	9.7	22,896	229	82	311	10.4
C	13,994	420	290	710	6.4	13,411	402	335	738	6.1
D	3,222	322	130	452	1.5	3,099	310	127	437	1.4
E	6,224	1,867	57	1,924	2.8	5,570	1,671	16	1,687	2.5
F	2,962	1,481	63	1,544	1.4	2,506	1,253	45	1,298	1.1
G	2,524	1,767	0	1,767	1.2	2,154	1,508	0	1,508	1.0
H	9,253	9,253	-	9,253	4.2	9,936	9,936	-	9,936	4.5
Total	218,719	15,378	626	16,004	100.0	219,951	15,365	610	15,975	100.0
AA-C	194,534	687	377	1,064	88.9	196,686	688	422	1,110	89.4
D-H	24,185	14,690	249	14,939	11.1	23,265	14,678	188	14,865	10.6

1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

Table 99. Changes in Allowance for Loan Losses – Classified Loans to Companies

R\$ million, unless other indicated	4Q17	1Q18	2Q18	3Q18	4Q18
Classified Loan Portfolio to Companies	230,490	222,586	222,969	218,719	219,951
Initial Allowance	21,060	19,627	17,669	17,301	16,004
1- Risk Migration	2,780	2,307	1,844	2,209	1,563
a) Risk Deterioration	3,883	2,993	2,818	2,693	2,129
b) Risk Improvement	(1,103)	(685)	(974)	(484)	(567)
2 - New Transactions	102	84	129	165	336
3 - Write-offs	(4,823)	(4,432)	(2,405)	(2,562)	(1,922)
Total (1+2+3)	(1,940)	(2,040)	(432)	(188)	(24)
Other Impacts ¹	506	83	63	(1,110)	(5)
Required Provision	19,627	17,669	17,301	16,004	15,975
Provision Expenses - R\$ million	3,389	2,474	2,036	1,265	1,894
Provision / Loan Portfolio - %	8.52	7.94	7.76	7.32	7.26
Provision Flow / Loan Portfolio - %	1.47	1.11	0.91	0.58	0.86
NPL + 15 days/Loan Portfolio - %	8.07	7.32	7.22	5.01	4.58
NPL + 60 days/Loan Portfolio - %	6.74	6.23	5.64	4.17	3.56
NPL + 90 days/Loan Portfolio - %	6.18	5.68	5.12	3.70	3.17

1 - Amortization, settlement, release of installments and charge debt.

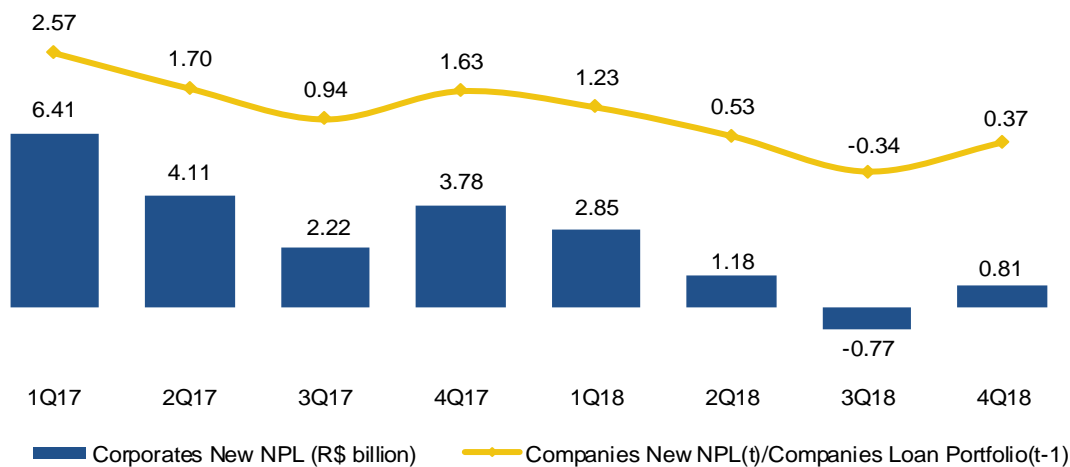
The following table presents the NPL of the main lines regarding companies' credit portfolio and the share of each line in relation to the total loan portfolio. Thus, it is possible to analyze the delinquency of each product in relation to the relevance of this line in the portfolio.

Table 100. NPL +90d Companies Portfolio - % by Credit Line

	Dec/17		Sep/18		Dec/18	
	NPL	Share %	NPL	Share %	NPL	Share %
Companies	6.18	100.0	3.70	100.0	3.17	100.0
Working Capital	4.67	48.5	1.24	50.1	1.00	50.1
Investments	2.27	24.1	1.37	23.9	0.90	23.4
FEC/ACE	0.02	6.7	1.00	8.0	1.36	8.6
Receivables	2.35	5.0	1.48	4.9	1.06	5.5

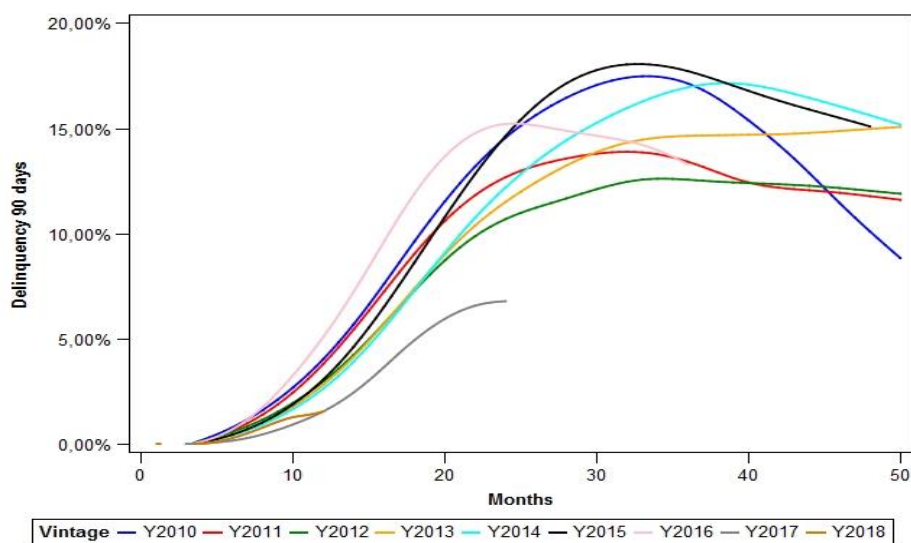
The next figure shows the companies loan portfolio's new NPL in the last eight quarters. The 3Q18 New NPL was extraordinary due to the regularization of a specific case in the Large Corporate segment. Discounted in this case, the New NPL would have been 0.87%.

Figure 34. New NPL – Companies Loan Portfolio



The following chart shows Very Small and Small Companies credit on an annual basis, making it easier to interpret the data.

Figure 35. Very Small and Small Companies Loans Portfolio – Annual Vintage



7.2.3. Agribusiness Loan Portfolio

The Classified Agribusiness Loan Portfolio by risk level is shown on the following table.

Table 101. Classified Agribusiness Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	108,467	-	-	-	59.8	115,473	-	-	-	61.7
A	19,950	100	15	115	11.0	20,175	101	14	115	10.8
B	34,650	346	72	419	19.1	34,328	343	63	406	18.3
C	11,317	340	116	455	6.2	7,805	234	98	332	4.2
D	1,747	175	17	192	1.0	4,171	417	363	780	2.2
E	1,203	361	0	361	0.7	1,078	323	0	324	0.6
F	694	347	0	347	0.4	733	366	-	366	0.4
G	720	504	0	504	0.4	651	456	3	458	0.3
H	2,634	2,634	0	2,635	1.5	2,778	2,778	-	2,778	1.5
Total	181,381	4,806	220	5,027	100.0	187,193	5,019	542	5,561	100.0
AA-C	174,384	786	203	989	96.1	177,781	678	176	854	95.0
D-H	6,997	4,021	17	4,038	3.9	9,412	4,341	366	4,707	5.0
Sep/18						Dec/18				
AA	115,939	-	-	-	61.9	115,473	-	-	-	61.7
A	19,621	98	14	112	10.5	20,175	101	14	115	10.8
B	33,314	333	65	399	17.8	34,328	343	63	406	18.3
C	8,251	248	105	352	4.4	7,805	234	98	332	4.2
D	4,683	468	362	830	2.5	4,171	417	363	780	2.2
E	1,266	380	0	381	0.7	1,078	323	0	324	0.6
F	712	356	-	356	0.4	733	366	-	366	0.4
G	585	410	3	412	0.3	651	456	3	458	0.3
H	3,063	3,063	-	3,063	1.6	2,778	2,778	-	2,778	1.5
Total	187,434	5,355	549	5,905	100.0	187,193	5,019	542	5,561	100.0
AA-C	177,125	679	184	863	94.5	177,781	678	176	854	95.0
D-H	10,309	4,676	365	5,042	5.5	9,412	4,341	366	4,707	5.0

1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

The table below shows the NPL of the main lines regarding Agribusiness credit portfolio and the share of each line in relation to the total loan portfolio. Thus, it is possible to analyze the delinquency of each product in relation to the relevance of this line in the portfolio.

Table 102. NPL +90d Agribusiness Portfolio - % by Credit Line

	Dec/17		Sep/18		Dec/18	
	NPL	Share %	NPL	Share %	NPL	Share %
Agribusiness	1.67	100.0	1.62	100.0	1.53	100.0
Pronaf	2.46	23.8	3.14	23.1	3.01	23.5
Working Capital for Input Purchase	1.41	19.9	1.01	19.6	0.89	20.2
Pronamp	3.06	13.4	2.55	12.8	2.44	12.5
BNDES/Finame Rural	1.56	4.3	1.90	3.6	1.85	3.4

The following tables show the individuals agribusiness loan portfolio by risk level and the respective changes in the allowance for loan losses.

Table 103. Classified Agribusiness Loan Portfolio by Risk Level – Individuals

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	73,644	-	-	-	53.0	83,659	-	-	-	56.4
A	17,475	87	14	102	12.6	18,361	92	14	106	12.4
B	32,579	326	65	391	23.5	32,319	323	56	379	21.8
C	8,403	252	115	367	6.0	7,570	227	97	324	5.1
D	1,719	172	17	189	1.2	1,435	143	11	154	1.0
E	1,150	345	-	345	0.8	1,030	309	-	309	0.7
F	668	334	-	334	0.5	693	346	-	346	0.5
G	671	470	-	470	0.5	628	439	-	439	0.4
H	2,585	2,585	-	2,585	1.9	2,726	2,726	-	2,726	1.8
Total	138,894	4,570	212	4,782	100.0	148,420	4,607	177	4,784	100.0
AA-C	132,101	665	195	860	95.1	141,908	642	167	809	95.6
D-H	6,792	3,905	17	3,922	4.9	6,512	3,965	11	3,975	4.4
Sep/18						Dec/18				
AA	79,586	-	-	-	55.0	83,659	-	-	-	56.4
A	18,465	92	13	106	12.8	18,361	92	14	106	12.4
B	31,239	312	58	370	21.6	32,319	323	56	379	21.8
C	7,884	237	104	341	5.5	7,570	227	97	324	5.1
D	1,974	197	15	212	1.4	1,435	143	11	154	1.0
E	1,222	367	-	367	0.8	1,030	309	-	309	0.7
F	669	334	-	334	0.5	693	346	-	346	0.5
G	557	390	-	390	0.4	628	439	-	439	0.4
H	3,014	3,014	-	3,014	2.1	2,726	2,726	-	2,726	1.8
Total	144,609	4,943	190	5,133	100.0	148,420	4,607	177	4,784	100.0
AA-C	137,174	641	175	816	94.9	141,908	642	167	809	95.6
D-H	7,435	4,302	15	4,317	5.1	6,512	3,965	11	3,975	4.4

1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

Table 104. Changes in Allowance for Loan Losses – Agribusiness Individuals

R\$ million, unless other indicated	4Q17	1Q18	2Q18	3Q18	4Q18
Classified Agrib. Loan Portfolio - Individuals	138,894	140,897	144,086	144,609	148,420
Initial Allowance	4,463	4,782	5,108	5,178	5,133
1- Risk Migration	1,129	1,140	1,109	855	746
a) Risk Deterioration	1,547	1,497	1,612	1,230	1,462
b) Risk Improvement	(418)	(357)	(503)	(374)	(716)
2 - New Transactions	87	55	92	104	84
3 - Write-offs	(737)	(785)	(909)	(832)	(982)
Total (1+2+3)	479	410	292	128	(152)
Other Impacts ¹	(160)	(84)	(222)	(172)	(197)
Required Provision	4,782	5,108	5,178	5,133	4,784
Provision Expenses - R\$ million	1,056	1,111	979	787	633
Provision / Loan Portfolio - %	3.44	3.63	3.59	3.55	3.22
Provision Flow / Loan Portfolio - %	0.76	0.79	0.68	0.54	0.43

1 - Amortization, settlement, release of installments and charge debt.

The following tables show the agribusiness loan portfolio for companies by risk level and the respective changes in the allowance for loan losses.

Table 105. Classified Agribusiness Loan Portfolio by Risk Level – Companies

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
Dec/17						Dec/18				
AA	34,823	-	-	-	82.0	31,815	-	-	-	82.1
A	2,474	12	1	13	5.8	1,813	9	1	10	4.7
B	2,071	21	7	28	4.9	2,010	20	7	27	5.2
C	2,914	87	1	88	6.9	235	7	1	8	0.6
D	27	3	-	3	0.1	2,737	274	352	626	7.1
E	53	16	0	16	0.1	48	14	0	15	0.1
F	26	13	-	13	0.1	40	20	-	20	0.1
G	49	34	-	34	0.1	23	16	3	19	0.1
H	50	50	-	50	0.1	52	52	-	52	0.1
Total	42,487	236	9	245	100.0	38,773	413	364	777	100.0
AA-C	42,282	120	9	129	99.5	35,873	36	9	45	92.5
D-H	205	116	0	116	0.5	2,900	376	355	732	7.5
Sep/18						Dec/18				
AA	36,353	-	-	-	84.9	31,815	-	-	-	82.1
A	1,156	6	1	6	2.7	1,813	9	1	10	4.7
B	2,075	21	8	28	4.8	2,010	20	7	27	5.2
C	367	11	1	12	0.9	235	7	1	8	0.6
D	2,709	271	347	618	6.3	2,737	274	352	626	7.1
E	44	13	1	14	0.1	48	14	0	15	0.1
F	44	22	-	22	0.1	40	20	-	20	0.1
G	28	20	3	22	0.1	23	16	3	19	0.1
H	49	49	-	49	0.1	52	52	-	52	0.1
Total	42,826	412	359	771	100.0	38,773	413	364	777	100.0
AA-C	39,951	38	9	46	93.3	35,873	36	9	45	92.5
D-H	2,874	375	350	725	6.7	2,900	376	355	732	7.5

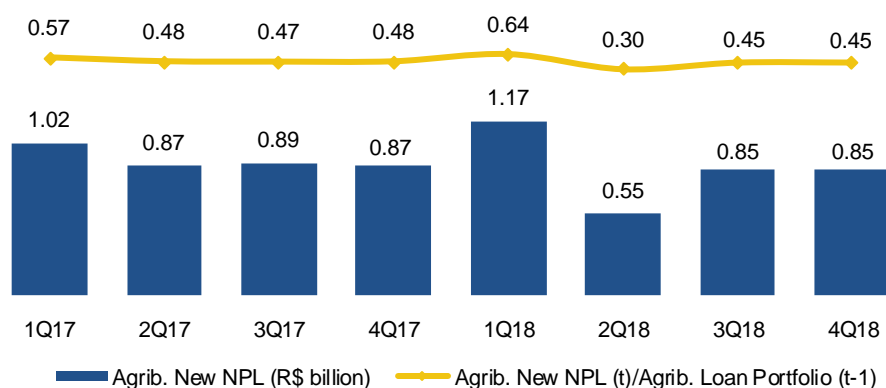
1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2682/99.

Table 106. Changes in the Allowance for Loan Losses – Agribusiness Companies

R\$ million, unless other indicated	4Q17	1Q18	2Q18	3Q18	4Q18
Classified Agrib. Loan Portfolio - Companies	42,487	43,158	43,855	42,826	38,773
Initial Allowance	234	245	218	421	771
1- Risk Migration	20	17	211	354	48
a) Risk Deterioration	44	29	232	375	75
b) Risk Improvement	(24)	(13)	(22)	(21)	(27)
2 - New Transactions	10	5	11	7	10
3 - Write-offs	(9)	(11)	(13)	(6)	(42)
Total (1+2+3)	22	10	208	355	17
Other Impacts ¹	(11)	(37)	(5)	(5)	(11)
Required Provision	245	218	421	771	777
Provision Flow - R\$ million	19	(16)	216	357	47
Provision / Loan Portfolio - %	0.58	0.50	0.96	1.80	2.00
Provision Flow / Loan Portfolio - %	0.04	(0.04)	0.49	0.83	0.12

1 - Amortization, settlement, release of installments and charge debt.

The next figure shows the agribusiness loan portfolio's new NPL in the last eight quarters.

Figure 36. New NPL – Agribusiness Loan Portfolio**Portfolio with and without Rollover**

The average portfolio risk is affected by extended transactions, primarily between 2005 and 2007. CMN Resolution 2,682/99, which provides for the classification of risk and constitution of allowances for loan losses, requires the maintenance of risk of the renegotiated loans at the risk level of the time of renegotiation. Due to this regulation, renegotiated transactions increase the loan portfolio's average risk.

Table 107. Agribusiness Transactions with Rollover and without it

R\$ million	Portfolio without Rollover ¹			Portfolio with Rollover ¹		
	Balance	Required Provision	Past Due 90	Balance	Required Provision	Past Due 90
AA	113,655	-	41	1,819	-	-
A	18,609	107	-	1,566	9	-
B	32,137	378	-	2,191	28	-
C	6,065	257	121	1,740	75	6
D	2,891	567	203	1,281	214	15
E	554	166	281	524	157	40
F	451	225	286	282	141	46
G	432	305	321	219	153	46
H	1,790	1,790	1,152	989	989	300
Total	176,582	3,795	2,406	10,610	1,766	453
AA-C	170,465	742	162	7,316	112	6
D-H	6,117	3,053	2,244	3,295	1,654	447

1 - Non-performing loans at AA level refers to credit with third-party risk.

The following table shows the balance, the NPL +90d and the average risk of the classified agribusiness loan portfolio segmented in the total portfolio, with rollover and without it.

Table 108. Classified Agribusiness Loan Portfolio Delinquency Indicators

R\$ million	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18
Classified Loan Portfolio	181,381	184,055	187,941	187,434	187,193
ALLL	5,027	5,326	5,599	5,905	5,561
NPL + 15 days	4,887	4,658	4,491	4,877	4,704
NPL + 15 days/Loan Portfolio - %	2.69	2.53	2.39	2.60	2.51
NPL + 60 days	3,671	3,797	3,435	3,767	3,363
NPL + 60 days/Loan Portfolio - %	2.02	2.06	1.83	2.01	1.80
NPL + 90 days	3,027	3,399	3,028	3,036	2,860
NPL + 90 days/Loan Portfolio ¹ - %	1.67	1.85	1.61	1.62	1.53
ALLL/Loan Portfolio - %	2.77	2.89	2.98	3.15	2.97
Write-off	494	802	950	338	1,023
Transactions without Rollover - BB Risk + Third Parties	172,869	175,214	179,014	177,747	176,582
ALLL	3,585	3,743	3,877	4,126	3,795
NPL + 90 days	2,571	2,807	2,545	2,517	2,406
NPL + 90 days/ Transactions without Rollover - %	1.49	1.60	1.42	1.42	1.36
ALLL / Transactions without Rollover - %	2.07	2.14	2.17	2.32	2.15
Write-off	382	629	688	259	776
Transactions with Rollover - BB Risk + Third Parties	8,512	8,841	8,927	9,686	10,610
ALLL	1,442	1,583	1,722	1,778	1,766
NPL + 90 days	385	544	482	518	453
NPL + 90 days/ Transactions with Rollover - %	4.52	6.15	5.41	5.35	4.27
ALLL / Transactions with Rollover - %	16.94	17.90	19.29	18.35	16.65
Write-off	112	173	262	79	247

1 - The past due resulting from non-performing operations with third party risk was included in the calculation of the index.

7.2.4. Foreign Loan Portfolio

The following table shows the Foreign Loan Portfolio by risk level.

Table 109. Classified Foreign Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision ¹	Supplementary Provision	Required Provision	Share %
	Dec/17						Dec/18			
AA	21,601	-	-	-	58.9	24,388	-	-	-	66.9
A	8,033	40	-	40	21.9	5,768	29	-	29	15.8
B	5,890	59	-	59	16.0	4,991	50	0.3	50	13.7
C	177	5	0.2	6	0.5	258	8	0.1	8	0.7
D	39	4	-	4	0.1	60	6	0.0	6	0.2
E	34	10	-	10	0.1	20	6	-	6	0.1
F	70	35	4.8	40	0.2	9	4	-	4	0.0
G	10	7	-	7	0.0	50	35	-	35	0.1
H	851	851	-	851	2.3	884	884	-	884	2.4
Total	36,704	1,012	5.0	1,017	100.0	36,428	1,022	0.4	1,022	100.0
AA-C	35,700	104	0.2	105	97.3	35,405	87	0.4	87	97.2
D-H	1,004	907	4.8	912	2.7	1,023	936	-	936	2.8
	Sep/18						Dec/18			
AA	23,979	-	-	-	65.4	24,388	-	-	-	66.9
A	6,624	33	-	33	18.1	5,768	29	-	29	15.8
B	4,750	48	0.3	48	12.9	4,991	50	0.3	50	13.7
C	164	5	0.2	5	0.4	258	8	0.1	8	0.7
D	71	7	-	7	0.2	60	6	0.0	6	0.2
E	14	4	-	4	0.0	20	6	-	6	0.1
F	9	5	-	5	0.0	9	4	-	4	0.0
G	11	7	-	7	0.0	50	35	-	35	0.1
H	1,069	1,069	-	1,069	2.9	884	884	-	884	2.4
Total	36,691	1,178	0.5	1,179	100.0	36,428	1,022	0.4	1,022	100.0
AA-C	35,517	86	0.5	86	96.8	35,405	87	0.4	87	97.2
D-H	1,174	1,092	-	1,093	3.2	1,023	936	-	936	2.8

7.3. Credit Collection, Regularization and Recovery

7.3.1. Management of Past Due Credits

Banco do Brasil monitors credits presenting signs of default. Past due transactions are managed in three stages: conduction, collection and regularization/recovery.

- I. Conduction seeks to avoid default, in a preventive manner;
- II. Collection is to regularize past due operations in a short period of time, which; reduces process costs and maintains a good relationship with the customer;
- III. Regularization and recovery are to minimize losses, regularizing and recovering the highest possible amount.

7.3.2. Credit Collection and Regularization Process

Banco do Brasil uses its own quantitative models, which, together with automated collection and regularization platforms, track and manage non-performing customers' behavior.

These customers' profiles are statistically identified based on previous behavior in relation to collection proceedings, which results in determining the likelihood of the collection and regularization, being classified as high, intermediate and low regularization probability.

Based on an information and variables analysis, proceedings, service network, renegotiation and discount policies, as well as credit cession to other companies, are established actions that support BB's collection and regularization model.

The conceptual model that supports the process is based on the following assumptions:

- I. Customer Profile: actions are defined based on customer's profile, taking into consideration variables such as segmentation, relationship level, products contracted, indebtedness with BB, among others;
- II. Service Network: regularization and recovery process occurs in several frameworks on a sequential basis;
- III. Sequential Actions: credit collection actions are pre-determined according to each customer profile and their intensity increases along the time;
- IV. Value Relations: variable approach that respects each customer's relationship level with BB;
- V. Information Systems: advanced analytical and operating platforms, which automate credit collection process and improve business efficiency, are used.

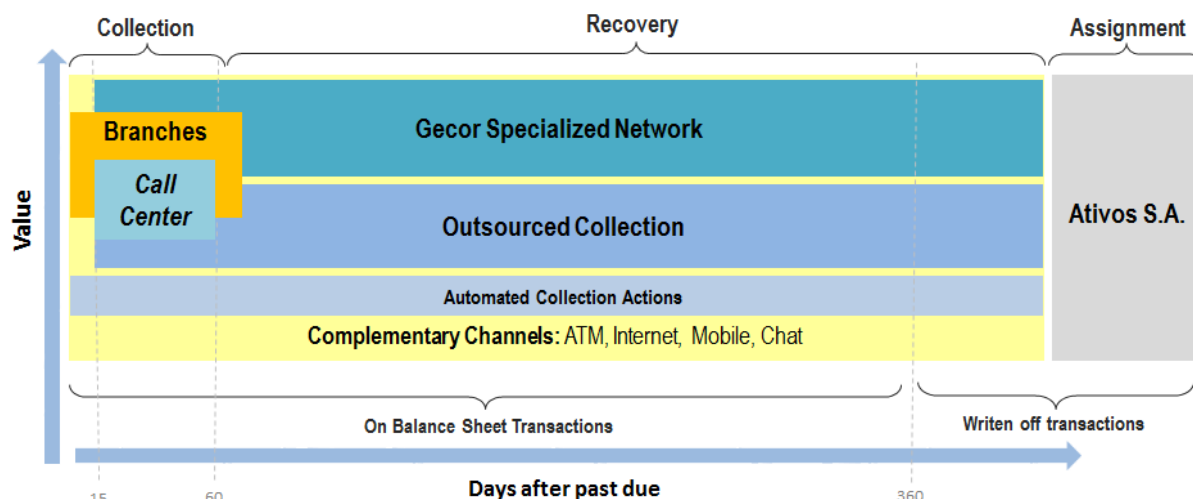
The credit collection historic performance actions determines the likelihood of credits in default to be regularized. The main consequence of statistical follow-up is the possibility of continuously improve the process with feedback from strategies with the best results during the period.

The possibility of segregating non-performing customers is an important aspect of the credit collection and regularization strategy, discount and credit cession policy.

Banco do Brasil uses credit cession as part of the recovery strategy, to reduce losses and unpaid portfolio management costs, through transactions with independent companies.

7.3.3. Credit Collection, Regularization and Recovery Operating Flow

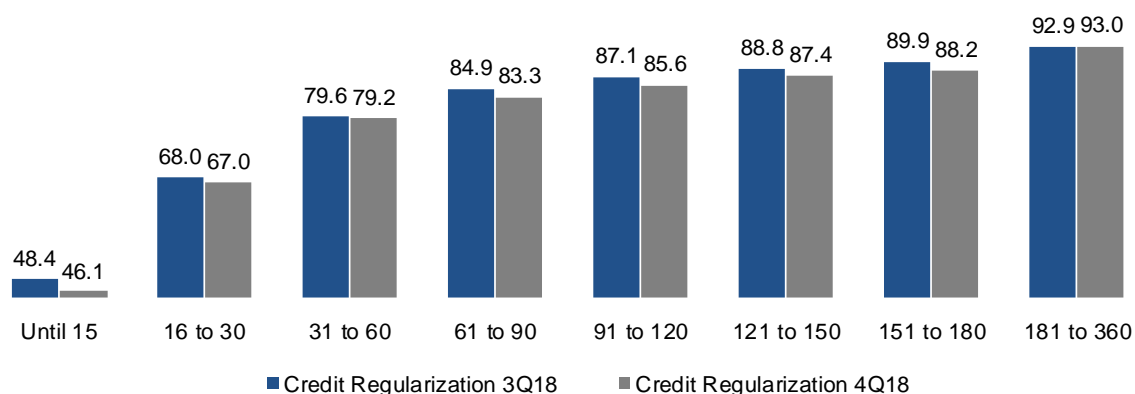
Sequential use of credit collection and recovery channels is closely related to BB's strategy success.

Figure 37. Collection, Regularization and Recovery Network

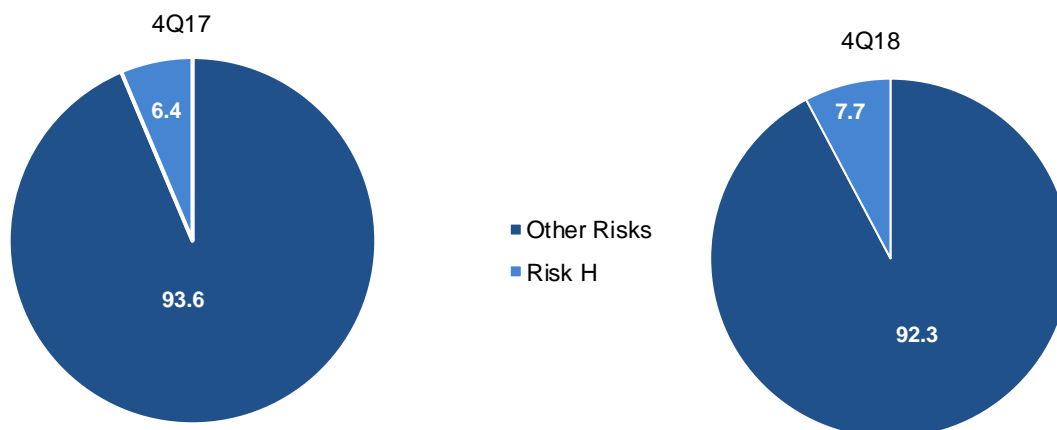
1 - Gecor Network: refers to a group of business units specialized in dealing with past due credits of customers with more relevant indebtedness.

7.3.4. Process Efficiency

The following figures show results obtained in credit collection and regularization flow. From the volume of credit that entered to the collection process in the last 12 months before Dec/18, 93.0% were resolved within 360 days.

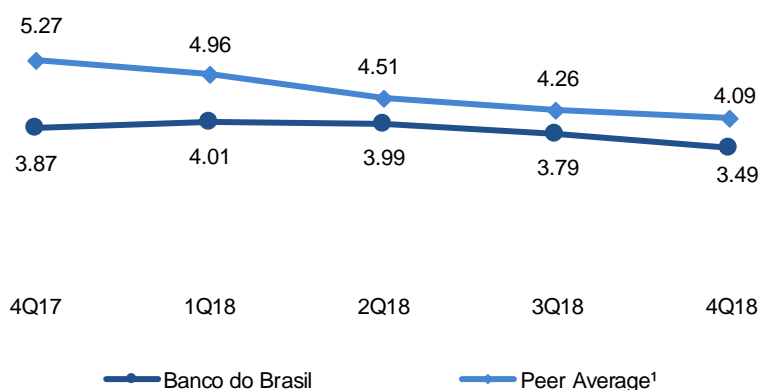
Figure 38. Credit Regularization Rate Over Collection Period - %

BB prioritizes receiving past due operations as soon as possible, and even acting preventively to avoid worsening the risk and new write-offs. Past due loans classified at risk H represented 7.7% of this amount and 92.3% were at lower risk ranges.

Figure 39. Collection and Regularization before Write Off¹ - %

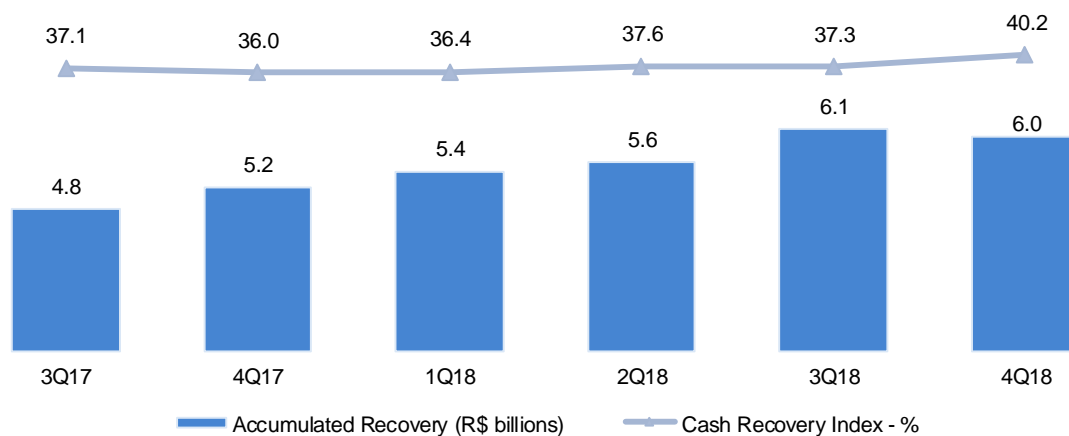
¹ – 12 months accumulated

In addition, the following chart demonstrates the behavior of write-offs accumulated in 12 months in relation to average balance of the classified loan portfolio during the same period. BB has better historic indexes than the main market peers.

Figure 40. Write-Off – Percentage on the Classified Loan Portfolio

¹ – Corresponds to the three Brazilian largest private banks.

The recovery strategy of written off credit is geared towards receiving the defaulting operations in cash, which does not generate new credit provisions (ALLL). In the last 12 months R\$6.0 billion were recovered. From this volume, R\$2.4 billion was received in cash, largest since 3Q17.

Figure 41. Accumulated Recovery (R\$ billions) and Cash Recovery Index - %

7.3.5. Renegotiated Loan Portfolio

The following table shows the renegotiated loan portfolio. It does not include the renegotiated operations of the agribusiness portfolio, discussed in section 7.2.3 of this MD&A. These are the main lines of the following table:

- a) Renegotiated Credits: loan operations renegotiated during the period, falling due or past due;
 - a.1) Renegotiated When Past Due: loan operations renegotiated during the period due to payment delay;
 - a.2) Renewed: loan operations not past due renegotiated during the period to settle in whole or in part previous operations or any other kind of agreement that changes the maturity or payment terms originally agreed to, including the possibility of new disbursements.

Table 110. Renegotiated Loan Portfolio – Multiple Bank¹

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
Credits Renegotiated	12,956	11,117	15,460	14,707	15,757
Renegotiated When Past Due	3,101	2,031	2,254	2,403	2,576
Renewed - not Past Due	9,855	9,086	13,206	12,304	13,181
Credits Renegotiated When Past Due - Changes					
Initial Balance	25,867	25,297	23,630	22,914	22,911
New Transactions	3,101	2,031	2,254	2,403	2,576
Amortization Net of Interest ²	(1,467)	(874)	(1,304)	(996)	(1,290)
Write-Off	(2,204)	(2,825)	(1,665)	(1,410)	(1,323)
Past due Renegotiated Loan Portfolio (A)	25,297	23,630	22,914	22,911	22,874
ALLL Balance (B)	12,440	11,046	10,867	12,072	12,234
NPL + 90 days (C)	5,918	4,953	4,490	4,476	3,857
Indicators - %					
ALLL / Loan Portfolio (B/A)	49.2	46.7	47.4	52.7	53.5
NPL + 90 days / Loan Portfolio (C/A)	23.4	21.0	19.6	19.5	16.9
ALLL Balance/NPL + 90 days (B/C)	210.2	223.0	242.0	269.7	317.2
Credits Renegotiated/Classified Portfolio	4.0	3.8	3.6	3.6	3.6

1 – Accordingly to Financial Statements Note 10.k

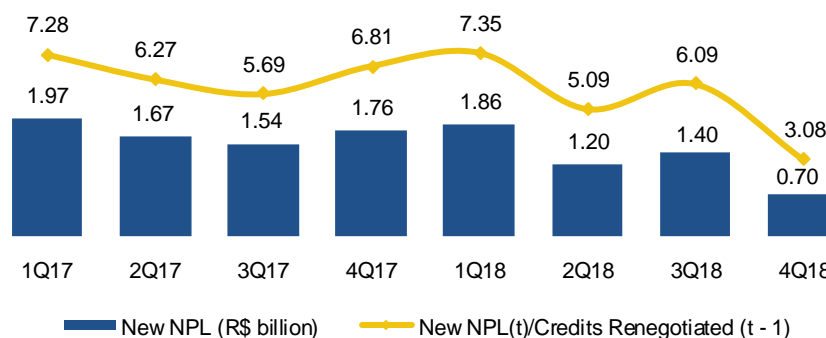
2 – Principal and interest payments net of interest accrued in period.

The Bank has been working in a preventive way in order to readjust the clients' portfolio to their ability to pay. In the quarter, of the total contracted renegotiated operations, 25.7% were more than 90 days past due and 13.6% were written off.

Table 111. Renegotiated Loan Portfolio – Contracted Operations by Delay Range

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
From 0 to 14 days past due	829	503	664	684	807
From 15 to 90 days past due	922	686	450	526	756
NPL + 90 days	932	461	777	754	663
Write-off credits	418	382	362	440	350
Total	3,101	2,031	2,254	2,403	2,576

Figure 42. New NPL – Percentage on the Renegotiated Loan Portfolio



In the next table, the renegotiated loan portfolio breakdown by risk level is shown:

Table 112. Renegotiated Portfolio by Risk Level

R\$ million	Dec/17			Sep/18			Dec/18		
	Balance	Provision	Share %	Balance	Provision	Share %	Balance	Provision	Share %
AA	302	-	1.2	268	-	1.2	249	-	1.1
A	389	2	1.5	397	2	1.7	367	2	1.6
B	2,696	27	10.7	2,543	25	11.1	2,494	25	10.9
C	3,343	100	13.2	2,709	81	11.8	2,607	78	11.4
D	1,788	179	7.1	1,412	141	6.2	1,501	150	6.6
E	4,333	1,300	17.1	3,510	1,053	15.3	3,317	995	14.5
F	1,687	843	6.7	1,582	791	6.9	1,751	875	7.7
G	2,565	1,795	10.1	1,706	1,194	7.4	1,600	1,120	7.0
H	8,194	8,194	32.4	8,783	8,783	38.3	8,989	8,989	39.3
Total	25,297	12,440	100.0	22,911	12,072	100.0	22,874	12,234	100.0
AA-C	6,731	129	26.6	5,917	109	25.8	5,717	105	25.0
D-H	18,566	12,311	73.4	16,994	11,963	74.2	17,157	12,129	75.0

8 - Funding

The commercial funding retreated in 4Q18, mainly influenced by the performance of the Agribusiness Letters of Credits, whose balance was lower in R\$4.6 billion, and Demand Deposits, lower in R\$3.5 billion, both in quarterly comparison.

The saving deposits grew R\$14.6 billion in twelve months and R\$2.1 billion if compared with 3Q18. The balance of R\$174.9 achieved in Dec/18 is record for segment.

Table 113. Commercial Funding

R\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Commercial Funding	579,589	100.0	610,696	100.0	599,656	100.0	3.5	(1.8)
Saving Deposits	160,290	27.7	172,754	28.3	174,855	29.2	9.1	1.2
Judicial Deposits	121,524	21.0	136,875	22.4	135,481	22.6	11.5	(1.0)
Agribusiness Letters of Credits	88,898	15.3	83,530	13.7	78,937	13.2	(11.2)	(5.5)
Time Deposits ¹	74,281	12.8	73,728	12.1	74,222	12.4	(0.1)	0.7
Demand Deposits	69,981	12.1	71,357	11.7	67,811	11.3	(3.1)	(5.0)
Interbank Deposits	24,153	4.2	36,824	6.0	33,669	5.6	39.4	(8.6)
Rep. Agreement with Private Securities ²	23,576	4.1	18,048	3.0	17,418	2.9	(26.1)	(3.5)
Mortgage Bonds ³	16,886	2.9	17,580	2.9	17,265	2.9	2.2	(1.8)

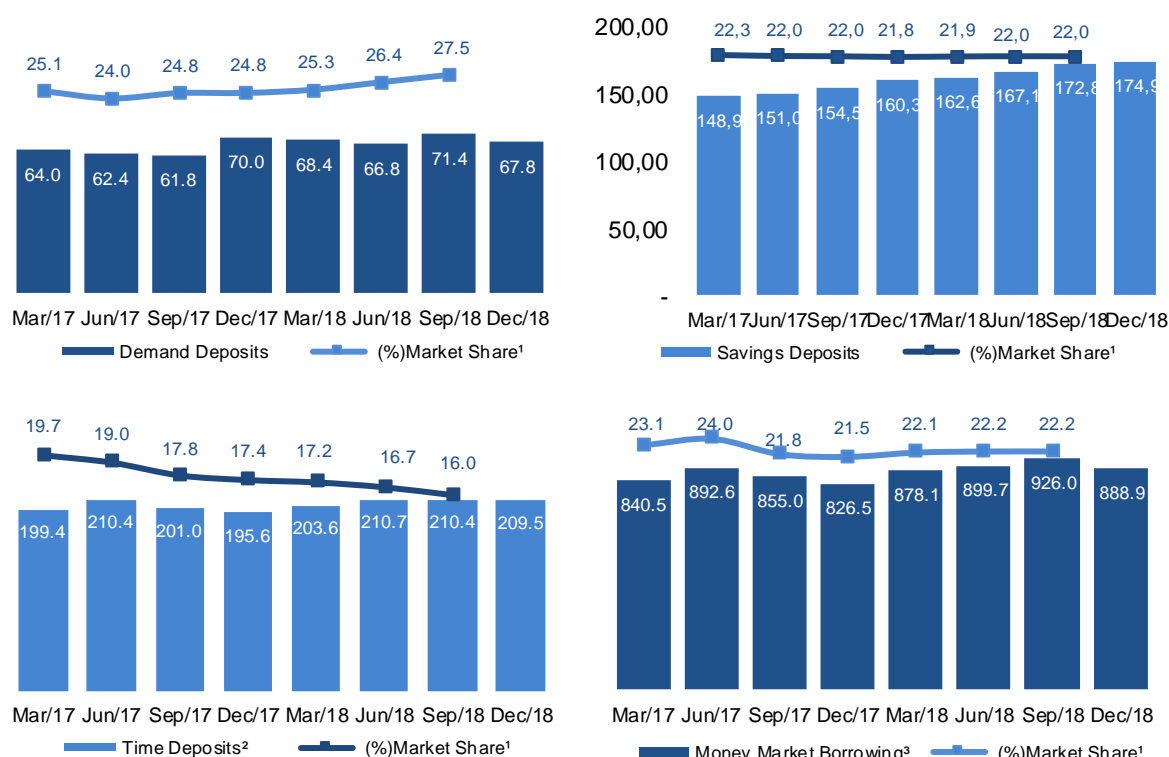
1 - Includes the balance of other deposits presented in the Notes to the Consolidated Financial Statements.

2 - Includes part of the balances of the Repurchase Agreements Private Securities presented in the Notes to the Consolidated Financial Statements.

3 - Includes the balance of CRI (Certificates of Real Estate Receivables).

The following figure shows BB's market share in deposits and money market funding in the BI.

Figure 43. BB's Funding Market Share (R\$ billion)



1 - Information about market share in the BI was obtained from the report of the Central Bank of Brazil "Dados selecionados de Entidades Supervisionadas" available at <<https://www3.bcb.gov.br/infomres/relatorios>>. Position: Sep/18.

2 - Includes judicial deposits.

3 - Includes total deposits and money market borrowing. Historical series updated by Brazilian Central Bank.

The following table shows the institutional funding balance, consisting of the issuance of securities acquired by institutional investors.

Table 114. Institutional Funding

R\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Institutional Funding	220,857	100.0	206,208	100.0	202,970	100.0	(8.1)	(1.6)
Borrowing, Assignments and Onlending	125,550	56.8	112,786	54.7	111,590	55.0	(11.1)	(1.1)
Hybrid Capital Instruments	31,819	14.4	34,506	16.7	33,235	16.4	4.5	(3.7)
Financial Letters	29,657	13.4	23,168	11.2	23,543	11.6	(20.6)	1.6
Securities Issued Abroad	24,005	10.9	24,012	11.6	23,080	11.4	(3.9)	(3.9)
Subordinated Debt Overseas	9,826	4.4	11,735	5.7	11,523	5.7	17.3	(1.8)

The following tables show BB's funding abroad balance (by type and by product), including Banco Patagonia and BB Americas.

Table 115. Commercial Funding Abroad - Type

US\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Funding Abroad	37,973	100.0	36,223	100.0	36,077	100.0	(5.0)	(0.4)
Issues and Certificates of Deposit	16,351	43.1	14,379	39.7	14,334	39.7	(12.3)	(0.3)
Interbanking Deposits and Loans	11,005	29.0	12,756	35.2	12,199	33.8	10.8	(4.4)
Businesses	5,111	13.5	4,472	12.3	4,612	12.8	(9.8)	3.1
Individuals	4,270	11.2	3,419	9.4	3,753	10.4	(12.1)	9.8
Repo	1,113	2.9	1,082	3.0	1,084	3.0	(2.5)	0.2
Special Account	124	0.3	116	0.3	95	0.3	(23.5)	(18.2)

Demand deposits, time deposits and saving deposits funding abroad are part of BB's commercial funding.

Table 116. Commercial Funding Abroad - Product

US\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Funding Abroad	37.973	100,0	36.223	100,0	36.077	100,0	(5,0)	(0,4)
Issues and Certificates of Deposit	16.351	43,1	14.379	39,7	14.334	39,7	(12,3)	(0,3)
Time Deposits	8.594	22,6	9.889	27,3	9.764	27,1	13,6	(1,3)
Loans	5.674	14,9	5.792	16,0	5.075	14,1	(10,6)	(12,4)
Demand Deposits	2.732	7,2	2.138	5,9	2.360	6,5	(13,6)	10,3
Saving Deposits	1.846	4,9	1.265	3,5	1.442	4,0	(21,9)	13,9
Repo	1.113	2,9	1.082	3,0	1.084	3,0	(2,5)	0,2
Pledge	725	1,9	414	1,1	354	1,0	(51,2)	(14,5)
Over	564	1,5	415	1,1	309	0,9	(45,2)	(25,5)
Call Account	251	0,7	733	2,0	1.261	3,5	-	72,0
Special Account	124	0,3	116	0,3	95	0,3	(23,5)	(18,2)

Sources and Uses

The indicators presented in the following table shows the relation between funding sources and investments at Banco do Brasil. BB aims to diversify its funding sources by offering attractive alternatives to customers and providing a reduction in the funding cost for the Bank.

The loan portfolio remains the main use of funding with a share of 84.4% of total uses.

The following table also shows the relation between the adjusted net loan portfolio and the commercial funding, which disregards the credit originated by domestic onlending.

Table 117. Sources and Uses

R\$ million	Balance						Chg. (%)	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Sources	750,904	100.0	776,188	100.0	764,462	100.0	1.8	(1.5)
Commercial Funding	579,589	77.2	610,696	78.7	599,656	78.4	3.5	(1.8)
Total Deposits	450,229	60.0	491,538	63.3	486,037	63.6	8.0	(1.1)
Agrib. Letters of Credit and Mortgage Bonds	105,784	14.1	101,110	13.0	96,202	12.6	(9.1)	(4.9)
Repurch. Agreement with Private Securities ¹	23,576	3.1	18,048	2.3	17,418	2.3	(26.1)	(3.5)
Domestic Onlending	80,885	10.8	68,279	8.8	66,731	8.7	(17.5)	(2.3)
Subordinated Debt	63,342	8.4	58,727	7.6	58,829	7.7	(7.1)	0.2
Foreign Borrowing ²	43,578	5.8	47,565	6.1	44,067	5.8	1.1	(7.4)
Hybrid Capital Instruments	31,819	4.2	34,506	4.4	33,235	4.3	4.5	(3.7)
Financial and Development Funds	16,795	2.2	15,171	2.0	15,522	2.0	(7.6)	2.3
Commercial Paper ³	3,977	0.5	5,473	0.7	5,537	0.7	39.2	1.2
Compulsory Deposits	(69,081)	(9.2)	(64,229)	(8.3)	(59,115)	(7.7)	(14.4)	(8.0)
Uses	750,904	100.0	776,188	100.0	764,462	100.0	1.8	(1.5)
Net Loan Portfolio (a)	633,841	84.4	638,046	82.2	644,992	84.4	1.8	1.1
Classified Loan Portfolio	635,911	84.7	634,420	81.7	640,226	83.7	0.7	0.9
Private Securities	34,617	4.6	38,056	4.9	39,110	5.1	13.0	2.8
Allowance for Loan Losses	(36,686)	(4.9)	(34,430)	(4.4)	(34,344)	(4.5)	(6.4)	(0.2)
Available Funds	117,063	15.6	138,142	17.8	119,470	15.6	2.1	(13.5)
Domestic Onlending Loans (b)	125,647	16.7	112,898	14.5	111,797	14.6	(11.0)	(1.0)
Adjusted Net Loan Portfolio (a) - (b)	508,194	67.7	525,148	67.7	533,195	69.7	4.9	1.5
Indicators - %								
Net Loan Portfolio / Total Deposits	140.8		129.8		132.7			
Net Loan Portfolio / Commercial Funding	109.4		104.5		107.6			
Adjusted Net Loan Portfolio / Commercial Funding	87.7		86.0		88.9			
Net Loan Portfolio / Sources	84.4		82.2		84.4			

1 - Includes part of the balance of private securities presented in the notes to the consolidated financial statements.

2 - Includes foreign borrowings, foreign securities, foreign onlending, subordinated debt abroad and hybrid capital and debit instruments abroad.

3 - Includes letters of credit and debentures.

The following table presents the fixed income securities issued by BB in the international capital market up to Dec/18.

Table 118. Current Debt Issues Abroad

Issue Date	Maturity	Call Date	Volume (US\$ thousand)	Cupon (%) ¹	Issue price	Return for Investor (%)	Spread over Treasury	Currency	Balance Dec/18 (US\$ thousand)	Rating S&P/Moody's/Fitch	Program
10/20/2009	Perpetual	10/20/2020	1,500,000	8.500 S	100.00	8.50	518.8	USD	898,512.00	SR / B2 / SR	Perpetual
01/22/2010	01/22/2020		500,000	6.000 S	99.45	6.07	237.5	USD	500,000.00	BB- / Ba2 / BB-	GMTN
10/05/2010	01/15/2021		660,000	5.375 S	99.32	5.46	300	USD	660,000.00	SR / Ba3 / SR	Subordinated
05/26/2011	01/26/2022		1,500,000	5.875 S	98.70	6.04	287.5	USD	1,500,000.00	SR / Ba3 / SR	Subordinated
01/20/2012	Perpetual	04/15/2023	1,000,000	9.250 S	100.00	9.25	732.7	USD	548,727.00	CCC+ / SR / SR	Perpetual
03/05/2012	Perpetual	04/15/2023	750,000	9.250 S	108.50	8.49	-	USD	750,000.00	CCC+ / SR / SR	Perpetual
06/19/2012	01/19/2023		750,000	5.875 S	99.02	6.00	434.1	USD	750,000.00	B- / Ba3 / SR	Subordinated
10/10/2012	10/10/2022		1,925,000	3.875 S	98.98	4.00	237.5	USD	1,809,700.00	BB- / Ba2 / BB-	3(a)2
01/31/2013	Perpetual	04/15/2024	2,000,000	6.250 S	100.00	6.25	439.8	USD	1,988,000.00	CCC+ / SR / SR	Perpetual
12/20/2013	06/20/2019		306,988	2.500 A	99.73	2.56	CHF mid-swap+190	CHF	279,471.54	BB- / Ba2 / BB-	GMTN
06/18/2014	Perpetual	06/18/2024	2,500,000	9.000 S	100.00	9.00	636.2	USD	2,169,700.00	CCC+ / B2 / SR	Perpetual
10/23/2017	01/15/2025		1,000,000	4.625 S	99.55	4.70	250.9	USD	1,000,000.00	BB- / Ba2 / BB-	GMTN
04/19/2018	07/19/2023		750,000	4.875 S	100.00	4.88	219.9	USD	750,000.00	BB- / Ba2 / BB-	GMTN

1 - A: annual; S: semiannual; Q: quarterly.

9 - Financial Services

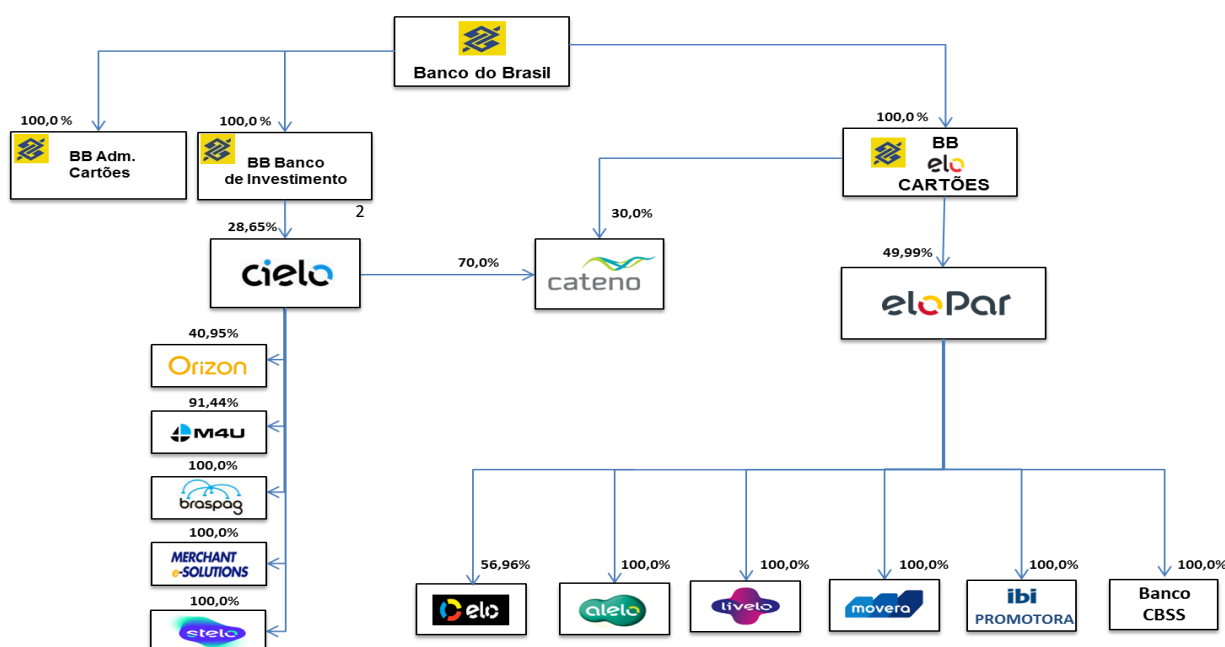
9.1. Payment Methods

Banco do Brasil is one of the payment methods market leaders in the country. BB acts in synergy with its subsidiaries and affiliates, developing actions to expand existing businesses and create new possibilities for products and services.

Actions implemented and expanded throughout 2018, the sale of cards in the Web platform and App Ourocard, mobile devices equipped with NFC technology (cell phones, watches and tablets). The sale of Stelo and Cielo machines in BB's premises, the expansion of service on social networks, including through WhatsApp transactions and expansion of online debt partnerships, provide customers with diversified options to make their purchases safely and conveniently.

The chart below presents the main electronic payment businesses in which Banco do Brasil holds a direct or indirect equity interest.

Figure 44. Payment Methods Organizational Chart – Main Companies¹



1 – As of Dec 31, 2018.

2 – BB-BI participation in Cielo, disregarding Treasury Shares.

3 – On January 18, 2018, Cielo S.A. issued a notice to the market about acquisition of shares representing 70% of the capital stock of Stelo S.A. Process completed by the regulator on 09/06/2018.

9.1.1. Cards Base and Turnover

BB's card base consists mainly of cards with recurring use in the credit and debit functions.

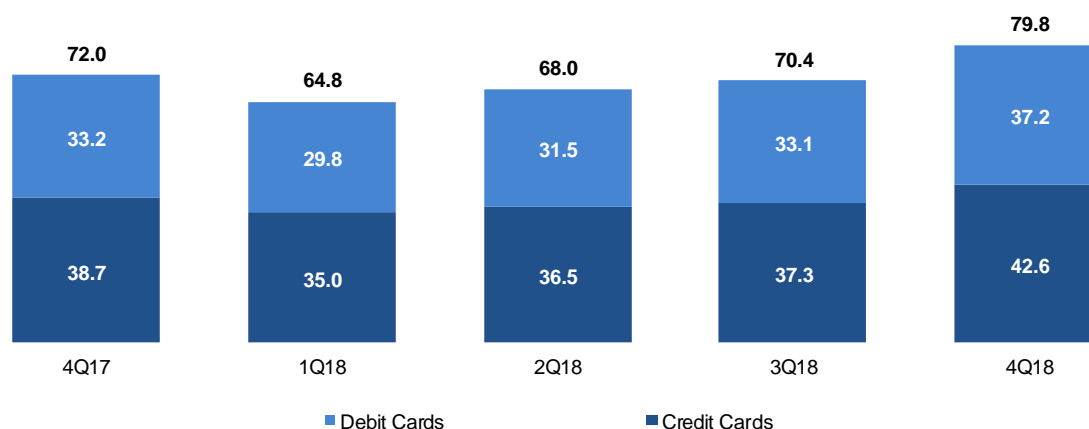
The total number of active cards in BB showed a slight reduction if compared with the same period of the previous year, as result of the reorganization of the base and the lower need of the customer to carry plastics of several banners. The number of recurring cards in the non-account holders segment remained stable when compared with Sep/18, despite the suspension of a partnership, due to the expansion of the commercialization of new cards in the new digital environments.

Table 119. Cards Base – Recurring Use

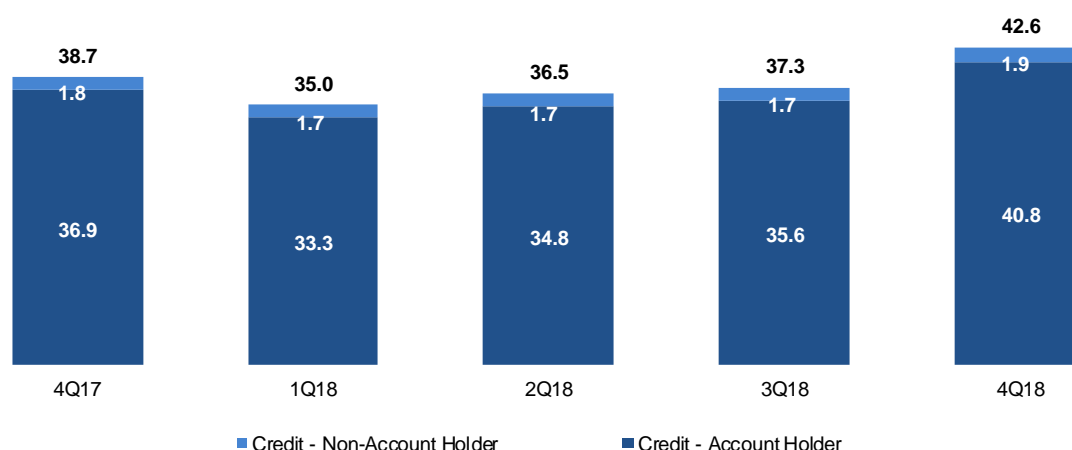
million	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Chg. (%)	
						Dec/17	Sep/18
Credit Cards	8.09	7.90	7.89	7.87	8.03	(0.7)	2.1
Account Holder	7.68	7.50	7.50	7.50	7.66	(0.3)	2.1
Non-Account Holder	0.41	0.40	0.39	0.37	0.37	(9.1)	1.5
Debit Cards	11.68	11.16	11.07	11.26	11.69	-	3.8

The total card turnover was R\$79.8 billion, an increase of 10.9% if compared to the same period of the previous year. The marketing actions together with the marketing actions and incentive to the use of the electronic means of payment, contributed to the result achieved.

The revenues, considering only the debit function, stood out with 11.9% growth over that of 4Q17, totaling R\$37.2 billion, above result that beyond the factors already highlighted, is a reflection of the improvement in the economic scenario, of the partnerships signed to use online debit and campaigns to replace traditional means of payment, such as cash and check.

Figure 45. BB's Cards Turnover – R\$ billion

Credit revenue also performed well in relation to the same period of the previous year, 10.1%. Despite the closure of a partnership and a reduction in the number of active cards, the non-account holders segment grew 4.7% if compared to the 4Q17.

Figure 46. BB's Cards Turnover – Credit Card – R\$ billion

9.1.2. Cards Business Income

The card services result derives from the issuance and use of cards in the credit, debit, pre-paid and consumer credit functions by clients and from accreditation/acquisition services and card brand, which are provided by the Bank's affiliates.

Financial income and expenses arising from the minimum or partial invoice payment (revolving credit) and purchases and/or invoices installment payment are included in the result with issue.

Table 120. Cards Business Income

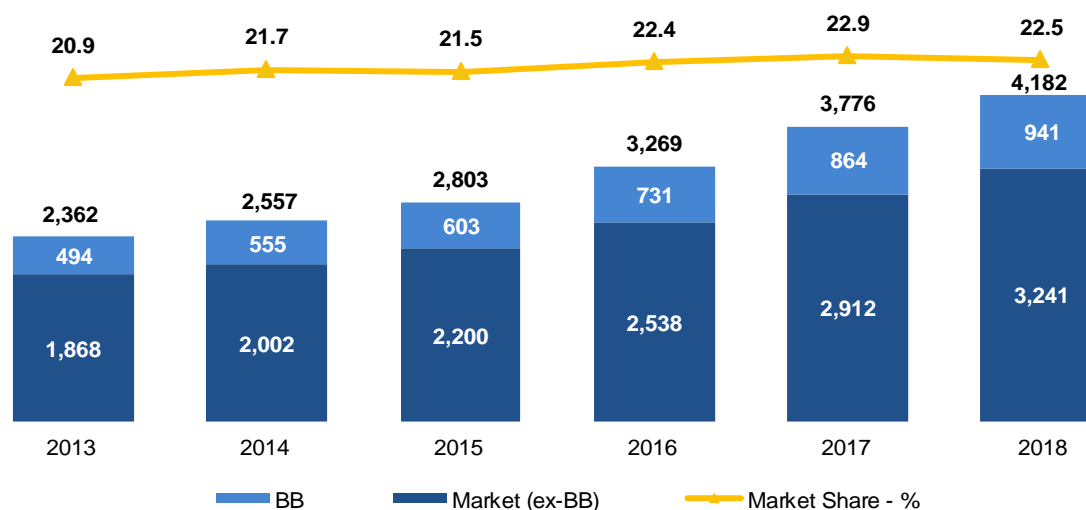
R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18	Chg. (%)	
						4Q17	3Q18
Net Income	746	686	723	680	740	(0.8)	8.8
Net Income w ith BB issuance	330	256	369	291	383	16.1	31.6
Other Cards Results	416	430	344	377	357	(14.2)	(5.3)

9.2. Asset Management

The main activities of BB Gestão de Recursos DTVM S.A. include the administration, management and distribution of funds and managed portfolios.

The following chart presents asset management's balance and BB DTVM market share in the Global Fund Administration of the Anbima (Brazilian Association of Entities of the Financial and Capital Markets) ranking.

Figure 47. Fiduciary Management and Market Share – R\$ billion



Source: Anbima

In 4Q18, BB DTVM's net funding was negative by R\$17.2 billion, influenced by the performance of Fixed Income, Multimarket and FIDC categories.

In relation to the investor segmentation, according to Anbima's Global Fund Administration ranking, in December 2018 the BB DTVM remained the market leader in the following segments: Institutional Investor, Government and Retail.

The following tables present the breakdown of administered funds by segment and Anbima class, referring to December 2018.

Table 121. Investment Funds and Managed Portfolio by Segment

R\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Institutional Investors	383,305	44.3	415,321	44.4	429,803	45.7	12.1	3.5
Government	136,268	15.8	141,160	15.1	134,377	14.3	(1.4)	(4.8)
Retail	108,027	12.5	118,992	12.7	122,486	13.0	13.4	2.9
High income	64,464	7.5	68,610	7.3	68,578	7.3	6.4	(0.0)
RPPS	52,470	6.1	52,659	5.6	55,229	5.9	5.3	4.9
Corporate	49,842	5.8	58,555	6.3	54,764	5.8	9.9	(6.5)
Private	39,130	4.5	43,446	4.6	44,610	4.7	14.0	2.7
Middle Market	20,171	2.3	22,694	2.4	23,099	2.5	14.5	1.8
Foreign Investors	10,802	1.2	13,329	1.4	8,170	0.9	(24.4)	(38.7)
Total	864,480	100.0	934,767	100.0	941,116	100.0	8.9	0.7

Source: Anbima.

Table 122. Investment Funds and Managed Portfolio by Type

R\$ million	Balance				Chg. (%)			
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Investment Fund	855,270	98.9	921,361	98.6	928,301	98.6	8.5	0.8
Fixed	514,071	59.5	558,778	59.8	562,329	59.8	9.4	0.6
Equity	41,981	4.9	55,516	5.9	57,212	6.1	36.3	3.1
Multimarket	26,399	3.1	20,121	2.2	18,578	2.0	(29.6)	(7.7)
Others ¹	272,819	31.6	286,947	30.7	290,182	30.8	6.4	1.1
Managed Portfolios	17,112	2.0	18,918	2.0	18,681	2.0	9.2	(1.3)
Fixed	16,883	2.0	18,657	2.0	18,400	2.0	9.0	(1.4)
Equity	229	0.0	261	0.0	281	0.0	22.9	7.6
Third-party Funds	(7,902)	(0.9)	(5,513)	(1)	(5,866)	(0.6)	(25.8)	6.4
Total	864,480	100.0	934,767	100.0	941,116	100.0	8.9	0.7

Source: Anbima

¹ - Includes Pension, Exchange, FIP, ETF, Real Estate and Off Shore funds.

The difference observed between total equity by investor segment and Anbima class is due to the non deduction, in this latter, of quotas of own funds and third parties, which in December 2018 totaled R\$5.9 billion.

Sustainability

Currently, BB DTVM manages five investment funds with social and environmental characteristics. The following table presents the funds managed balance in these five funds.

Table 123. Investment Funds with Socio-Environmental Characteristics Management

R\$ million	Balance			Chg. (%)	
	Dec/17	Sep/18	Dec/18	Dec/17	Sep/18
BB Referenciado DI Social 50	754.9	661.4	643.0	(14.8)	(2.8)
BB Multi Global Acqua LP Private FI	385.3	317.5	258.6	(32.9)	(18.5)
BB Previdenciário Ações Governança	218.5	267.8	360.1	64.8	34.5
BB Ações Equidade Private FIC	-	99.4	128.0	-	28.7
BB Ações ISE JOVEM	8.7	7.9	9.2	5.9	16.4
BB Ações Carbono Sustent. FIA	4.1	3.5	3.9	(5.9)	10.4
BB Ações Equidade FIC	-	2.7	8.7	-	224.2
BB MM LP Global Vita Private FI	-	-	139.8	-	-
Total	1,371.5	1,360.2	1,551.3	13.1	14.1

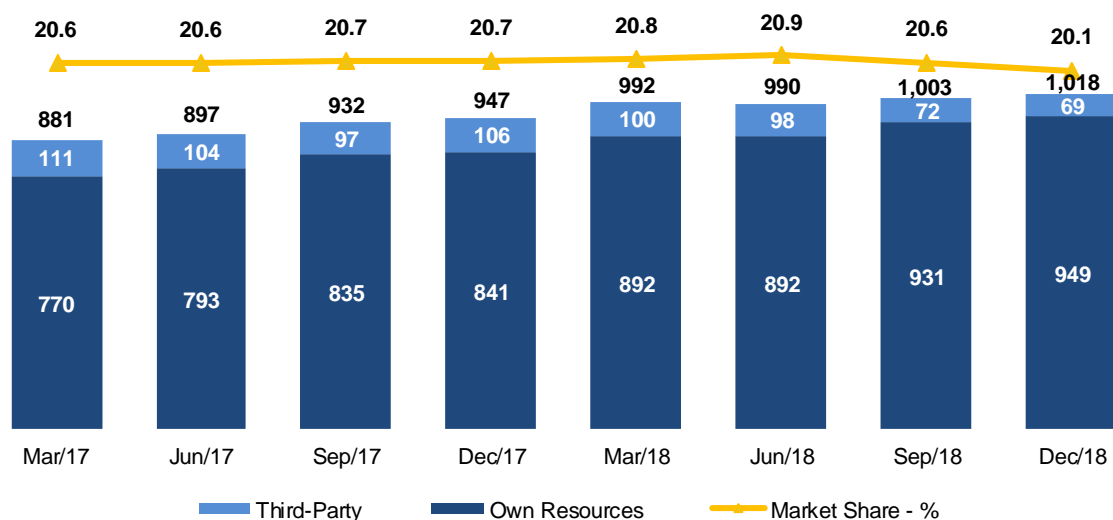
Source: Brazilian Securities and Exchange Commission - CVM

Custody

Banco do Brasil stands out as one of the main leaders in assets custody and controllership. In Dec/18, the amount held in custody by BB totaled R\$1.0 trillion, representing a 7.5% increase compared to the same period in the previous year. BB maintains its volume expansion in custody, mainly because of the funds industry increase.

The following figure presents the custody evolution at Banco do Brasil.

Figure 48. Total Domestic Custody Assets and Market Share – R\$ billion



Source: Anbima.

9.3. Capital Market

Capital markets is one of the main funding sources for production activities in economies worldwide. Funding instruments not only enable companies to grow, but also contribute to dilute the risk of new investments.

Banco do Brasil is present in the Brazilian capital market through his wholly-owned subsidiary BB – Banco de Investimento S.A. (BB-BI).

BB conglomerate operates in the international capital market through its wholly-owned subsidiaries: BB Securites Ltd. (England), Banco do Brasil Securities LLC. (USA), and BB Securities Asia Pte Ltd. (Singapore).

BB-BI's portfolio includes market research, transaction structuring and distribution, settlement and custody of assets, products, and services for individuals and companies. The main products and services are described below:

- I. Mergers and acquisitions:** provides financial advisory services in sales transactions, corporate reorganizations (consolidations, spin-offs, and mergers), private placements and tender offers. BB-BI also issues appraisal reports and fairness opinions for companies.
- II. Gold:** offers sale and purchase services for gold in book entry form or ingots for its clients, in addition to custody of these assets.
- III. Private Equity:** BB-BI is a member of 13 funds and provides advisory services for 7 of them, with 39 equity interests in companies located in different Brazilian regions, in a number of segments (energy, infrastructure, logistics, consumption, education, IT, services, agribusiness, etc.), in different development stages (consolidated and emerging companies and companies with innovative technologies).
- IV. Fixed Income:** (i) Domestic Market: offers services of coordination, structuring, and distribution of debentures, promissory notes and financial bills; and (ii) International Market: offers services of coordination, structuring, and distribution of securities issued by companies, banks, and governments through brokers located abroad, providing BB with global transactions in the capital market.
- V. Variable Income:** offers advisory services in all stages of shares public offerings, tender offers and Cepacs offers (a funding instrument used to finance public construction works). BB-BI also operates in the structuring and distribution of Real Estate Investment Funds (Fundos de Investimento Imobiliários – FII). The variable income portfolio includes share purchase and sale services for individual investors and share loan services for investors in the private segment.
- VI. Securitization:** coordinates, structures and distributes securitization transactions, according to which a relatively consistent group of assets is converted into negotiable securities, through the

following products: Credit Rights Investment Funds (Fundos de Investimento em Direitos Creditórios – FIDC), Real Estate Receivables Certificates (Certificados de Recebíveis Imobiliários – CRI), and Agribusiness Receivables Certificates (Certificados de Recebíveis do Agribusiness – CRA).

Performance in the Capital Market

Fixed Income – Domestic Market

BB-BI acted in the coordination and structuring of 23 transactions in the fixed income domestic market, in 4Q18, reaching a volume of R\$8.7 billion in Debentures and Promissory Note. In the Anbima Consolidated Fixed Income Origination Ranking of Dec/18, BB-BI continued as 3rd place.

Fixed Income – International Market

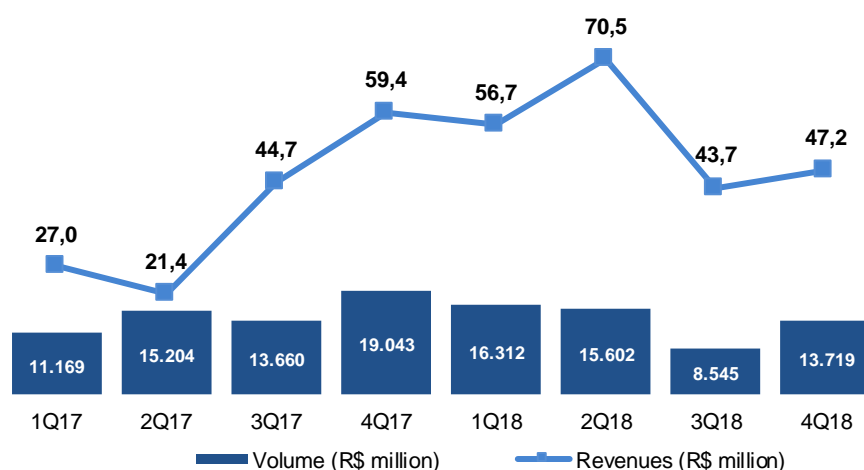
In the quarter, 2 Brazilian corporate issuers accessed the international bond market with a US\$1.0 billion total issuance. Among these, one company mandated BB to act as Lead Manager in a transaction. This represents a market share of 100.0% in volume and 100% in total emissions in period. According to the Anbima External Emissions Ranking, BB came in 2th place in private emission and 3rd place total emissions.

Regarding foreign groups, BB acted as co-manager in another 12 bond issues totaling US\$5.2 billion.

BB has also been increasing its participation in Liability Management transactions. Acted in 3 operations of exchange and repurchase of papers in this last quarter in the total amount of US\$2.4 billion.

The following chart presents BB's performance in the origination of fixed income securities in Brazil and abroad.

Figure 49. Fixed Income Securities Origination – Domestic and International Markets



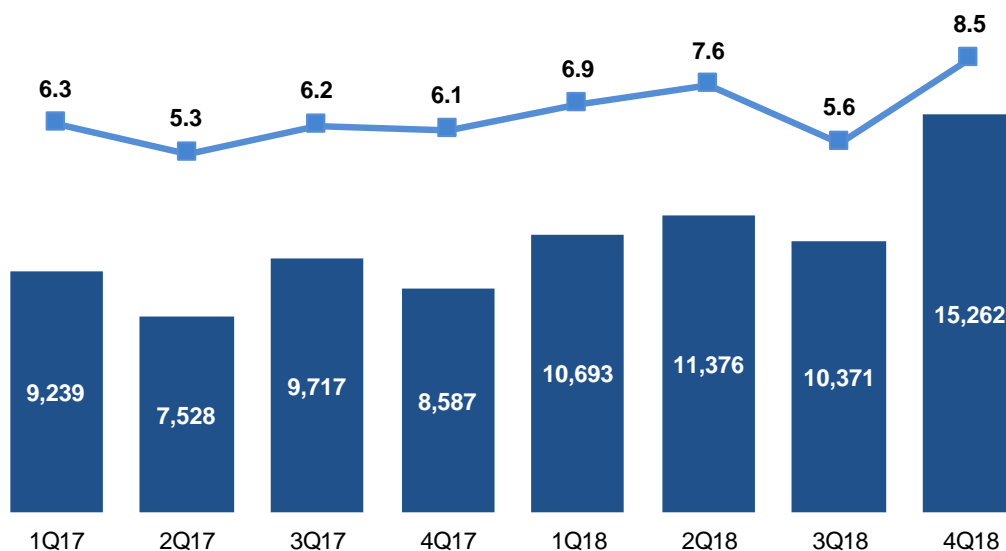
Variable Income Wholesale

In 4Q18, BB-BI acted as coordinator of the public offering with restricted efforts of primary and secondary distribution of shares issued by the Leasing Company of the Americas, whose funding reached R\$1.4 billion. In the accumulated of the exercise of 2018, 5 operations of offerings of shares in the Brazilian stock market were materialized, and BB-BI participated in 2 of them, reaching the 6th position according to Anbima Variable Income Ranking with related parties (by number of operations).

Variable Income Retail – Secondary Market

In 4Q18, volume traded at BB was R\$15.2 billion. In the same period, B3 S.A. - Brazil Stock Exchange ("B3") traded R\$325.1 billion. BB's market share in the period was 4.7%.

BB-BI offers share purchase and sale services to retail investors through its branch network, internet (website Investments, available at <https://investimentos.bb.com.br>), and mobile banking (App BB Investments).

Figure 50. Individual Equity – Secondary Market

Securitization

In 4Q18, BB-BI acted in the coordination and structuring of 4 Securitization operations, being 2 CRA, 1 CRI and 1 FIDC, with volume originated of R\$595.8 million and total volume of R\$2.1 billion.

Private Equity

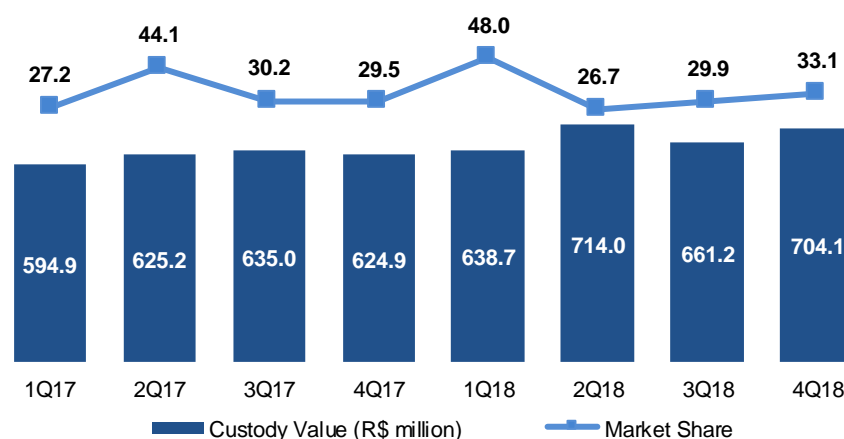
BB-BI has interest in 13 funds in the private equity sector and acts as an advisor to 7. It has 39 equity interests in companies located in several regions of the country. The total capital committed by BB-BI in the private equity industry is R\$1.1 billion, and paid R\$740.3 million by the end of 4Q18.

Table 124. Private Equity – Indirect Interest

	Dec/17		Sep/18		Dec/18	
	Committed Capital of BB-BI	Share in Committed Capital of the Fund (%)	Committed Capital of BB-BI	Share in Committed Capital of the Fund (%)	Committed Capital of BB-BI	Share in Committed Capital of the Fund (%)
R\$ million						
FIP Angra Infraestrutura	60.0	8.1	60.0	8.1	60.0	8.1
FIP Logística Brasil	60.0	13.0	60.0	13.0	60.0	13.0
FIP Brasil Energia	60.0	5.8	60.0	5.8	60.0	5.8
FIP Infra Brasil	60.0	7.3	60.0	7.3	60.0	7.3
FMIEE Rio Bravo Nordeste II	20.0	15.2	20.0	15.1	20.0	15.1
FMIEE Jardim Botânico VC I	20.0	20.0	20.0	20.0	20.0	20.0
FMIEE Fundotec II	12.0	15.5	12.0	15.5	12.0	15.5
FIP Fundo Brasil de Governança Corporativa	82.5	13.8	82.5	13.8	82.5	13.8
FIP Brasil Agronegócio	160.0	19.0	160.0	19.0	160.0	19.0
FIP Brasil Sustentabilidade	40.0	9.5	40.0	9.5	40.0	9.5
FIP Fundo Brasil de Internacionalização de Empresas	88.0	24.4	88.0	24.4	88.0	24.4
FIP Brasil Portos e Ativos Logísticos	169.3	18.8	169.3	18.8	169.3	18.8
FIP Brasil Óleo e Gás	125.0	25.0	125.0	25.0	125.0	25.0
FIP Fundo Brasil de Internacionalização de Empresas II	150.0	21.5	150.0	21.5	150.0	21.5
Total	1,106.8		1,106.8		1,106.8	

The figure below shows the balance and market share arising from gold custody in BB-BI.

Figure 51. Gold – Custody Balance and Market Share



9.4. Insurance

Banco do Brasil operates in the insurance business through BB Seguridade. Established in 2012, the company is the result of corporate reorganizations undertaken since 2008. Its activities include the offer of insurance products, open pension plans, capitalization products and brokerage services.

Other information about BB Seguridade and insurance businesses is included in the MD&A of BB Seguridade, available at <http://www.bbseguridaderi.com.br/>.

The following table presents the main performance indicators of BB Seguridade.

Table 125. BB Seguridade – Performance Ratios

R\$ million	Quarterly Flow			Chg. (%)	
	4Q17	3Q18	4Q18	4Q17	3Q18
Performance Ratios - %					
Insurance - Life, Mortgage and Rural					
Loss Ratio ¹	26.9	32.9	31.7	17.8	(3.5)
Commission Ratio ²	32.6	27.4	44.1	35.3	60.7
Technical Margin	40.6	39.9	24.3	(40.1)	(39.0)
Combined Ratio ³	79.2	74.8	94.4	19.1	26.1
Expanded Combined Ratio ⁴	70.0	70.4	87.0	24.3	23.6
Adjusted ROAE ⁵	54.6	52.3	30.1	(44.8)	(42.5)
Insurance - Property and Casualty					
Loss Ratio ¹	62.2	51.9	65.6	5.5	26.4
Commission Ratio ²	25.6	25.4	26.1	2.3	3.0
Technical Margin	12.4	22.9	8.4	(32.1)	(63.3)
Combined Ratio ³	108.2	94.8	115.9	7.1	22.3
Expanded Combined Ratio ⁴	102.2	91.6	109.9	7.5	20.0
Adjusted ROAE ⁵	(6.6)	8.2	(14.4)	-	-
Pension Plans					
Commission Ratio ²	1.4	1.9	1.6	10.3	(18.3)
Adjusted ROAE	42.3	35.6	24.7	(41.8)	(30.7)
Premium Bonds					
Commission Ratio ²	87.5	79.0	83.1	(5.0)	5.2
Premium Bonds Margin	(4.1)	0.0	(3.7)	(9.3)	-
Adjusted ROAE	38.9	30.0	40.1	-	-
Brokerage					
Adjusted Operating Margin	80.3	77.5	82.7	3.0	6.7
Adjusted Net Margin	56.1	53.5	56.9	1.5	6.4

1 – Loss Ratio = Expenses with Claims / Earned Premiums.

2 – Commission Ratio = Acquisition Costs / Earned Premiums.

3 – Combined Ratio = (General Expenses + Administrative Expenses + Acquisition Costs + Expenses with Claims + Revenue from Policy Issue + Result with Reinsurance) / Earned Premiums.

4 – Expanded Combined Ratio = (General Expenses + Administrative Expenses + Acquisition Costs + Expenses with Claims + Revenue from Policy Issue + Revenue with Reinsurance) / (Earned Premiums + Net Investment Income).

5 – Revised series.

9.5. Consortium

According to the latest data released by the Brazilian Association of Consortium Administrators (ABAC), the consortium market closed the month of October 2018 with R\$85.8 billion in business volume, registering expansion of 3% in relation to the same period of 2017. The number of participants reached 7.1 million.

In the first ten months of the year, 2.1 million new consortium quotas were marketed in the country, showing growth of 7.2% in relation to the same period of 2017. Until October 2018, R\$33.6 billion in loans were made available.

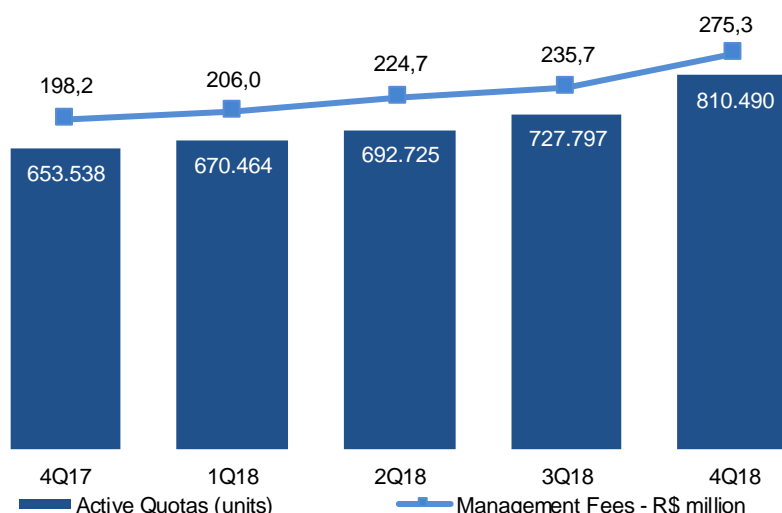
Banco do Brasil operates in the consortium market through its subsidiary, BB Administradora de Consórcios SA, which in November 2018 had 10.8% market share, according to the latest data provided by the Central Bank (November/2018).

In 4Q18, BB Consórcios recorded more than 81 thousand new shares of consortiums, totaling R\$3.0 billion in turnover. In 2018, we sold more than 304 thousand new shares of consortiums, totaling R\$11.3 billion in business volume, an increase of 32% over 2017. Of this total, 17% were made via digital channels.

There was a significant increase in sales in alternative channels in the current year, with more than R\$1.7 billion via mobile application (functionality launched in mid-2017 for individuals and extended to the corporate public in February of this year), 1.4 billion in sales partners and R\$101 million through TAA and the internet.

Table 126. Consortium – Current Quotas per Type

units	Balance						Chg. (%)	
	Dec/17	Share %	Sep/18	Share %	Dec/18	Share %	Dec/17	Sep/18
Auto	561,673	85.9	561,591	77.2	576,746	71.2	2.7	2.7
Motorcycle	43,074	6.6	93,005	12.8	138,966	17.1	-	49.4
Mortgage	28,782	4.4	33,630	4.6	38,009	4.7	32.1	13.0
Tractor/Truck	4,482	0.7	5,961	0.8	8,350	1.0	86.3	40.1
Services	7,826	1.2	18,295	2.5	28,936	3.6	-	58.2
Electric and Electronic Devices	7,701	1.2	15,315	2.1	19,483	2.4	153.0	27.2
Total	653,538	100.0	727,797	100.0	810,490	100.0	24.0	11.4

Figure 52. Consortium – Fee Income and Current Quotas

The following tables present a comparison between the average balance, average term and average management rates of quotas sold in the period.

Table 127. Consortium – Average Ticket

R\$	Balance				
	4Q17	1Q18	2Q18	3Q18	4Q18
Tractor/Truck	161,059	159,783	165,003	157,514	144,475
Mortgage	129,278	137,264	136,936	149,596	138,742
Auto	41,807	42,457	43,792	45,009	44,720
Motorcycle	16,731	17,757	18,843	19,432	18,105
Services	7,565	8,236	8,223	9,531	8,983
Electric and Electronic Devices	4,637	4,735	4,616	5,257	5,292

Table 128. Consortium – Average Term and Average Management Rate

	4Q17		3Q18		4Q18	
	Average Term (months)	Average Rate (%)	Average Term (months)	Average Rate (%)	Average Term (months)	Average Rate (%)
Services	31	21.0	28	20.7	35	18.5
Motorcycle	59	20.1	66	20.8	70	18.6
Electric and Electronic Devices	32	19.4	30	20.8	35	18.7
Mortgage	156	19.8	163	20.2	192	16.6
Auto	69	15.3	73	16.1	84	14.0
Tractor/Truck	96	15.1	97	15.1	120	13.3

10 - Other Informations

10.1. Actuarial Assets and Liabilities

10.1.1. Previ - Plano 1

Brief History

BB records in its balance sheet actuarial assets and liabilities derived from benefit plans granted to its employees.

The most significant actuarial asset is Previ Plano 1 and the most significant actuarial liability is the health plan administered by Cassi. Amounts are periodically assessed based on an actuarial valuation report and the availability of funds is subject to the fulfillment of the requirements set forth by law and regulatory authorities.

The Plano de Benefícios 1 (Plano 1) was created in 1967 and structured as a defined benefit plan.

Until December 2000, Banco do Brasil, as the sponsor, made contributions representing 2/3 and members (retirees and pensioners) made contributions representing 1/3 of the total amount. New members were accepted until December 23, 1997.

As of January 2001, in order to comply with Constitutional Amendment No. 20, the sponsor and members implemented a parity contribution (50%). As a result, the Bank's participation in the surplus is 50% of the present value of the Plan's actuarial assets and liabilities.

In the period between January 2007 and December 2013, due to the plan's surplus, contributions were no longer charged. At that time, the Bank entered into a Memorandum of Understanding with Previ providing for the allocation and use of a portion of the surplus amount, once the requirements set forth by law (Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008) were fulfilled. In view of the approval of the measures set forth in the memorandum, a portion of the surplus amount was allocated in 2010 as agreed, recognized as Allocation Fund (Fundo de Destinação), and subsequently segregated in Contribution (Fundo de Contribuição) and Surplus Funds (Fundo de Utilização). In the period between December 2010 and December 2013, contributions were covered by the Contribution Fund.

In January 2014, as the accumulated surplus decreased, Previ informed that contributions were going to be charged again. BB's contributions to the Plano 1 were thereafter made by the Surplus Fund.

From July 2014 to September 2015, there was an increase in actuarial liabilities due to the inflation rate reduction and, consequently, the discount rate applicable to measure the present value of these obligations, contributing to the actuarial asset converting into an actuarial liability, in December 2015.

In December 2015, the valuation of the variable income assets of the Plano 1 was greater than the growth of actuarial liabilities.

In December 2017, in the semi-annual measurement, there was a surplus due to the valuation of the assets in 11.9% compared to the 2.3% increase in actuarial obligations.

The plan's actuarial balance is measured on a semiannual basis (June and December) and contemplates: (i) the plan's surplus/deficit amount at the end of the current semester and (ii) the plan's estimated financial results at the end of the subsequent semester, considering current service cost projections, contributions, liabilities interest costs and return on assets.

BB makes an early monthly recognition based on the estimated financial result of the Plano 1 for the end of the following month, corresponding to one-sixth (1/6) of the projected gains or losses throughout the semester to which it refers.

Members

Employees who were Previ members on December 24, 1997 and those dismissed or fired before then, but opted to remain in the plan are members of Plano 1. These beneficiaries are divided in three groups:

I. Contract 97: only the workforce employed before April 14, 1967. They were included due to a contract signed on December 24, 1997 between BB and Previ. The contract provides a sponsor commitment to bear the contributions for the unformed mathematical reserve period. Beginning in April 1967, the Contract 97 mathematical reserves were paid-in to Plano 1;

- II. Employees admitted in the period between April 15, 1967 and December 23, 1997; and
- III. Special Group (Grupo Especial): members of Plano de Benefícios 1 who obtained additional retirement amounts as a result of administrative and/or judicial decisions.

Analysis

The assets of the Plano 1 are measured at fair value based on their market value or according to the discounted cash flow method, as set forth in the following table.

Actuarial obligations correspond to the net present value of benefits payable to members. Actuarial obligations take into account the survival statistics set forth in the AT 2000 actuarial life table (reduced by 10%) and the nominal rate of return, measured by the future interest rate curve applied to trading of government securities indexed to inflation. The rate used by the Bank is different from that used by Previ, which takes into account the assumptions set forth in CGPC Resolution No. 18/2006.

Table 129. Assets Breakdown

%	Dec/17	Sep/18	Dec/18
Variable Income	47.3	45.3	49.6
Fixed Income	42.7	44.2	41.3
Real Estate Investments	5.9	6.3	5.5
Loans and Financing	3.4	3.5	3.0
Others	0.6	0.7	0.6
Amounts Listed in Fair Value of Plan Asset			
In the Entity's Own Financial Instruments	7.4	6.1	5.7
In Properties or Other Assets Used by Entity	0.1	0.1	0.1

Table 130. Main Actuarial Assumptions

%	2017	1H18	2018
Real Discount Rate (p.y.)	5.3	5.8	4.8
Nominal Rate of Return on Investments (p.y.)	10.7	12.2	9.5

The actuarial asset (liability) of Plano 1 corresponds to 50% (parity) of the positive or negative difference between the assets at fair value and liabilities at present value.

Banco do Brasil recognizes in advance the variation projected for the following semester, reducing the actuarial assets/ liability volatility.

Contributions set forth in item "f" (contribution of funds) in the table below are derived from the Surplus Allocations Funds, which is detailed in section 10.1.2.

Table 131. Effects of Previ (Plano 1) Accounting – CVM Deliberation No. 695/2012

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
(a) Fair Value of the Plan's Assets	164.025	164.025	165.163	165.163	179.197
(b) Present Value of Actuarial Liabilities	(155.259)	(155.259)	(151.444)	(151.444)	(172.029)
(c) Surplus/(Deficit) BB = [(a) + (b)] x 50%	4.383	4.383	6.859	6.859	3.584
(d) Actuarial Assets (Initial Period)	(2.582)	4.383	4.592	6.859	7.151
(e) Anticipated Financial Results	(118)	63	63	159	159
(f) Contributions of Funds	206	147	184	132	428
(h) Semi-Annual Adjustment - Shareholders' Equity	6.876	-	2.020	-	(4.154)
(i) Actuarial Assets/(Liabilities) (End Period) = (d) + (e) + (f) + (g)	4.383	4.592	6.859	7.151	3.584

10.1.2. Previ (Plano 1) Surplus Allocation Funds

Banco do Brasil recognized in its assets the following amounts:

- I. Parity contributions among sponsor and members, recorded in May 2006, based on the balance of the remaining reserves, at an initial amount of R\$2.2 billion;
- II. Fundo de Destinação (Allocation Fund): established after an agreement on the allocation of Previ surplus in 2010 to cover the Contribution and Surplus Funds. The process ended in 2013;
- III. Fundo de Contribuição (Contribution Fund): established with funds transferred from the Allocation Fund to cover the interruption of contributions charged in the period between 2010 and 2013. The Contribution Fund was fully used; and

IV Fundo de Utilização (Surplus Fund): established with funds transferred from the Allocation Fund and used by the Bank after 1Q14 to cover periodic contributions.

Fundo Paridade (Parity Fund)

The Parity Fund is adjusted monthly based on the actuarial target (INPC + 5% p.y.) and it has been used since January 2007 to offset obligations assumed under the 97 Agreement.

Table 132. Previ (Plano 1) – Parity Fund

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
Initial Balance	132	103	92	41	42
Contributions to Plano 1 - Contrato 97	(32)	(13)	(52)	-	(252)
Restatement	3	2	2	1	1
Closing Balance	103	92	41	42	(210)

Fundo de Utilização (Surplus Fund)

In 2Q11, Surplus Fund was created through Allocation Fund resources transfers. It represents the amount subject to use by Banco do Brasil and reflects Previ's accounting surplus distribution. This reserve is adjusted annually by the actuarial target (INPC + 5% p.y.) and its use is subject to the confirmation of the full coverage of obligations under the plan (Article 25, CGPC Deliberation No. 26/2008).

As of 1Q14, as periodic contributions resumed, the sponsor started making contributions through this fund.

Table 133. Previ (Plano 1) – Surplus Fund

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
Initial Balance	9,481	9,499	9,528	9,710	9,750
Restatement	193	162	315	172	147
Contributions to Plano 1	(175)	(134)	(133)	(132)	(176)
Closing Balance	9,499	9,528	9,710	9,750	9,721

10.1.3. Cassi

The Bank sponsors a health plan administered by Cassi, whose main purpose is to assist members and their registered beneficiaries in the coverage of their health expenses.

The members of the health plan are divided in:

- I. Members: BB's active and former employees (self-sponsored), retirees, and pensioners;
- II. Dependents: spouses, partners, children and stepchildren below 24 years of age; and
- III. Indirect Dependents: dependents who are directly related to members, of any degree of kinship, admitted until the amendment to the Articles of Association of 1996.

In 1995, due to successive mismatches between income and expenses, sponsor and members agreed to share the amount needed to cover the operating deficit. In 1996, Cassi and the Bank remodeled the Articles of Association to ensure the financial equilibrium of the plan. The main amendments include restricted access of new indirect dependents and the increase in contributions paid by members and the sponsor.

In 2007, the Bank entered into a new agreement with Cassi to amend its Articles of Association, which are currently in effect. The main amendments include:

- I. a sponsor's contribution corresponding to 4.5% of general salaries or of the total amount of the retirement or pension benefit, for all groups;
- II. a monthly contribution payable by members and pension beneficiaries corresponding to 3% of general salaries or of the total amount of the retirement or pension benefit;
- III. a contribution in the amount of R\$315 million paid by BB to Cassi for investments in the improvement of the operations model regarding its own services; and
- IV. the take over by the Bank of the deficit of Indirect Dependents until this group is terminated.

The 2007 measures were complemented in 2016, when Banco do Brasil and representative entities entered into a Memorandum of Understanding, resulting in a proposal that was approved by members and ensures an additional monthly amount of R\$40 million to the health plan, as follows:

- I. R\$23 million extraordinary monthly compensation by the Bank in Cassi favor, until December 2019;
- II. additional 1% extraordinary monthly contribution from associates, until December 2019, on the same personal contribution calculation basis, in the estimated amount of R\$17 million per month; and
- III. hiring a specialized company to analyze, review and develop processes, projects and actions focused on the governance, management and operation model of Cassi.

In 2018, there was transaction of advances of employer contributions on the portion of the 13th salary from 2018 to 2021, in the total amount of R\$323 million. The measure was adopted in order to recover Cassi's net reserves, and the amount advanced will be discounted from BB's future obligations with the Cassi Plano de Associados.

The following table sets forth the evolution of Cassi's actuarial liability, pursuant to CVM Deliberation No. 695/2012.

Table 134. Effects of the Cassi Accounting – CVM Deliberation No. 695/2012

R\$ million	4Q17	1Q18	2Q18	3Q18	4Q18
(a) Fair Value of the Plan's Assets	-	-	323	323	242
(b) Present Value of Actuarial Liabilities	(8,724)	(8,724)	(8,413)	(8,413)	(9,395)
(c) Deficit BB = [(a) + (b)]	(8,724)	(8,724)	(8,090)	(8,090)	(9,152)
(d) Actuarial Liabilities (Initial Period)	(8,323)	(8,724)	(8,816)	(8,413)	(8,521)
(e) Amounts recognized in statement of income	(247)	(256)	(256)	(277)	(277)
(f) BB - Amount paid	170	165	171	169	226
(g) Semi-Annual Adjustment - Shareholders' Equity	(325)	-	488	-	(334)
(h) Actuarial Liabilities (Period End) = [(d) + (e) + (f) + (g)]	(8,724)	(8,816)	(8,413)	(8,521)	(8,906)

10.1.4. Effects on Shareholders' Equity

The following table sets forth the effects of the Bank's actuarial assets and liabilities recognized in BB's Shareholders' Equity pursuant to CVM Deliberation No. 695/2012.

The effects on Shareholders' Equity are recorded half-yearly, based on the actuarial studies.

Table 135. Effects on Shareholders' Equity – CVM Deliberation No. 695/2012

R\$ million	Dec/15	Jun/16	Dec/16	Jun/17	Dec/17	Jun/18	Dec/18
Semi-Annual Adjustment - Shareholders' Equity (a)	(4,602)	(4,857)	2,233	(813)	5,903	2,802	(5,540)
Plano 1 - Previ	(4,872)	(3,482)	2,797	(433)	6,876	2,020	(4,154)
Cassi	178	(1,062)	(236)	(175)	(325)	488	(823)
Other Plans	91	(312)	(329)	(205)	(648)	294	(563)
Tax Effects (b)	1,829	1,943	(892)	325	(2,367)	(1,122)	2,217
Plano 1 - Previ	1,938	1,393	(1,119)	173	(2,750)	(808)	1,662
Cassi	(71)	425	94	70	130	(195)	329
Other Plans	(38)	125	133	82	253	(119)	226
Effect on Shareholders' Equity (a-b)	(2,773)	(2,914)	1,341	(488)	3,536	1,680	(3,323)
Plano 1 - Previ	(2,934)	(2,089)	1,678	(260)	4,126	1,212	(2,492)
Cassi	107	(637)	(141)	(105)	(195)	293	(494)
Other Plans	54	(187)	(196)	(123)	(395)	175	(337)
Other Comprehensive Income - (a-b) + Previous Balance	(13,918)	(16,832)	(15,492)	(15,979)	(12,443)	(10,763)	(14,086)

10.2. Customer Service

10.2.1. Service Network

Banco do Brasil ended 4Q18 with 65.7 thousand points of service, including its own service network, shared network channels and agents in the country. It is present in 99.6% of the Brazilian municipalities.

BB entered into partnerships to share automated teller machines (ATMs) and use the lottery network for withdrawals, deposits, payments, among others services, consolidating the nation-wide presence of Banco do Brasil's network.

The following table sets forth the BB's service network breakdown.

Table 136. Service Network

	Quantity			Chg. (%)	
	Dec/17	Sep/18	Dec/18	Dec/17	Sep/18
Own Service Network	14,901	14,293	13,823	(7.2)	(3.3)
Branches	4,770	4,765	4,722	(1.0)	(0.9)
Service Posts	2,033	1,991	1,873	(7.9)	(5.9)
Automated Service Posts	8,098	7,537	7,228	(10.7)	(4.1)
MaisBB Network	13,774	13,321	13,552	(1.6)	1.7
Agents in the Country	7,700	7,314	7,635	(0.8)	4.4
Banco Postal	6,074	6,007	5,917	(2.6)	(1.5)
Shared Network Channels	35,827	38,046	38,327	7.0	0.7
Lottery Stores	13,024	13,045	13,031	0.1	(0.1)
Banco 24h	19,951	22,195	22,699	13.8	2.3
ATM: Partner Banks	2,852	2,806	2,597	(8.9)	(7.4)
Total	64,502	65,660	65,702	1.9	0.1

Table 137. Services Units

	Quantity			Chg. (%)	
	Dec/17	Sep/18	Dec/18	Dec/17	Sep/18
Traditional Branches	4,228	4,147	4,101	(3.0)	(1.1)
Digital and Specialized Service	542	618	621	14.6	0.5
Estilo Branches	249	249	249	-	-
Empresa Branches	122	167	171	40.2	2.4
Government Branches	30	30	30	-	-
Private Banking	9	11	11	22.2	-
Exclusivo Offices	85	138	139	63.5	0.7
Estilo Offices	11	19	19	72.7	-
SMI Offices	36	4	2	-	(50.0)
Total	4,770	4,765	4,722	(1.0)	(0.9)

Table 138. Branch Network by Region

	BB	Banking Industry	Share %
Southeast	2,015	11,247	17.9
Northeast	1,014	3,483	29.1
South	934	3,988	23.4
Middle West	459	1,760	26.1
North	300	1,123	26.7
Total	4,722	21,601	21.9

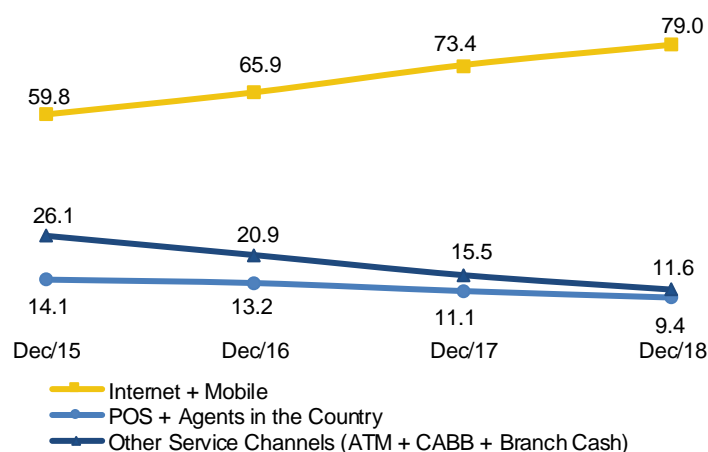
10.2.2. Automated Service Channels

Banco do Brasil's automated service channels offers a wide range of services and products to costumers, and contributes to cost control.

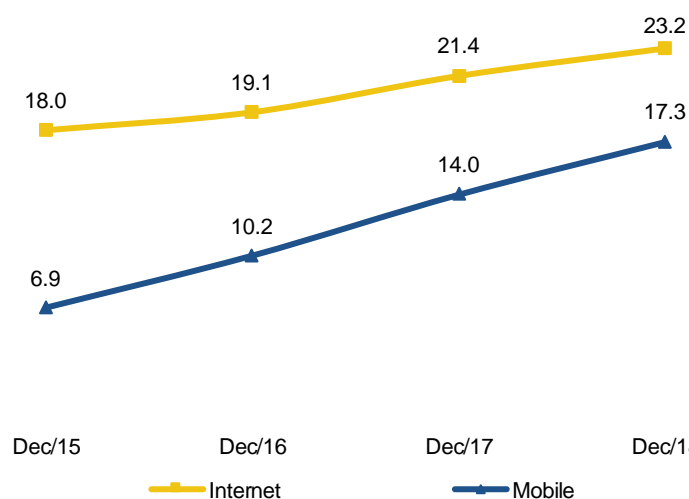
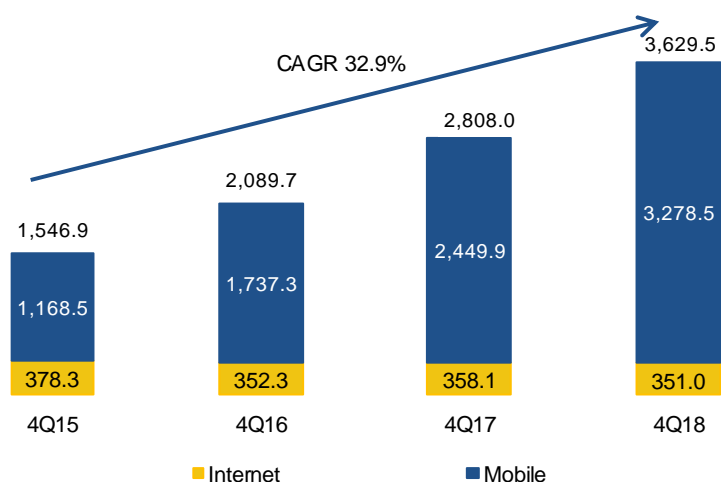
Mobile and Internet Banking

BB mobile and internet banking seek to make the banking experience simpler, faster, safer and more convenient to costumers, offering a wide portfolio of products and services everywhere and at any time.

The next figure shows the evolution of the transactions performed per service channel. It is worth mentioning that the internet and mobile channels already represent 79.0% of the transactions carried out by Banco do Brasil's customers.

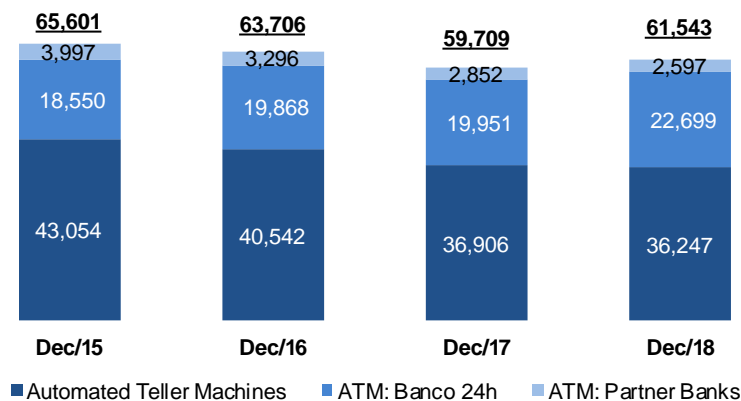
Figure 53. Transactions by Service Channel – (%)

The following figures shows the registered users and transactions number evolution carried out by the mobile banking and internet banking channels, respectively. In twelve months, highlight was the increase of 5.0 million customers using mobile banking in the last year, due to the BB's digital strategy.

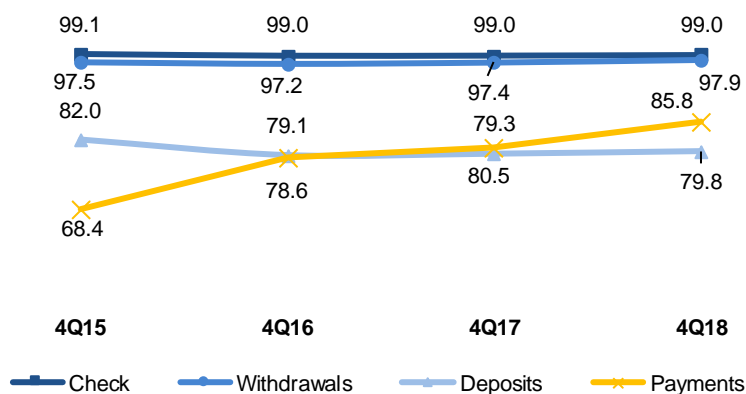
Figure 54. Number of Users (million) – Internet and Mobile Banking**Figure 55.** Number of Transactions (million) – Internet (Individuals) and Mobile Banking

Automated Teller Machines

Banco do Brasil provides its customers with an extensive automated teller machines (ATMs) network in Brazil. The following figure sets forth the number of terminals in its own network, partnerships with banks and the *Banco 24h* network.

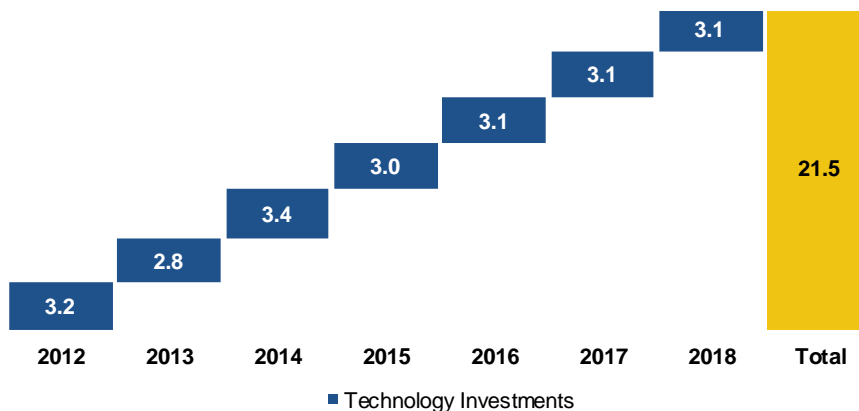
Figure 56. Automated Teller Machines

The following figure sets forth that the ATMs, accounted for most of the basic banking transactions, including general consultations, withdrawals, deposits, and payments of bills, compared to bank tellers and service stations.

Figure 57. Transactions - ATMs' vs Teller – (average %)

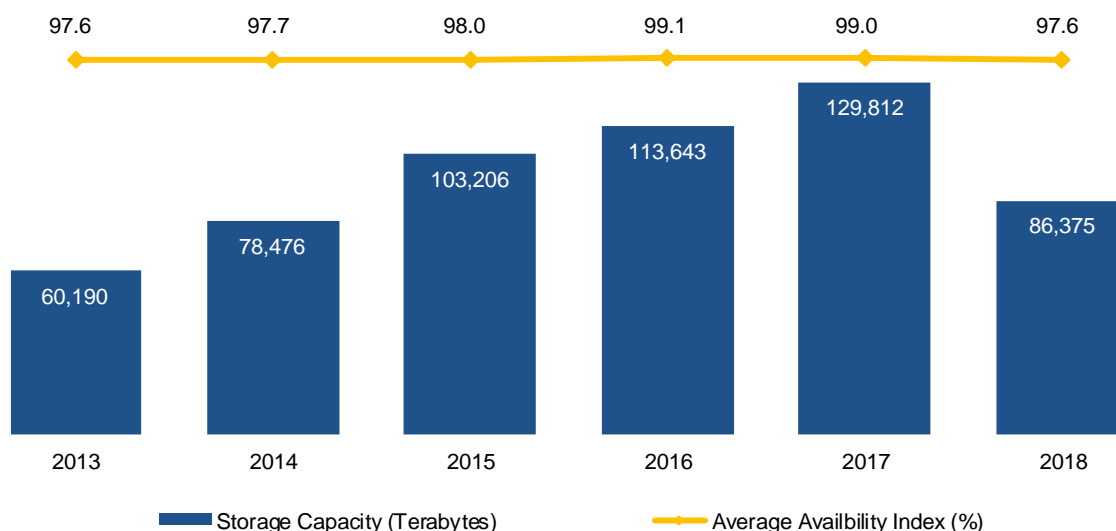
10.2.3. Technology Investments

Banco do Brasil consistently invests in technology to improve operational efficiency, reduce operating losses, expand businesses and improve client service. In the period between 2012 and 2018, investments totaled R\$21.5 billion. The following figure sets forth the annual series of the total invested.

Figure 58. Technology Investments – R\$ billion

An important result of technology investments is related to the significant increase in data storage capacity and in the availability indicator, as shown in the following figure.

Figure 59. Storage Capacity and Availability Indicator



In January 2018 the calculation methodology was changed in view of the technological evolution of cartridges, not impacting the capacity of information technology. Thus, the compression ratio "2:1" is no longer considered, but the actual amount recorded on each of the tapes.

10.3. International Businesses

BB's presence abroad aims to maintain its reference position for Brazilian companies and individuals in international markets.

The Bank's foreign service network consists of 26 subsidiaries located in 17 countries. In addition to this structure, Banco do Brasil has an agreement with others financial institutions abroad to service its customers. At the end of 4Q18, there were 871 banks acting as BB correspondents in 107 countries.

Table 139. Foreign Service Network

Branches	Sub-branches	Shared Services Units
Asuncion - Paraguay	Hamamatsu - Japan	BB USA Servicing Center / Orlando - USA
Frankfurt - Germany	Nagoya - Japan	BB Europa Servicing Center / Lisbon - Portugal
Grand Cayman - Cayman Islands		
Santa Cruz de la Sierra - Bolivia	Subsidiaries and Branches	Securities
London - England	BB Americas / Miami - USA	Banco do Brasil Securities LLC - USA
Miami - USA	Banco Patagonia / Buenos Aires - Argentina	BB Securities Ltd - England
New York - USA	BB AG (Aktiengesellschaft) / Vienna - Austria	BB Securities Asia Pte Ltd - Singapore
Santiago - Chile		
Tokyo - Japan		
Shanghai - China		

1 - BB AG Vienna also has branches located in the cities of Madrid, Paris, Milan and Lisbon.

Table 140. Consolidated Abroad - Balance Sheet

R\$ million	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
ASSETS	155,276	181,174	173,887	12.0	(4.0)
Short-term Interbank Investments	23,719	28,947	27,069	14.1	(6.5)
Securities	14,512	17,303	17,088	17.8	(1.2)
Securities Available for Trading	3,151	2,380	3,206	1.7	34.7
Securities Available for Sale	11,076	12,275	11,327	2.3	(7.7)
Securities Held to Maturity	285	2,648	2,555	-	(3.5)
Loans	36,704	36,691	36,428	(0.8)	(0.7)
Public Sector	310	323	295	(4.8)	(8.7)
Private Sector	36,394	36,368	36,133	(0.7)	(0.6)
Other Assets	2,712	4,741	4,893	80.4	3.2
BB Group	77,629	93,492	88,409	13.9	(5.4)
LIABILITIES	155,276	181,174	173,887	12.0	(4.0)
Deposits	46,959	58,756	59,460	26.6	1.2
Demand Deposits	9,071	8,614	9,225	1.7	7.1
Time Deposits	20,502	27,743	27,431	33.8	(1.1)
Interbank Deposits	17,386	22,399	22,804	31.2	1.8
Funds from Acceptances and Securities Issuance	24,005	24,012	23,080	(3.9)	(3.9)
Borrowings	18,870	23,297	19,259	2.1	(17.3)
Subordinated Debt and Perpetual Bonuses	33,414	37,989	36,414	9.0	(4.1)
Other Liabilities	6,841	5,203	5,240	(23.4)	0.7
BB Group	12,994	18,650	16,845	29.6	(9.7)
Shareholders' Equity	12,193	13,267	13,589	11.4	2.4
Controlling	11,351	12,946	13,215	16.4	2.1
Non-Controlling Interest ¹	842	321	374	(55.6)	16.5

1 - It corresponds to non-controlling shareholders' participation of Banco Patagonia.

Table 141. Consolidated Abroad – Statement of Income Items

R\$ million	4Q17	3Q18	4Q18	Chg. (%) on	
				4Q17	3Q18
Income after Taxes and Statutory Participations	(328)	433	383	-	(11.5)
Non-Controlling Interest ¹	87	54	40	(54.0)	(25.9)
Net Income	(241)	487	423	-	(13.0)

1 - It corresponds to non-controlling shareholders' participation of Banco Patagonia.

10.3.1. Banco Patagonia

All information presented in this section reflect 100% of Banco Patagonia's balances equity accounts and earnings. The following tables show the main equity, earnings and structural data highlights.

As disclosed in Material Fact published on 09/06/2018, BB became the holder of 578,116,870 common shares, class B, of Banco Patagonia, which now recognizes 80.3894% of the income generated by the Argentine Bank after exercise put option by three minority shareholders.

Table 142. Banco Patagonia – Equity Highlights

R\$ million	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
Assets	17,492	13,477	15,923	(9.0)	18.1
Loans ¹	11,185	7,907	8,787	(21.4)	11.1
Deposits	12,185	9,858	11,262	(7.6)	14.2
Shareholders' Equity	2,053	1,314	1,574	(23.3)	19.8

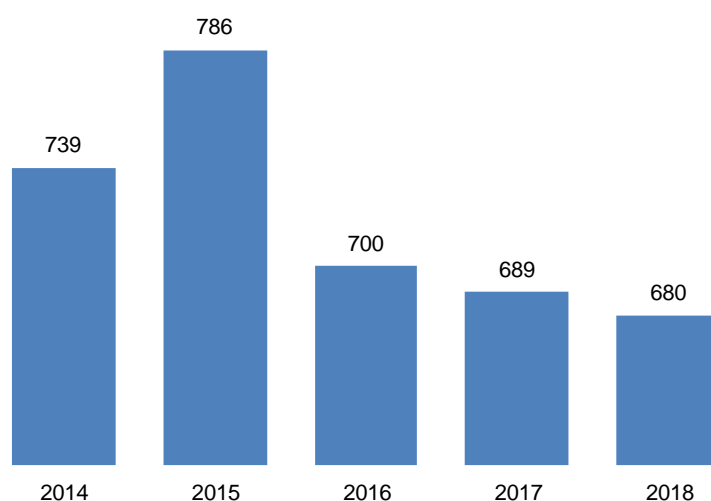
1 - Revised series in Sep/17 considering credit card transactions.

Table 143. Banco Patagonia – Funding

R\$ million	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
Individuals	1,944	1,188	1,446	(25.6)	21.7
Companies	1,631	1,154	1,366	(16.3)	18.4
Interbanking	133	134	244	83.1	82.7
Issues	114	54	42	(63.0)	(22.1)
Repo	55	23	19	(64.8)	(16.4)
Total	3,878	2,553	3,118	(19.6)	22.1

Table 144. Banco Patagonia – Main Earnings Items

R\$ million	Quarterly Flow			Chg. (%) on	
	4Q17	3Q18	4Q18	4Q17	3Q18
Financial Intermediation Income	562	478	535	(4.8)	11.8
Allow ance for Loan Losses	(27)	(45)	(51)	91.3	14.2
Income from Financial Intermediation	535	434	484	(9.6)	11.5
Fee income	209	226	230	10.2	1.8
Administrative Expenses	(296)	(253)	(234)	(21.0)	(7.3)
Other	(139)	(145)	(112)	(19.5)	(22.7)
Income Before Taxes	309	262	368	19.2	40.2
Income and Social Contribution Taxes	(96)	(104)	(154)	59.5	47.6
Net Income	212	158	214	0.9	35.3

Figure 60. Banco Patagonia – Net Income – R\$ million**Table 145.** Banco Patagonia – Profitability, Capital and Credit Indicators

%	4Q17	3Q18	4Q18
Return on Equity	36.2	36.0	38.2
BIS Ratio ¹	12.8	11.4	12.7
Coverage Index (+90 days)	221.7	199.0	214.5
NPL+90 days	1.4	1.9	2.0

1 - Adjusted series considering the rules established by Resolution nº 5,369 of the Central Bank of Argentina.

Table 146. Banco Patagonia – Operating and Structural Highlights

	Dec/17	Sep/18	Dec/18	Chg. (%) on	
				Dec/17	Sep/18
Customers (thousand)	1,192	1,228	1,248	4.7	1.6
Branches	182	183	186	2.2	1.6
Branches in Buenos Aires	94	95	94	-	(1.1)
Service Points	205	206	209	2.0	1.5
Employees	3,365	3,427	3,407	1.2	(0.6)

Glossary

Leverage: financial indicator that measures the ratio between the total assets and shareholders' equity of the company.

Earnings Assets: reflects the sum of all assets that produce a financial return to the institution. The total return of these assets is included in the gross income from financial intermediation.

Commercial Funding: Includes Total Deposits, Agribusiness Letters of Credit - LCA, Mortgage Bonds - LCI and repurchase agreements transactions with private securities.

Institutional Funding: Includes funding raised from institutional investors, with the use of instruments such Senior Debt, Letters Financial and Capital and Debt Hybrid Instrument (IHCD).

Classified Loan Portfolio: sum of the credit transactions, financing, leasing, other credit with loan characteristics and acquired loan portfolio.

Loan Portfolio – expanded view: it corresponds to the Classified Loan Portfolio added of the private securities and guarantees transactions.

Domestic Loan Portfolio – expanded view: Classified Loan Portfolio plus guarantees provided and private securities booked in Brazilian branches.

Organic Domestic Loan Portfolio – expanded view: it corresponds to the Organic Domestic Loan Portfolio – expanded view concept considering acquired portfolio.

Organic Loan Portfolio: Loan Portfolio excluding the acquired portfolios.

Overdue Renegotiated Loan Portfolio: It comprises the renegotiated loans for debts composition due to delay in payments by customers. Furthermore, it does not comprise the rollover of agribusiness loans made in accordance with Federal Regulation.

Correspondent Services: are companies contracted by financial institutions and other institutions authorized by the Central Bank of Brazil to provide services to clients and customers of such institutions.

ALLL Expenses – Credit Risk: Allowances for loan and lease losses (ALLL) expenses, as Resolution 2,682/99.

Net ALLL Expenses: ALLL expenses, as Resolution 2,682/99, net recovery of Write-offs.

Opportunity Cost: managerial assessment tool used to compare the effective result of active transactions and the hypothetical result of use in a replacement alternative. The Average Selic Rate (TMS) is generally considered.

Guarantees: transactions where the BB ensures the payment of its client's obligations towards third parties.

Structural Hedge: transactions made by the Bank to protect itself against variations in value of assets kept abroad in foreign currency.

Tax Hedge: transactions made by BB on top of the Structural Hedge to mitigate the effects of taxation on gains and losses made through the Hedge position.

NPL +90d: ratio between the balance of more than 90 days overdue operations and the loan portfolio balance.

NPL +60d: ratio between the balance of more than 60 days overdue operations and the loan portfolio balance.

NPL +15d: ratio between the balance of more than 15 days overdue operations and the loan portfolio balance.

Coverage Ratio Adjusted: indicates the magnitude of the coverage of administrative expenses by fees income.

Cost to Income Ratio: productivity indicator that measures the relation between administrative expenses and operating revenues. When the ratio is lower, more efficient is the company.

Adjusted Net Income: net income excluding one-off items.

ADB: Average Daily Balance.

Net Interest Income (NII): It is calculated as the difference between income and expenses from financial intermediation considering the reallocations. It represents the performance of financial intermediation transactions before ALLL.

Extraordinary Items: Relevant revenues or expenses registered in the Income Statement that are originated from transactions that are not part of the normal business of the Bank and/or refer to items that should have been recorded in previous years.

Net Interest Margin: net interest income divided by the average balance of earning assets.

Net Interest Rate: difference between average rate of earning assets and average rate of interest bearing liabilities.

Managerial Net Interest Income: calculated on the basis of the financial revenues received, less any opportunity costs and is defined according to each type of product.

Net Interest Gain: defined as interest income from earning assets less interest expenses from interest bearing liabilities.

Interest Bearing Liabilities: includes the sum of all liabilities that carry an expense for the institution. The total financial cost of these liabilities reflects the expense of financial intermediation.

Reallocations: adjustments made in the Corporate Law Income Statement in order to provide a better understanding of the business and the company's performance.

Annualized Return on Equity: ratio between the net income and the arithmetic average of shareholders' equity of the reporting period and the shareholders' equity for the previous period., excluding non-controlling interest. The ratio was annualized by compound capitalization.

Market Return on Equity: reflects the metric that the main market analysts use to project results. Calculated by the ratio between the adjusted net income and the average shareholders' equity deducted the minority interest. The ratio was annualized by compound capitalization.

Shareholders Return on Equity: return to BB's shareholders. Calculated by the ratio between the adjusted net income and the average shareholders' equity deducted the minority interest and the core capital eligible instrument, which is not taken into account in the calculation because the payment of compensation is made with funds from accumulated earnings and profit reserves. The ratio was annualized by compound capitalization.

Managerial Net Interest Margin: is the result of the Managerial Net Interest Income divided by the respective average balances. For Managerial Net Interest Income calculation, financial revenues classified by portfolio are calculated first. Subsequently, the opportunity costs defined for each of the portfolio lines are deducted. In the case of individuals and companies loan portfolios, with free resources, the opportunity cost is the average Selic rate. For the agribusiness portfolio and other directed loans, the opportunity cost is calculated according to the funding source and the necessity or not of compulsory investing part of this funding.

Net Interest Margin: Applying the concept of spread to the banking industry, which is calculated by dividing net interest income by average earning assets.

Private Securities: transactions characterized by the acquisition of securities (commercial paper and debentures) mainly issued by private companies.

Vice Presidency of Financial Management and Investor Relations

Chief Financial Officer

Carlos Hamilton Vasconcelos Araújo

Head of Investor Relations

Daniel Alves Maria

Executive Manager

Rodrigo Felipe Afonso

Managers

Debora Stefani

Heverton Masaru Ono

Janaína Storti Prandina

Joaquim Camilo de Castro

Analysts

Adriano Gonçalves de Souza

Bruno Santos Garcia

Cleber Antonio Lima Rentroia

Daniela Priscila da Silva

Diogo Simas Machado

Eva Maria Gitirana de Oliveira

Fabíola Lopes Ribeiro

Fabício da Costa Santin

Felipe de Mello Pimentel

Fernanda Vasconcelos de Meneses

Filipe Cardoso Duda

Gabriel Mirabile Pinheiro

Gustavo Correia de Brito

Ítala Tonon

Jefferson Guarnieri Aquino

Laura Daianna Fernandes Cunha

Luiz Fernando de Almeida

Marcelo Oliveira Alexandre

Marco Antonio Datolo Fernandes

Maria Angélica de Paiva Rezende

Regina Knysak

Vilmar Francisco Thewes

Vitor Lopes Rodrigues

Viviane de Sousa

William Barbosa Pontes Junior



Banco do Brasil S.A.

Limited Assurance Report about Supplementary Accounting information included within the Management Discussion and Analysis Report

December 31, 2018

(A free translation of the original report in
Portuguese on the supplementary accounting
information included within the Management
Discussion and Analysis Report)



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Limited Assurance Report about supplementary accounting information included within the Management Discussion and Analysis Report

To
The Board of Directors, Shareholders and Management of
Banco do Brasil S.A.
Brasília - DF

Introduction

We were engaged by Banco do Brasil S.A. (the “Bank”) to report on the supplementary accounting information of Banco do Brasil S.A for the quarter and year ended as at December 31, 2018, in the form of a limited assurance conclusion that based on our work, nothing has come to our attention that causes us to believe that the supplementary accounting information included within the Management Discussion and Analysis Report is not presented, in all material respects, based on the information referred to in the “Criteria for preparing the supplementary accounting information” paragraph.

Responsibility of the Bank’s Management

Management is responsible for preparing and adequately presenting the supplementary accounting information included within the Management Discussion and Analysis Report based on the criteria for the preparation of the supplementary accounting information described below, and the other information contained within this report, as well as for the design, implementation and maintenance of internal controls that management determines are necessary to allow for such information that is free from material misstatement, whether due to fraud or error.

Responsibility of the independent auditors

Our responsibility is to review the supplementary accounting information included within the Management Discussion and Analysis Report prepared by the Bank and, based on that review, issue a conclusion in the form of a limited conclusion. We conducted our engagement in accordance with the NBC TO 3000 - Assurance Engagements Other than Audits or Reviews (ISAE 3000). That standard requires that we comply with ethical requirements, including independence requirements, plan and perform our procedures to obtain a level of limited assurance that we are not aware of any fact that would lead us to believe that the supplementary accounting information presented in the Management Discussion and Analysis Report of the Bank is not presented, in all material respects, in accordance with the information referred to in the “Criteria for preparing the supplementary accounting information” paragraph.



The procedures selected were based on our judgment in the supplementary accounting information included within the Management Discussion and Analysis Report, as well as other circumstances of our work and our consideration of other areas that may contain material misstatements.

Procedures performed in a limited assurance work are more limited than in a reasonable assurance work. Thus, the level of safety obtained in a limited assurance work is significantly less than the security that would have been obtained had a reasonable assurance work been performed. Consequently, we do not express an audit opinion or a reasonable assurance on the supplementary accounting information presented in the Management and Discussion Analysis of the Bank.

Our conclusion does not contemplate aspects related to any prospective information contained within the Management Discussion and Analysis Report, nor offers any guarantee if the assumptions used by Management to provide a reasonable basis for the projections presented. Therefore, our report does not offer any type of assurance on the scope of future information (such as goals, expectations and future plans) and descriptive information that is subject to subjective assessment.

Criteria for preparation of supplementary accounting information

The supplementary accounting information disclosed within the Management Discussion and Analysis Report for the quarter and year ended December 31, 2018, has been prepared by Management of the Bank based on the information contained in the consolidated financial statements as at December 31, 2018 and the criteria described within the Management Discussion and Analysis Report, in order to facilitate additional analysis, without, however, being part of the consolidated financial statements disclosed on this date.

Conclusion

Our conclusion has been formed on the basis of, and is limited to the matters outlined in this report.

Based on the limited assurance procedures performed, as summarized above, nothing has come to our attention that causes us to believe that the supplementary accounting information included within the Management Discussion and Analysis Report, is not presented, in all material respects, in accordance with the information referred to in the "Criteria for preparing the supplementary accounting information" paragraph.

Brasília, February 12, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF
Original report in Portuguese signed by
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Financial Statements

2018 Results



BANCO DO BRASIL

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Dear Shareholders,

We thank the dedication and commitment of our employees, as well as the customers and society trust. We ended the year with a net income of R\$12,862 million, an increase of R\$1,851 million when compared to 2017, or 16.8% growth.

The return on equity (ROE) was 13.2% in relation with 12.3% of 2017. Part of this result was reached by the decrease of 3.91% in administrative expenses even with a inflation (IPCA) of 3.75% and the allowance for loan losses reduction of R\$4,971 million (19.3% against 2017).

Our revenues from services and bank fees increased by 5.68% in relation to 2017, which demonstrated the successful development of our customer relationship strategy, especially with the use of new technologies. The result is reflected in our adjusted efficiency ratio, which reached 38.5%, and the improvement of our capital ratio, which reached 18,86% in December, being 10.00% in CET1.

We elected this year as the "Year of the Relationship" and we believe that the transformation and complexity of the business environment will intensify in the next years. Therefore, the focus on the improvement of the customer experience and investment in innovation will continue to be the basis for our work.

We reached the number of 2.7 million native digital customers, that is, those who started the relationship with us through digital since November, 2016. This result is due our products and services and the advancement in our digital solutions.

Structure

The Management Report is structured as follows:

The Corporate Strategy and our relationship models will be discussed in chapter 1. In Chapter 2 we will present our corporate governance structure, as well as the enhancement and highlights of this theme throughout 2018. In chapter 3 we will discuss the economic scenario in Brazil and in the world. Market indicators and highlights in services to our shareholders will be discussed in chapter 4.

Chapter 5 discusses the highlights and innovations in the relationship with clientes and user experience. Chapter 6 highlights the structure and achievements in people management and chapter 7 addresses the financial performance of the year. In chapter 8 we analyze the evolution of the service model, both face-to-face and digital.

The capital management is discussed in chapter 9 and in chapter 10 we highlight other conglomerate business. Chapter 11 discusses social affairs and sustainable business development, and in Chapter 12 we address risk management, control and security, with emphasis on the structure of internal controls structure.

1. Corporate Strategy

The more connected and competitive economy has significantly influenced the financial industry and promotes changes in consumer behavior. As the business environment and complexity increase, the greater the need for organizations to develop a culture of innovation that guides strategic planning. Due to the scenario dynamism and our clients needs, we keep our Corporate Strategy updated and adherent to the challenges present in our segment.

Our Vision is "To be the company that provides the best experience for people's lives and to promote the development of society in an innovative, efficient and sustainable way" and five perspectives guide us in this direction:

a) Financial: our priority is the profitability growth, the revenues with services increase the improvement of operational efficiency, the sustainability of capital and the operational losses reduction.

b) Customers: our objective is to provide valuable experiences, and a journey that meets customer expectations in all relationship channels prioritizing actions that favor the customer retention, attraction and satisfaction improvement.

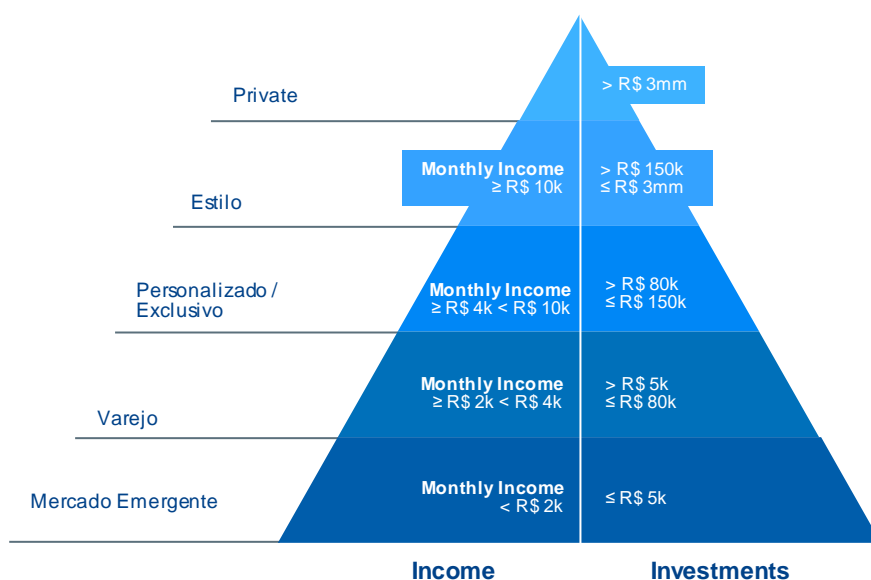
c) Processes: we keep our focus on Digital Transformation and the processes, products and channels improvement, which aim to make them simpler, agile, innovative, integrated and oriented to maximum efficiency and consumer satisfaction of our products and services.

d) People: our focus is the development of the strategic skills needed to meet the challenges presented, namely: entrepreneurship, customer relationship, innovation, digital businesses, leadership and efficiency. We will continue to be guided by meritocracy in succession programs, by the recognition of talents and the diversity appreciation.

e) Sustainability: complements and crosses the other perspectives; the focus is to improve our performance in sustainability, in the economic, social and environmental dimensions, since the generation of sustainable returns in the long term presupposes going beyond financial issues and traditional risks.

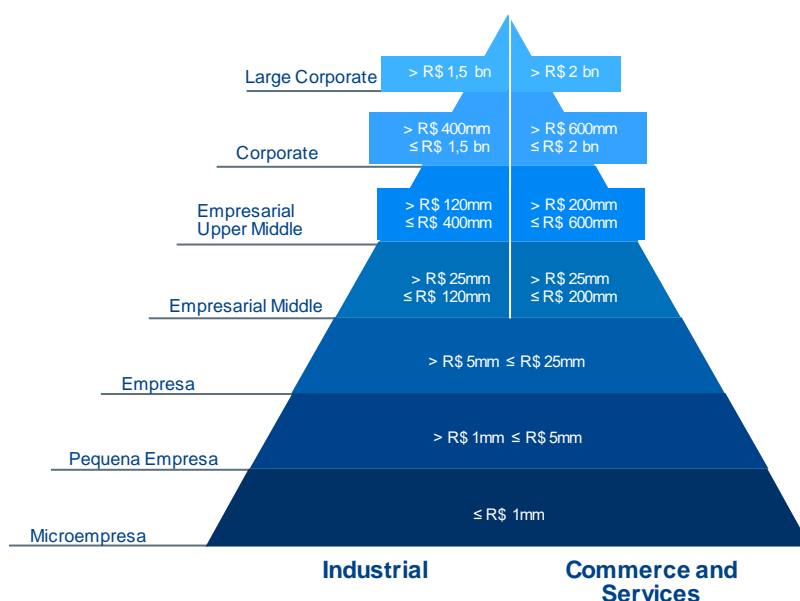
The relationship models and the segmentation of our clients seek to increase the specialization in service and, mainly, to maintain a adequate value proposal to each client needs.

Figure 1. Individuals Segmentation¹



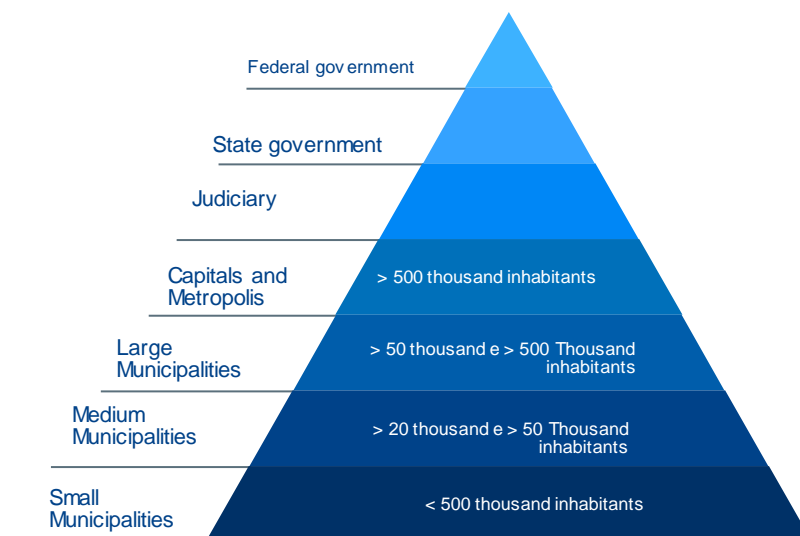
1 - Does not apply to Rural Producer.

Figure 2. Companies Segmentation¹



1 - Annual Revenues

Figure 3. Public Sector Segmentation



Following next, awards received and other importants events:

1. January

At the World Economic Forum held in Davos, we were among the 100 largest corporate sustainability leaders in the Global 100 ranking by Corporate Knights. We are ranked 49th and we are the Brazilian bank with the best positioning this year, this being the third time we have participated in the index. This result represents a international importance recognition when it comes to corporate sustainability.

We were elected as the second most transparent bank in Brazil. The unprecedented survey, conducted by Transparency International, placed us in 13th place in the general ranking, which counted, in addition to the banks, the 100 largest Brazilian companies in net revenue. We stood out for the good performance, anti-corruption programs and organizational transparency, with 92% and 75% approval, respectively.

2. February

We were certified as Top Employer company and we are the only Brazilian bank to receive the recognition in 2018. Certification is given by the Dutch Independent Research Foundation, Top Employers Institute. The award recognizes employers around the world, highlighting those who develop talent at all organization levels and who strive to continually optimize people management policies and practices.

We participated with Febraban, in the signing of a technical cooperation agreement with the Federal Police to combat bank fraud. Subject to the issues that govern bank secrecy, this agreement will allow the sharing of information and the exchange of technologies to combat electronic crimes.

Our technology director, Gustavo Fosse, was recognized as executive of the year by IT Mídia with the case on digital transformation at Banco do Brasil.

3. March

During the 13th Congresso Brasileiro de Pregoeiros in Foz de Iguaçu, we won two prizes for the management of the Licitações-e (public bidding) portal. The solution was recognized as the portal that offers the "best interaction with the supplier" and also the portal with "the largest number of trading sessions and completed within the year 2017". In that year, 37 thousand bidding processes were carried out and 240 thousand lots were disputed in electronic trading sessions.

In the 100 + Innovative in the use of IT - IT Media - we are in 23rd place among the most innovative companies in all segments.

4. April

We launched, jointly with several entities and financial institutions, the agreement regarding the economic plans monetary correction difference in savings account. The agreement comes as a quicker alternative for anyone who has filed lawsuits.

5. May

We won the Prêmio Tela Viva Móvel 2018. The trophies came both in popular vote and in jury selection for our chatbot performance, virtual assistant based on cognitive computing and artificial intelligence.

We launched Veloe, a mobility solution for automatic payment in tolls, parking lots and gas stations. The new service was launched by Alelo following the brand diversification strategy electronic payment methods and seeking to value the customer experience. The service is fully digital, based on a virtual account managed through mobile application.

We were invited to join a Cooperation Agreement with Interpol, which provides for an official to remain at the International Police's Innovation Center in Singapore to combat cybercrime. We are the first financial institution of the Americas to sign this type of agreement.

We informed the market, on the 30th, that the Fundo Fiscal de Investimentos e Estabilização (FFIE), whose sole shareholder is the Brazilian Sovereign Fund (FSB) and managed by BB DTVM, our wholly-owned subsidiary, concluded on May 29, 2018, the process of disposing of our shares. In December the controlling shareholder owned 52.2%.

6. June

We were elected the bank that best relates to its customers on Facebook and Twitter. The recognition by Socialbakers, through the ranking Socially Devoted is related to the first quarter of 2018 and reflects our work in social networks.

We announced a partnership with Startup Farm, the best and most experienced startup accelerator in Latin America. The contract provides for initiatives such as acceleration programs, workshops, lectures and mentoring work from both Startup Farm for our ideas and from our executives to the startup founders.

Our technology vice president Gustavo do Vale was elected CIO of the Year in efinance, one of the most valued technology events by the banking market. At the same event, we had 22 winning cases in 10 awarded categories.

We signed, the largest contracting of free energy in Brazilian retail, with the Portuguese company EDP. The partnership might provide around 400 GWh to 24 facilities located in 14 states under a five-year contract. In addition to saving financial resources, we reaffirm our commitment to sustainability, given that the energy purchased will be of the incentive type, originated from renewable sources such as wind, solar and small hydroelectric power plants.

We signed a formal adherence to the standards of conduct that are part of the Free & Equals campaign, in accordance with the principles of Diversity, created by the United Nations. We have been the first major financial institution in Brazil to do this, which strengthens our commitment to Human Rights and helps demonstrate to clients, employees and shareholders the support of LGBTI people (lesbians, gays, transsexuals and people intersex).

We led the Integrated Governance and Management Index (IGG) of the Federal Audit Court (TCU). We achieved 91% in the indicator and our wholly-owned subsidiary BBDTV reached 87%. In the Management and Contracting component the index was 96.7%. TCU conducts constant surveys to better understand the governance situation in the public sector and to encourage public organizations to adopt good management practices.

We launched the "Portal de Mercado de Direitos Creditórios", in which business opportunities are disclosed with credits arranged for assignment to third parties that are not part of the National Financial System (SFN), whose data on the processes are in the public domain. Since the launch, investors have already bought about R\$85.7 million in lawsuits. Access to information can be made through the site: www.bb.com.br > Check out all products and services > Credit Rights Market.

7. July

We launched the 2018/2019 Safra Plan, for which it's expected for the disbursement of R\$103 billion. If the target is reached, it will represent an increase of 21% in relation to the previous harvest. Of the total, R\$11.5 billion is allocated to companies in the agribusiness chain, while R\$91.5 billion is for rural credit to producers and cooperatives. Of these, costing and marketing account for R\$72.8 billion and R\$18.7 billion for agricultural investment.

We were among the two best companies to work, the first among financial institutions. The award is published by Forbes Brasil, based on the ranking of Best Companies to Work in Brazil, developed by Indeed.

For the tenth consecutive year, our Ourocard card was elected the preferred card by Brazilians. The research is carried out by CardMonitor and Instituto Medida Certa.

We received the Prêmio Broadcast Corretoras, promoted by Agencia Estado, as the market analysts best team. She was awarded due the highest return based on its recommendations. In the individual category, we were awarded three analysts among the ten best professionals.

We participated in the 1st Exercise Cyber Guardian Sector Finance and Nuclear Energy Sector, at Fort Marechal Rondon, in Brasília. The event was a simulated cybercrime protection training that was attended by military personnel from the Armed Forces and other government branches, as well as banking, nuclear, and academic community institutions.

8. August

We were listed for the third consecutive year in the FTSE4 Good Index Series, the London stock exchange index that evaluates and classifies companies with best environmental, social and corporate governance (ESG) practices. The indicator is used by investors around the world to identify companies that practice these values and serves as a reference for sustainable investment funds.

We have received the Learning & Performance award as the best project whose shared practices raise the level of learning and performance maturity in the business. This is the fourth time we have received - via UniBB - the corporate education award.

We have opened the Advanced Cyber Security Trial Laboratory (LEACS). Among its main objectives, LEACS seeks to experiment with new techniques to improve the defense mechanisms of corporate systems and information, performing malicious code tests in applications, advanced cyber security analysis, vulnerability scanning and cryptography.

At the invitation of the Ministry of Planning, Development and Management, Banco do Brasil joined the Management Committee of the National Public Procurement Network, which promotes the information dissemination and experiences in favor of improving Brazilian public procurement.

9. September

We announced that we become the holders and recognized in our results the participation of 80.3894% of Banco Patagonia (Argentina), after exercising a put option by three minority shareholders.

The Vice President of Financial Management and Investor Relations, Bernardo Rothe, was ranked among the top three Chief Financial Officer (CFO) in Latin America for the financial/ banking sector. The awards, based on research carried out with market analysts and institutional investors, is conferred by Institutional Investors, a renowned entity specialized in news, research and intelligence for the capital and investment market.

10. October

We announced the beginning of our e-Sports support strategy as a way to support digital transformation strategies and rejuvenate the customer base. The Bank's actions began with the sponsorship of the largest event in the sector in Latin America, the Brasil Game Show (BGS) in São Paulo.

We were elected the best bank in the country, according to the Época Negócios 360 ° guide. In addition to being considered the best company in the People Dimension, we are also first and foremost in the Banking sector, in the Corporate Governance and Future Vision Dimensions.

We hold MPE Week. In celebration of MPE day, the event promoted seven days of actions to recognize the importance of small entrepreneurs and support their activities. In addition to workshops, our clients had exclusive advantages of the Bank, its affiliates and other partners. The result was 1,099 new Alelo contracts, 2,476 new Cielo affiliations and 4,426 Stelo machines marketed, among other deals.

In partnership with one of the largest companies in the electricity sector in the world, we signed a contract for the construction of a power plant to capture energy from sunlight. With 15,000 photovoltaic panels, the plant will supply 58 branches in Minas Gerais and generate 11 GWh /year.

11. November

We received double recognition with the Gold Attendance Award from Abrarec (Brazilian Association of Customer Company Relations). Abrarec is an association dedicated to creating and disseminating the culture of good relationship between companies and clients. We were recognized in two categories: "Attendance in digital social networks" and "Differentiated service that avoided a lawsuit."

We have completed the operational and corporate restructuring of the partnership between BB Seguros Participações S.A. ("BB Seguros") and MAPFRE Brasil Participações S.A. ("MAPFRE"). The focus will now be on harnessing the great potential of the banking channel for segments that already rely on BB Seguros products such as life, residential, housing, business and agribusiness. Auto insurance and large risks continue to be marketed, but, from now on, without the equity interest in these businesses.

We were selected for the 14th consecutive year to compose the portfolio of the B3 Corporate Sustainability Index (ISE) for 2019. We have been listed since the index launch year in 2005.

We were awarded the Guia Exame de Sustentabilidade 2018 for our practices and programs aimed at reducing water consumption in all its dependencies, as well as encouraging the management of water resources by clients and society.

12. December

We received the "Bank of the Year" title during the ceremony of the Bank Report 2018 in São Paulo. In addition to being the general highlight among the companies in the segment, we have also won three other awards in specific categories. BBTS also had a winning case and secured the fourth achievement for the Conglomerate. Considered one of the main recognitions of the financial sector, the Banking Report award praises actions that promote digital transformation and user experience improvement.

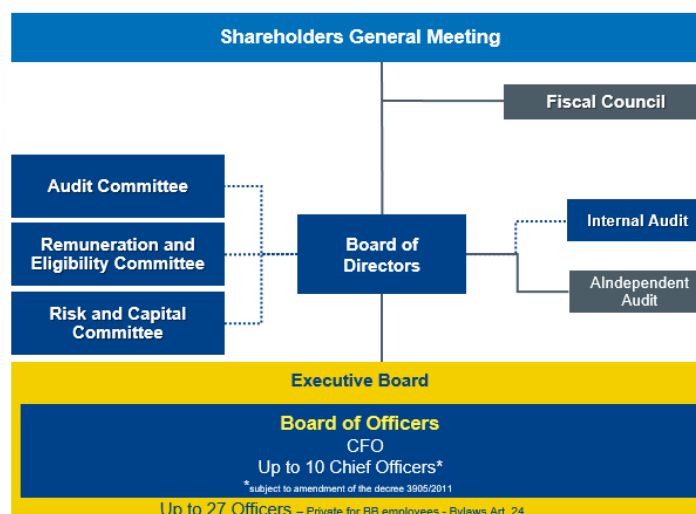
We received the Contemporary Marketing Award, created with the aim of highlighting the strategies of the companies that best understand our time and who know how to adapt to new collaborative and participatory models. BB received the award in the category Social Responsibility and Sustainability, with the campaign "The Culture Transforms Everything".

We were elected, by Exame magazine, as the best fixed income fund manager. The award identifies the managers who best captured the opportunities and stood out in the management of the funds in the last 12 months, in the position of September. For this purpose, approximately 1,000 investment funds were evaluated according to risk and return criteria.

2. Corporate Governance

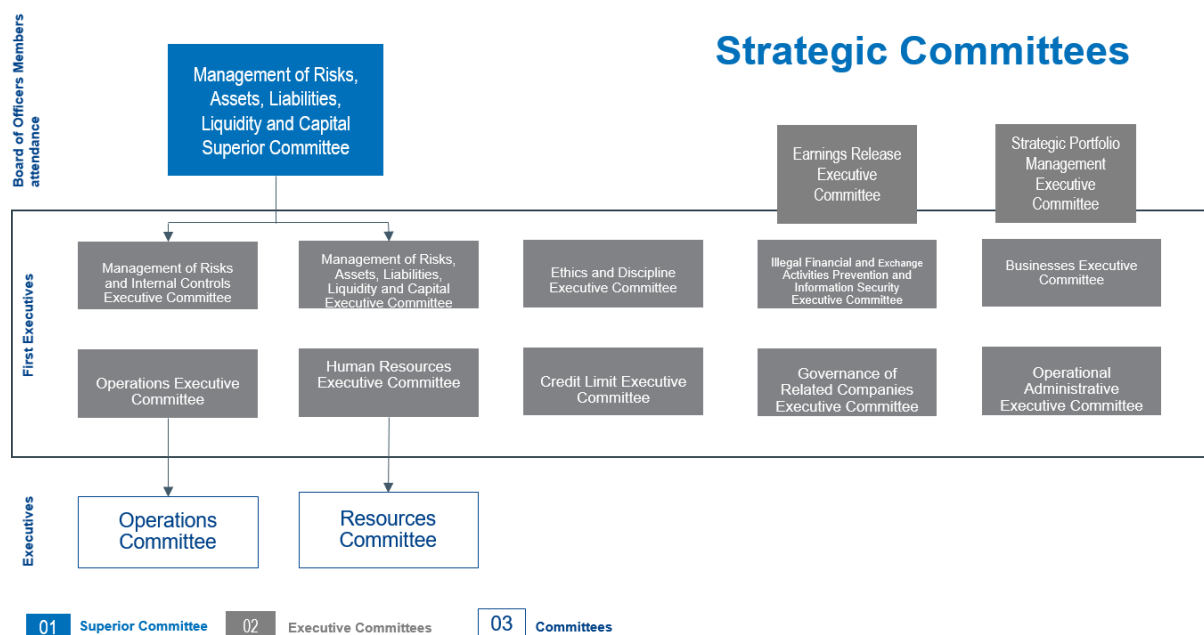
Our corporate governance, according to the next figure, is structured by the General Shareholders' Meeting, Board of Directors (BoD) advised by the Audit Committee (Coaud), the Compensation and Eligibility Committee (Corem) and the Risk and Capital Committee (Coris), the Executive Board (EB), Fiscal Council and Audit Council.

Figure 4. Governance Structure



Decisions are taken collectively at all levels to conduct the adequate debate over strategic themes and business proposals. For such, management uses committees, which ensure the agility and security for the decision making.

Figure 5. Strategic Committees



The BoD is composed by eight members (five are appointed by the controller shareholder, two by the minority shareholder and one elected by the employees) EB is composed by Board of Officers (CEO and ten Vice-Presidents ¹) and 27 Statutory Directors. We also have a permanent Fiscal Council composed by five sitting members and five alternate members.

In the course of 2018, we have made several improvements in our governance: we have reviewed our Bylaws and the Internal Regulations of the Fiscal Council, the Board of Directors, the Audit Committee, and the Fiscal Council, in addition to the Director, the Compensation and Eligibility and of the Risk and Capital Committee. In the case of these two last ones, we emphasize that the Compensation Committee is coordinated by an independent member and that he and the Risk and Capital Committee are formed by independent members in their majority.

We have also updated our Policies, in particular the Related Party Transactions, Indication and Succession Policies, Prevention and Combat against Money Laundering, Terrorism Financing and Corruption, in order to better adapt them to good governance practices and the regulations in force. We have also created our Directors Compensation Policy.

Regarding the succession plan of our executives, from May 2016 to December 2017, we performed for Senior Management the Programas Dirigentes BB, in partnership with a market company, focusing on potential successors for Vice Presidents, General Auditor, Directors and General Managers of Strategic Units. A total of 260 managers were mapped in order to subsidize succession decisions, direct development actions and mitigate succession risks.

In December 2017, we published the results of the Professional Rise Program Executives and Managers Abroad, a selective process carried out to identify and develop potential Executive Managers, Superintendents and Managers Abroad. The process, in line with the best practices of market selection, with premises of transparency, meritocracy and isonomy, identified 82 employees qualified to compose the talent bank.

¹ Conditioned to the amendment of Decree 3,905/2001.

We filed with the Securities and Exchange Commission (CVM) and disclosed on our Investor Relations website the Report on the Brazilian Code of Corporate Governance, prepared in accordance with ICVM No. 586/2017, which regulated the disclosure of information regarding the governance practices contemplated in the Brazilian Code of Corporate Governance - Publicly-Held Companies. The Report was approved by the Board of Directors on October 15.

In April 2018 we obtained the highest score in the Integrated Governance and Management Index (IGG) of the Audit Court of the Union (TCU), among the 498 public administration entities evaluated, reaching 91% in the indicator, composed of the following dimensions: public governance; governance and people management; IT and services hiring.

In May and November 2018, we stayed in Level 1, with a maximum score (10) in all dimensions evaluated in the 2nd cycle of the IG-SEST Governance Indicator, of the State Owned Companies Coordination and Governance Secretariat, an indicator created with the quality of state governance performance monitoring purpose, for the purpose of complying with the requirements of Law 13,303/2016 (State-Owned Companies), regulated by Decree 8,945/2016, and guidelines established in Resolutions CGPAR². BB DTVM, our wholly-owned subsidiary, also obtained a maximum score (note 10), in its first participation in the indicator, as well as BB Seguros, which reached level 1 also with a maximum score.

We are the only bank listed in the "Novo Mercado" of B3 the most demanding segment of the Brazilian stock exchange in governance requirements, since 2006. We are also a member, with BB Seguridade (company of our conglomerate), in the State-Owned Companies' Governance Highlight Program of B3 with a maximum score in the observed issues.

3. Macroeconomic Environment

Domestic

In the second half of 2018, the Brazilian economy showed a reactive power. The release of PIS / PASEP resources and the maintenance of interest rates at historically low levels boosted household consumption. Investments also did not disappoint, even in the face of non-economic events, which increased uncertainty about the domestic economy, and that the data were partially inflated by an extraordinary accounting move related to the import of oil platforms by Petrobrás.

On the supply side, after several declining quarters, civil construction showed stability. The services sector, which accounts for approximately 60% of GDP, registered a favorable performance, driven by transportation, storage and logistics activities, which recovered after the adverse effect of the truck drivers' strike in the previous year. In agriculture, the positive result can be attributed to the robustness of external demand.

With the contribution of agribusiness and the exchange rate devaluation triggered by the uncertainties in the political scenario, exports were sustained at a high level and helped maintain a comfortable situation in the external accounts. Even with the largest increase in imports, the trade balance showed a significant surplus, contributing to the deficit in current transactions remaining significantly below the flow of foreign direct investment.

Considering inflation, the IPCA remained below the core of the Central Bank target. High idleness helped to keep demand-side components of prices, such as service items and industrial goods, at comfortable levels. While the dynamics of prices of fresh produce weighed favorably on food inflation, falling oil prices and the recovery of hydroelectric reservoirs contributed to the cooling of the cost of fuels and electric energy tariffs. These factors counterbalanced the greater price pressure caused by the increase in the exchange rate. In this context, the Monetary Policy Committee maintained the basic interest rate at 6.5% pa. and once again affirmed that the current economic situation prescribes an expansionary monetary policy.

Abroad

In the external scenario the year was characterized mainly by the intensification of the trade dispute between the United States and China. Disagreements in Europe surrounding Italy's fiscal situation and the UK's exit from the regional economic bloc also added uncertainty to the scenario.

² Comissão Interministerial de Governança Corporativa e de Administração de Participações Societárias da União.

In this environment, the fear of a stronger deceleration of the main world economies and the tension in the global financial markets was raised. With the additional impact of uncertainties in the technology sector, the deterioration of the US stock markets eliminated gains in the first half. In turn, the price of commodities recorded a decline in the period. In addition to the perspective of lower demand for oil with the scenario less favorable to the world economy, it was impacted by the increase in supply.

Despite the increased risk aversion at the global level in terms of activity level, the US economy returned to strong performance, favored by a heated labor market and an expansionary fiscal policy. Even so, inflation continues without significant pressures, although wages have sustained acceleration throughout the year. In this context, the US monetary policy committee continued in the process of gradually increasing interest rates, in line with expectations.

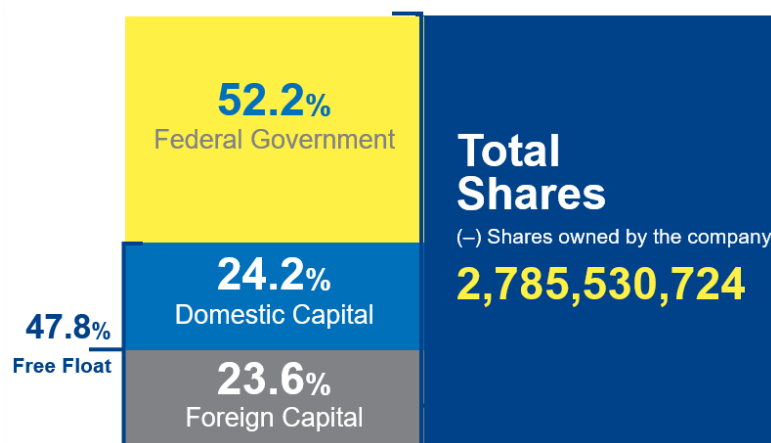
On the European continent, economic activity slowed in the third quarter of this year. In this environment, the European Central Bank kept the monetary policy at an accommodative level, but ended its asset purchase program. In Asia, reflecting initial adverse effects of the trade war, Chinese growth has cooled above expectations.

4. Market indicators and shareholders service

Our shares (BBAS3) remained in all B3 trading sessions and represented 3.140% of Ibovespa index for the four-month period from September to December, 2018. For the four-month period from January to April 2019, our share will be even higher, at 4.373%. We also keep a level 1 ADR program (BDORY), traded on the over-the-counter market in the United States.

Our shareholding structure, at the end December, 2018, was distributed as follows:

Figure 4. Shareholding Structure (%)¹



¹ – Does not consider the shares owned by the Company.

We release reports and information to CVM and at IR website and we keep an exclusive analyst and investors relationship team which had 1012 contacts, including meeting, phone calls and events in the year. We highlight the realization of Banco do Brasil Day, which brought together 76 analysts and institutional investors to discuss with our senior management the expectations for the business and our innovation positioning. In November, we organized Apimec São Paulo, which brought together 144 participants.

To institutional investor, we had 516 meetings, including nine conferences in Brazil and other ten abroad, besides promoting four earnings teleconferences and 15 non-deal roadshow in Brazil and abroad. We had meeting along with clients and shareholders in six Private banking offices.

Table 1. Market Index

	Indexes	
	2017	2018
BBAS3 - Book Value (R\$)	31.4	33.0
BBAS3 - Book Value - Consolidated (R\$)	35.4	36.7
BBAS3 - Closing Price (R\$)	31.8	46.5
Earnings per Share (R\$)	3.9	4.5
Return on Assets (%)	0.7	0.9
Return on Assets (%) - Consolidated	0.8	0.9
Return on Equity (%)	11.4	12.3
Return on Equity (%) - Consolidated	12.3	13.2
Interest on Own Capital (R\$ million)	3,229	5,162
ADR Price (US\$)	9.7	11.9

Profit Distribution

We distributed, in 2018, R\$5,162 million in Interest on Own Capital (IOC).

On 05/10/2018, we published Material Fact, in which we announced that our Board of Directors approved the revision of the Specific Remuneration Policy to Shareholders, establishing, among other points, that the net profit for the year to be distributed (payout), via dividends and/or IOC, will be set at a percentage interval of the result. In 2018 the payout reached 40%.

Further clarifications on our dividend policy may be found in the Reference Form, section 3 or in Articles 46 and 48 of the Bylaws, available at www.bb.com.br/ir.

5. Clients Experience

As part of our sustainability planning to our 210 year-long company, we have chosen 2018 as the "Year of Relationship." This was a sign to all employees of our company strive to prioritize the customer experience and to build lasting relationships.

In the next paragraphs, we will present some of the main actions implemented to increase the convenience and improve the experience our clients, through the services specialization the analysis of their behavior, enabling more assertive offers of products adapted to the customers needs.

Individuals

App BB reaches 18.2 million users

Our app reached a landmark of 18.2 million users in December, compared to 15.1 million in 2017 and 10.2 million in 2016. Accessed by more than 5.6 million people every day, the app and the internet banking accounts for 75.6% of transactions carried out at the Bank.

In addition, our app is the best evaluated of the Brazilian financial system in the two main application stores - Play Store (4.5) and Apple Store (4.7) and, among all applications, it is the fourth preferred by Brazilians according to the Panorama Mobile Time/Opinion Box, released by Mobile Time. The good app rating was Fake or Fake campaign theme. Disclosed in November, the campaign sought to show what is fact and not fake at BB, highlighting innovative digital solutions and the ability to attract new customers.

Customer service and transactions via chatbot on Facebook Messenger

Our first social media chatbot was Facebook Messenger.

The only one of the Brazilian banking market based on conversation, the application addresses issues related to accounts, cards, loans, financing, Ponto Pra Você Program, debt renegotiation, banking service, security, fee, ATM operation and issuance of password for attendance at branches through the app.

Our customers can still carry out their banking transactions directly through Facebook Messenger, without resorting to internet banking or BB app. We are the first large retail bank in Brazil that combines Messenger functionality with IBM's Watson artificial intelligence to provide customer service through chatbot transactions. The human service is performed when necessary, either at the customer's request or as chatbot suggests specialized service.

Customer Service and transactions via Twitter

The service, similar to the one carried out by Facebook Messenger, can already be carried out by the social network Twitter. In addition to asking questions of the most diverse topics, the transaction on Twitter available is the IBAN code, used to make remittances abroad, according to surveys conducted by the Customer Service.

Chatbot service and transactions in Whatsapp

The service is also performed by the Whatsapp messaging application. To be served by WhatsApp, all you have to do is save the contact (61) 4004-0001 on your mobile and start a conversation by the chat application. When requesting a bank transaction or a human service, only the first time device authentication (push activation code or sms) is required.

After authentication, day-to-day use transactions, such as balance, statement, invoice, can be made without the need for a password. For transfer transactions between accounts, IPVA payment (for some states), subway refill (for the state of São Paulo), validation is done by a six-digit password.

All transactions are made available within the Whatsapp application itself, in which the natural conversation can be performed by chatbot or human attendant, depending on the customer's need. Human service is performed by talking to your manager, or by the BB Relationship Center, depending on the client's rules of segmentation. Over one million messages were received and 122,000 users have been served by WhatsApp.

Benefits Club

In November we launched the Benefits Club. This new form of relationship allows the client to choose the Club that best suits their profile and needs, automatically receive new advantages in the market and still get back 100% of the monthly rewards. The goal of the strategy is to differentiate competitively and increase customer satisfaction.

Withdraw by Whatsapp

Our customers, since December 2018, can make withdrawals through Whatsapp, without the need for a card to complete the transaction. Artificial intelligence understands the customer's natural language and directs it to the service transaction, where the amount to be withdrawn will be requested. The transaction is completed by typing the card password in a secure environment. Once this process is completed, the client may go to a self-service terminal with the code entered by the virtual assistant.

New strategy extends limits of liberal professionals and managing partners

Starting in May, three million professionals and company owners were included in a new strategy, that is to be the leading provider of financial solutions for this segment. One of the actions brought an increase of R\$127 billion in the credit limit for this public bringing real business possibilities and will provide a better adaptation in credit portfolio to our strategies.

Credit offer for non-account holders reaches the App

In another innovation aligned with the strategy of business expansion with non-account holders, since November, non-account holders can contract BB Crédito Automático also by mobile devices.

It is another innovation aligned to the business expansion strategy with the non-trading public. Offering multi-channel solutions, as well as assisting in this strategy, it also provides greater convenience to extend the relationship with the public that does not have a checking account at BB. The client can simulate, choose the value and the parcels debit date. After checking all the data, just confirm the operation.

App BB for dollars and Euro purchase

Since February, our customers can purchase US dollars and Euro (since May) in a different way through our application. In addition, the customer will also be able to define the price he is willing to pay and the waiting period to the currency reach the target. As soon as the chosen currency reaches the desired level, the application will send a message to confirm the transaction.

After the purchase has been made, the customer has up to two business days to withdraw the dollars at one of the ATMs, or at the branch for Euro, at the guaranteed exchange rate on the day of the app transaction. The solution also helps to locate a branch that makes exchange operations closer. With your phone's GPS on, the app will show branches within a five-mile radius. The client can also search by state and city.

Opening checking account and credit card by your smartphone's

In May 2017, we launched the full checking account opening by the BB app. The process involves sending documents to the registration of passwords, all done by customers on the smartphone. Innovation means more convenience for the customer and less demand in the branches, allowing them to focus more on the relationship and doing business. By December 2018, more than 2.7 million accounts were opened.

In July, we launched a solution in the App for non-account holders to apply for our credit card, easily and completely digitally. To crown the digital experience, one of the great differentials is the option to generate a virtual card as soon as the customer contracts Ourocard, allowing the user to be able to shop online, without having to wait for the plastic to arrive at his residence.

In addition to all this, the Ourocard Fácil, a new international credit card type, issued on the Visa flag is also available for request.

My Finances - Balanced Budget

A balanced budget is key to achieving the financial goals. With that in mind, we launched "My Finances". Developed with the participation of our clients, the application helps to monitor the budget and a more effective financial control, which allows this client a more conscious analysis of their financial life. The solution currently has six million registered users and 1.7 million daily accesses to the tool.

Investment Simulator reaches R\$2.2 billion

Since its launch for all customers in November 2017, the Investment Simulator has already raised R \$ 2.2 billion. The Efinance 2018 award-winning tool in the Investment Application category features encouraging figures: 48% of clients who applied had no investment with us on the date before hiring, and about 16% of clients never had an investment balance with us. In addition, one in four people returned to the simulator and invested again.

Zero Rate Investment Day

In September, we set custody rates for those who apply to Tesouro Direto and fixed income securities, such as Real Estate Receivables Certificates (CRI), Agribusiness Receivables Certificates (CRA) and Debentures. The charging rate for customers investing in PGBL and VGBL pension plans has also been zeroed for both applications and redemptions.

The strategy aligns the costs of these products to the new market practice and strengthens our positioning with investor clients.

Opening the investment portfolio

In July, we announced the expansion of the target audience of our open investment architecture model, which allows our customers to diversify their portfolios with products from other financial institutions through our asset manager.

The model, previously adopted only for Private investors, is now being offered to Estilo investors, expanding the scope of the strategies developed by our investment advice and aligned with the new profile of this investor, who is increasingly informed and sophisticated.

For Estilo clients there are three investment funds of managers that have different strategies in the market: BB Espelho Multimercado Bahia AM Maraú Style, BB Espelho Multimercado Gávea Macro Style and BB Espelho Multimercado SPX Nimitz Estilo.

Acceptance Real State Finance

As a pioneer in the financial market, we offered, at the end of 2017, the hosting and contracting of real estate financing by our app.

Through this channel, our client can approve credit, hiring insurance, upload documents and send proposal for analysis and contracting of real estate financing. In 2018, 1,598 proposals were contracted via app totalling R\$302 million in loans.

Auto Loans via mobile reaches R\$1.3 billion in disbursement

Our customers can contract Auto Loans in the mobile channel, which represented, in 2018, approximately R\$1.3 billion in disbursement, growth of more than 85% from 2017. The app's share of total operations grew more than 73% in the last year and represents more convenience to customers, as more than half of the sales were made outside of banking hours, including on weekends.

Loan confirmation via app

We implemented the "Duplo Sim" solution for more than five thousand active agreements and operations contracted in 2018. The new group benefited from the innovation adds R\$12.2 billion in balance and the initiative guarantees that, from now on, 100% of existing agreements are integrated into the solution.

The functionality allows the contracting confirmation by the customer in the digital channels and can be accessed through the "Pending" menu on the mobile, the internet and the self-service terminals. The command performed by the client will cause the proposal to follow the normal flow of annotation and confirmation.

Payments via Apple Pay

Since August, the payment solution via Apple's smartphone, in credit and debit functions in physical stores and credit in online stores, initially by Visa card, has been available to our customers. The solution, simple and secure, helps our customers to make payments in stores, applications and internet, without having to use the physical card.

This tool adds to the other available Samsung Pay and Google Pay digital wallets, and the "Pagar e Receber" solution available in our app.

Digital Solutions for Debt Settlement

We offer digital channel for consultation and debt renegotiation, the "Portal Solução de Dívidas" accessed by internet banking, app, call center and branches. The tool brings convenience, expands the customer experience and is available to both our individual clients and legal entities.

Since September 2014, more than six million agreements have been made, with a total of R\$53.9 billion regularized, of which R\$10.2 billion is for digital channels. In 2018 alone, R\$ 13.9 billion was regularized, with a R\$3.4 billion stake contracted directly by the client.

Recovery Campaign

Since July, 59 conciliation events have been held for delinquent clients. The conciliation event brings us closer to our clients, in a favorable environment, which increases the probability of success in negotiation. The campaign contributed to the recovery of six billion reais of losses and the settlement of delinquent loans.

Digital Conciliation Platform

In August, we launched the Digital Conciliation Platform for outsourced judicial collection offices, with business parameters and automated processes, which would require manual intervention in the process. More than 570 agreements have already been made by the platform, with R \$ 52.7 million of recovery of credit in judicial agreements.

Open Banking

We have made progress on our Open Banking strategy. After the pioneering partnership with the startup ContaAzul, we signed an agreement with bxbblue, a digital platform for comparing payroll loans credit conditions. On the platform customers can simulate and contract consignment operations directly on fintech's website. The partnerships we have established through open banking complement the Bank's strategy in fully digital solutions to bring greater ease and agility to our clients.

Client's Council

In 2018, we continued with the Clients' Council, a meeting with a permanent group of invited clients that expose their needs and expectations regarding our services and products. 40 individual clients were heard and the notes were directed to our decision-making areas.

Gerenciador Financeiro facilitates the life of rural producers

The Gerenciador Financeiro Produtor Rural/Private, launched in 2017, allows our clients to manage their account transaction through this application. The solution facilitates cash flow and delegation of administrative activities, making the life of the customer easier, managing their business more efficient and increasing their satisfaction with us. In the second half of 2018, the exchange and DDA functionalities were implemented.

The Gerenciador Financeiro is used by four thousand users and around 20 thousand monthly accesses.

Rural producer can contract funding and investment smartphone

Since the beginning of the year, rural producers can contract working capital for input purchase and investment operations via the app. The new solution allows entrepreneurs to submit working Capital for Input Purchase line and investment proposals through the mobile phone, making the process more agile for the client.

In the second half of 2018, functionality was implemented that allows the upload of documents (images and files) of the proposals. As of 12/31/2018, 769 documents were submitted with the new functionality.

Since its launch, the volume of proposals released by the app has exceeded R\$4.4 billion.

Participation in Agribusiness events

In April, we participated in the technology fair in agribusiness Tecnoshow, in Rio Verde (GO). The first day the volume of data has already exceeded by 50% the total volume of highlights of the previous edition. One of the highlights for a proposal of PCA (Construction and Expansion of Warehouses) in the amount of R\$13 million, for private segment client. This proposal is one of our strategic for the sector in 2018.

We also participated, in May, of the Agrishow, a major agricultural technology fair in Latin America and some of the three largest in the world. We achieved R\$1.6 billion in contracts in the event, 80% higher than the last edition, in 2017. We are the only financial institution to be present in the 25 years of the fair.

We launched, on the same month, the Agro BB Circuit 2018, in which we met with rural companies, resellers, associations, and technical staff and relationship managers in 60 municipalities in the country. In 2017, there were 17 municipalities contemplated.

Business opportunities and dissemination of technical information about family succession risks, storage, irrigation, products and banking services, among others. A participation in events strengthens our presence in the sector.

In August we participated in the 41st Expointer, in Esteio (RS), stage of launching news for agribusiness. At the fair, the public had access, first hand, to three new digital solutions: Agrobot, QR Code Investimento Digital in the hiring of agricultural machinery and implements and CPR Digital.

Created to assist farmers in the decision-making process, Agrobot is an intelligent virtual consultant who combines our expertise in the field with external sources to provide in a contextualized, easy and convenient way all the information necessary for the grower to optimize his activity. By the end of 2018, the solution already had 4,038 registered customers, with an average of 150 accesses per day. CPR Digital has already reached one billion reais in operations, due to the greater agility and convenience for the producer.

With unprecedented use in the financing of agricultural machinery and equipment, QR Code can be captured throughout the fair in some resellers and in other environments such as catalogs, folders and website of the partner companies. The solution will be tested with greater effectiveness in agricultural fairs that occur in the first half of 2019.

Business Segment

Talk to your manager

Corporate clients can already be served via chat, by the tool "Fale com seu gerente" or "Talk to your manager". The aim is to expand the contact with companies, providing greater quality and timeliness to the service. In 2018, four million messages were exchanged, and average of 16 thousand messages a day.

MEI client has more facility to open accounts - Easy 100% Digital Account

The individual microentrepreneur (MEI) can open through the BB app on mobile without any intervention by the agency in the process. As of December 2018, 25,756 accounts were opened by the app. The account allows the contracting of Cielo affiliation and access to services such as automatic debit, withdrawals, deposits, payments, transfers, in addition to the debit card Ourocard Elo, which gives more autonomy to the entrepreneur.

Being digital without giving up personal contact

Visits are a key part of building a lasting and trusting relationship with the customer. That's why we've invested in an application that makes it easy for day-to-day relationship managers. The BB Visitas app assists in preparing, conducting and conducting visits by speeding up access and registration of customer information. Managers will be able to better understand customers' needs, serve them better and do more business. In addition, the data recorded by managers are used for the development of new business induction strategies. As of December 2018, 161,836 visits were already cataloged by the app.

BB prepares family-owned companies for capital markets

In 2018, with an invitation from B3, we started to act as the investment bank of the Club de Advisors program, which aims to prepare family companies in Corporate Governance and Compliance to professionalize their structures, qualifying them for issuances in capital market.

The program was created in 2017, with the purpose of promoting meetings for discussion of high quality content, training companies to open capital and preparing their founders for the succession process. In 2018, we hosted 50 entrepreneurs and mid-sized family business executives to discuss, together with renowned partner law firms and audit firms, issues such as IPO and mergers & acquisitions as alternatives to succession and perpetuity of companies.

With our capillarity of relationships and deep multisectoral knowledge, we have a unique platform for origination of capital market operations, reaching a public traditionally outside the radar of transactional investment banks.

Chatbot service for companies

Since August, our PJ customers can interact with the smart virtual help desk assistant, available in the unmanaged area of the financial manager on the web. The solution came to meet the large volume of calls through this channel.

Companies Investment Simulator

Since December, our investment simulator has been available to Companies customers. During the test period, more than R\$ 63 million were raised.

The Investment Simulator helps financial managers choose the best product for the company's level of risk and liquidity needs. The Simulator simplifies the way you consume investment products. From the analysis of the client's portfolio, the Investor Profile's value and the term are suggested the most suitable products for the application. In addition, support material containing the Suggested Portfolios of specific investments for this audience is available and can be made available to customers.

Public Sector Segment

Interconnection of Courts

Since December 2017, the State of Bahia Justice Court (TJBA) has begun to use our digital interconnection solution for the Courts and issue electronic permits for redemption of judicial deposits. The TJBA is the fifth in the country to adopt the new permit model, following the courts of Justice of São Paulo, Rio de Janeiro, Mato Grosso, and the Regional Labor Court of São Paulo. In 2018, the Regional Labor Court of the 20th Region in Aracaju (SE) and the Minas Gerais court of law concluded the interconnection process with BB and began issuing electronic permits in a pilot project implemented in some cities.

The solution modernizes the deposit direct to a checking account, savings, wired transfers/attorneys and/or third parties, or withdrawals at cash terminals, dispensing with all manual procedures for verification and execution of permits in branches, avoiding customer dislocation and making the process 100% automated. As the interconnection progressed, in 2018 approximately 801 thousand protocols were issued, with no manual intervention of our employees, equivalent to 17.8% of the total of 4.5 million protocols of licenses released for payment in the period and 82% higher than the number of 2017.

Automatic redemption of judiciary bond in ATM or app

Since February, customers who have credits owed by the Federal Treasury, can opt for automatic redemption of these amounts in their checking or savings account, via TAA or App BB. The functionality also applies to warrants and certificates issued by the interconnected Courts, dispatched by electronic means, which confers convenience to the client and greater security and agility to the rescue.

BB Integra Portal surpasses the mark of 19.5 thousand accesses

The BB Integra portal, which we made available with the objective of supporting public management, surpassed in the beginning a mark of 19.5 thousand accesses. The portal presents, in a friendly way, data from more than 22 official sources and allows access to more than 818 indicators on the reality of Brazilian municipalities, through a computer, cell phone and tablet, which is an important source of consultation in support of management and monitoring of public policies.

Tax Compliance Program for States and Municipalities

We offer several tools that increase the possibilities of collecting state and municipal taxes, for simplifying access to payment by taxpayers. Since 2018, it is already possible to offer our customers a "List of Debts" to pay their taxes as soon as they access their accounts through self-service, internet or App BB.

For the organs that maintain systems integrated with us, the client can also consult his obligations from his CPF/SSN. In addition, our ATM may receive taxes payment by debit card, including from other banks. All of these facilities increase the volume of government revenue and reduce taxpayers' enrollment in active debt.

Payment of Pasep Quotas

In 2018, the release of resources was determined for participants with quotas. Attentive to the opportunity, we developed solutions to enable the simplified transfer of securities to quotaholders who held account in other banking institutions and anticipated credit for our clients. With all the actions implemented, we paid more than R\$ 3.0 billion to about 2.6 million participants.

Recharge of transport cards - SPTrans

As a result of the agreement signed in 2017, it was in 2018 that our customers permanently joined our channels to recharge the cards, used for both urban buses and trains and subways. In addition to contributing to risk mitigation, expansion of customer service points and reduction of operational costs of the company responsible for the management of public transportation in São Paulo, the solution developed - at the time - with exclusivity, brings profitability and shows itself as a safe, modern and efficient alternative to other municipalities that have already started negotiations for the implementation of card recharge solutions through our channels.

More than digital Municipality

Supported by the Ourocard Cidades solution, this initiative encourages the affiliation of shopkeepers and offers benefits to expand the use of cards by customers with local commerce. In addition, the customer who uses the card will have benefits, such as annuity exemption and exchange of points for products. The objective is to boost the local economy and increase operational efficiency by reducing the circulation of paper money and, consequently, cash transport costs, as well as providing more security for customers and shopkeepers.

6. People

For us, the policies development and practices on people management are guided by meritocracy, competencies development for work and organizational climate. They are the foundation that allows the strategic objectives achievement. Following, our employees profile:

Table 2. Employee Profile

	2017	2018
Employee Profile		
Employees	99,161	96,889
Female	41,044	40,243
Male	58,117	56,646
Education's Level		
High School	17,533	14,846
College	41,073	38,703
Specialization, Master's and Doctorate	40,354	43,150
Others	201	190
Geographic distribution		
North	4,440	4,259
Northeast	16,637	16,116
Mid West	16,748	16,808
Southeast	43,752	42,586
South	17,549	17,096
Abroad	35	24
Turnover (%)	1.59	2.21

In 2018 we invested R\$101.9 million in corporate training through UniBB (Banco do Brasil Corporate University). This investment made it possible to offer 2,543 undergraduate scholarships, 3,316 postgraduate scholarships and 791 language scholarships.

Aligned to the Digital Transformation context, we launched, in February 2018, new Virtual Learning Environments. Now, more integrated and gamified, the UniBB Portal and the New UniBB Mobile App offer a better experience for employees, providing more mobility and access to education. In 2018, there were 9.8 million accesses to the platforms and 5.1 million content completed, representing respectively 37% and 68% increase compared to 2017.

At the beginning of the second half of 2018 we launched UniBB Radio on the UniBB Mobile App, with relevant and current content on management and business podcasts, bringing quality and quick information to employees, and the UniBB Virtual Library offering more than 7 thousand titles of online form via Portal UniBB. These new features provide greater ease of access to education and a better learning experience for employees.

We present some highlights of training offered at UniBB

- Digital Transformation Track Updating, including the "Big Data Analytics" course, which addresses the importance of Big Data for the optimization of organizational processes and their impact on business. With this, the Track, which has already been accessed by about 62 thousand employees, now has 35 courses, which address issues relevant to our transformation process.
- The Portfolio Management Office for Small and Very Small trained, in 2018, 2,726 employees in concepts of negotiation, credit management and customer portfolio management, aiming to achieve sustainable results with this public.
- The Senior Management Trail contains solutions related to ethics and integrity, and is intended for members of the Board of Directors, the Board of Directors, the Fiscal Council, the Risk and Capital Committee and the Audit Committee. This track was developed with the objective of providing continuous compliance with Law 13,303/2016 (State Law) regarding the qualification of the Bank's senior management and reinforces BB's commitment to ethics and integrity at all levels.
- The Strategy and Planning Trail is comprised of 10 courses that aim to disseminate fundamental knowledge to understand BB's Corporate Strategy, such as strategic thinking, planning, customer experience, leadership and results. The trail has already been accessed by more than 11,000 employees.
- Relaciona-e is a training program with an innovative approach, developed to help more than six thousand relationship managers, working in digital wallets, in the challenge of building sustainable relationships with clients, in the context of a digital transformation context.
- The Leadership Training Programs aim to develop strategic skills through educational actions carried out in partnership with renowned business schools in Brazil and abroad. They are aimed at potential and current solution managers, executives, regional and state superintendents. Currently the public is made up of 439 employees.
- The Women's Leadership Program aims at developing the skills of female leadership, disseminating the culture of gender equity, and discussing and proposing actions for women's empowerment in our organization. There are 717 employees in the BB management segment, men and women, who are participating in at least one of the stages.
- Game Develop, whose objective is to train, in leadership skills, employees who have not yet assumed managerial functions, had its Digital Transformation Journey started, with the purpose of contributing to the formation of the future leaders of BB in the context of Digital Transformation. The public is made up of about 54 thousand employees among clerks, cashiers, assistants, attendants and service supervisors. In 2018, the game also had the support of more than 27,000 mentoring processes.

In 2018, we granted three BB shares to our employees. The aim was to recognize the role of employees in the results of our training, to stimulate performance and long-term management, to increase the sense of ownership and finally to strengthen the company's relationship with its employees in search of results. Shares may only be traded after retirement.

We also expanded the possibilities for awarding the employees. In the Performance Program (PDG), for example, in addition to expanding the target audience, additional awards can reach the equivalent of 1.5 salaries per year - or three extra salaries per year.

We have increased investment in identification programs for employees with potential for career advancement in the Company, valuing merit, performance and training. We launched the PIT - Talent Identification Program, aimed at Clerks and Bank Teller with the best curricula and performances, and conducted the Ascension Program for Regional Superintendent, Division Manager and General Manager of Business Branches. In the second half of 2018 the second edition of the program was launched, including the Support Units.

In October we opened a selective process to identify talent in the analytics area. The objective was to select employees with knowledge in machine learning, deep learning and big data. There were 3,700 participants, of whom 129 were approved. Staff qualified for the talent pool may be invited to participate in training actions, work groups, internships, and even be called in to participate in internal selections and collaborate or integrate analytics teams in BB.

Table 3. Compensation and Benefits

R\$ million	Banco do Brasil Financial Statements		Consolidated Financial Statements	
	2017	2018	2017	2018
Payroll ¹	16,652	17,207	18,007	18,527
Supplementary Pension ²	1,565	1,871	1,565	1,871
Health Care Plans ²	1,287	1,644	1,287	1,644
Statutory Profit Sharing ³	1,416	1,633	1,422	1,638
Training ⁴	59	67	64	73

1 - Expenses with salaries, benefits, social charges and personnel provisions, as note 21 – b) Personnel Expenses;

2 - Funding of supplementary pension and health care plans, pursuant to Note Benefit Plan;

3 - Amount set aside for Profit and Gain Sharing, as Statement of Income;

4 – As note 21 – b) Personnel Expenses.

7. Financial Performance

The MD&A report, published quarterly on the date of our balance sheet, provides a comprehensive and in-depth analysis of our results and is available for consultation on the investor relations website bb.com.br/ir.

Below, we present the main figures for our performance in the year. This result is the materialization of our corporate strategy.

Table 4. Financial Performance

	Banco do Brasil Financial Statements		Consolidated Financial Statements	
	2017	2018	2017	2018
Earnings (R\$ million)				
Net Income	10,881	12,649	11,011	12,862
Gross Income from Financial Intermediation	27,879	26,587	31,618	31,514
Fee Income	18,303	19,197	25,941	27,415
Administrative Expenses ¹	(33,492)	(32,151)	(35,092)	(33,718)
1– Refers to the sum of Personnel Expenses and Other Administrative Expenses.				
	Dec/17	Dec/18	Dec/17	Dec/18
Equity (R\$ million)				
Assets	1,425,213	1,479,379	1,369,201	1,417,144
Classified Loan Portfolio	619,647	626,345	635,911	640,226
Total Deposits	435,379	471,411	450,229	486,037
Shareholders Equity	87,531	91,990	98,723	102,253
BIS Ratio (%)	19.6	18.9	19.6	18.9

8. Service

We highlight the growth of 14.6% in digital and specialized service points in the year.

The service specialization model, tested in Belém, Curitiba, Joinville (SC) and Ribeirão Preto (SP), and implemented in October in Brasília and São Paulo branches, will be expanded to another 100 places in 2019. The model proposes the specialization of the service and the performance of an integrated way between physical branches and offices, to guarantee a good service and the accomplishment of business in the channel of preference of the client.

The main change will take place in the Retail branches, which will be specialized in customer service and sales and focus exclusively on the quality of service and the conduct of business with all customers who attend the physical point. In the case of offices and digital branches, the focus will be on the relationship and valuation of the convenience of our clients, with extended hours, consultants and specialized professionals, exclusive presence channels, as well as specific products and services for each segment.

Table 5. Service

	2017	2018	Var.%
Branches	4,770	4,722	(1.0)
Traditional Branches	4,228	4,101	(3.0)
Digital and Specialized Service	542	621	14.6
Estilo Branches	249	249	-
Empresa Branches	122	171	40.2
Government Branches	30	30	-
Private Banking	9	11	22.2
Exclusivo Offices	85	139	63.5
SME Offices	36	2	(94.4)
Estilo Offices	11	19	72.7

9. Capital

Solidity is the essence of a Bank. Therefore, we have a Capital Plan with a prospective view of three years, incorporating the effects defined by Basel III and considering (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget .

The BIS Ratio reached 18.86% in December 2018. The Tier I was 13.39%, 10.00% of CET1 and reference equity reached R\$134.2 billion.

As a goal, the objective to maintain the CET1 above 9.5% in 2019, when the rules of Basel III will be fully implemented in Brazil. The focus is on organic capital generation with profit growth supported by the attractive lines under the criterion of return versus risk allocation and lower capital consumption. We reached this goal a year in advance at the end of December 2017.

In addition, following our Statement of Appetite and Risk Tolerance and Capital Plan, by January 2022, our goal is to maintain at least 11.0% of CET1.

10. Conglomerate Businesses

We seek to offer the most complete financial solution for our clients, with credit being the most relevant business. Our solutions include fund raising, asset management, treasury, payments and services in general. In synergy with these businesses, we also operate through companies in several segments.

More information can be found on our investor relations website (bb.com.br/ir), BB Seguridade (bbseguridaderi.com.br) and Cielo (cielo.riweb.com.br).

The following are the main markets in which we operate:

Credit

In 2018, the credit disbursement grew, respecting our return and capital management and the results were already perceptible in the individuals and agribusiness portfolios. The organic individuals portfolio grew by 7.6%, with special attention to payroll loans and mortgage loans which already represent 60.6% of our individuals portfolio. We are also focused on non-payroll loans, notably for professional clients and business owners. This strategy has already resulted in disbursements of more than five billion reais in 2018.

The portfolio for companies, including government loans, decreased by R\$10,539 million (4.6%) in 2018, reflecting the market conditions and lower demand. The ACC/ACE grew 21.9% in the period, regarding our history in supporting foreign trade and R\$584 million in receivables.

In the agribusiness portfolio, growth of 3.2% compared to December/17, highlighting the growth in FCO Rural and Agricultural Investment lines (29.2% and 30.0%, respectively), which reinforces our commitment to this segment. We ended the year with a 57.4% market share.

Regarding credit quality, our delinquency ratio over 90 days (NPL +90) decreased from 3.72% in December/17 to 2.53% in December/18, reflecting the Company's global effort in regularizing these credits. In addition to the commitment of our service network in the collection and recovery of credit, technology was fundamental to our solutions and platforms improvement. We have reduced, for example, by 61% the average time of the judicial collection operational process.

Insurance

BB Seguridade is the Banco do Brasil company that concentrates the insurance, open pension, premium bonds, reinsurance, dental plans and brokerage business. Incorporated in 2012, the company is the result of corporate reorganizations undertaken since 2008 and culminating in the opening of its capital in April 2013.

In 2018, BB Seguridade recorded a R\$3,540 million result and return on equity of 35.8%.

In March, the brands BB Seguridade, Brasilcap, Brasildental, Brasilprev and Grupo Segurador Banco do Brasil and MAPFRE, which presented themselves independently, started to form a umbrella of protection represented unified by the BB Seguros brand. All content in sponsorship, advertising and publicity, internal communication, press releases, internet and social networks are signed by the new brand. Telephone service channels will also follow this unification.

Further information on BB Seguridade and the insurance business can be found in the company's Performance Review report, available at <http://www.bbseguridaderi.com.br/>

Payment Methods

We operate through BB Administrador do Cartões and the BB Elo Cartões holding company, which concentrates the business Alelo, Stelo, Livelio and Cateno, as well as the stake in Cielo S.A., through our wholly owned subsidiary BB - Banco de Investimento S.A.

Our wide customer base, quality and diversity of services make us one of the main issuers of Elo, Visa and Mastercard.

We launched in November the Ourocard Elo Nanquim Diners Club for our high income personal and Corporate/Large Corporate corporate clients. Plastics will be the most sophisticated of the Elo portfolio. Among the main differentials of individual cards are the score higher than other cards for high-income customers, access to more than 850 Diners Club and Key Lounge VIP lounges worldwide and two free transfers to airports in Brazil and abroad.

For the corporate public, the product offers free travel insurance in Brazil and abroad, with insured value of up to US \$ 1 million; four travel chips per year, each with 4GB of data/voice; score in the Point program for your Company of 1 point for each US\$1.00 spent, through membership; as well as two airport transfers and access to the Diners Club and Key Lounge lounges.

Further information on Cielo and the payment methods market can be found in the company's Performance Review report, available at <https://ri.cielo.com.br/en/>

Asset Management

We maintained the leadership in the investment funds industry through BB Gestão de Recursos (BB DTVM), with a market share of 22.5% and a total of R\$941.116 million in managed funds (funds managed by BB DTVM and other institutions), an increase of 8.9% compared to 2017.

Regarding investor segmentation, according to the Global Ranking of Anbima Resources Management in December, 2018, BB DTVM remained leader in the segments: Public (62.7%), Institutional (27.1%) and Retail Investors (41.6%).

Capital Market

The capital market has been recovering in recent quarters and is an important alternative to financing, especially for large companies, with the potential to generate revenue with fees and create other business opportunities. In this year, we advised our clients on domestic and international fixed income issues, totaling R\$54.0 billion raised.

We operate on the domestic capital markets through BB-Banco de Investimento SA (BB-BI), and not abroad through brokers BB Securities Ltd (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte Ltd. (Singapore), focusing on retail and institutional investors. Our coverage is global and updated in fixed and variable income operations, mergers and acquisitions, evaluation in transactions of Financial Projects, offering to the clients different funding alternatives and access to investors in Brazil and abroad.

Consortium

We presented innovations and good results on the consortium deals in 2018. We traded 304 thousand new shares of consortiums, totaling R\$11.3 billion in turnover, an increase of 32% over 2017. Of this total, 17% were made via digital channels.

We expanded our operations in alternative channels (digital channels and external partners) and use of sales opportunities, even in periods of high negotiation, like in November with Black Friday. On the occasion, we recorded the best sales performance of the year from the promotional campaign with concession of discount on the administration fee for new accessions.

We also launched the agro market consortium, which is already established as an important alternative in the acquisition of goods and inputs in the field, such as farms, machines, implements, land and power plants to the countless range of services, with the possibility of reforming a rural property .

Credit Recovery

Through Ativos Financial Credit Securitization S.A., our wholly-owned subsidiary through BB-BI and Bamb, we conducted 1,006 thousand deals in 2018, totaling R\$655.2 million in loans recovered. These recoveries come from non-performing loan portfolios acquired by Ativos S.A from our portfolios or from other Financial Institutions.

In line with the digitization of processes and the improvement of the customer experience, Ativos SA also allows trading directly on its website (www.ativossa.com.br, option Negotiate your Debit) or through the app itself Ativos SA , available for iOs and android and which has more than 190,000 downloads. In 2018, net income generated by Assets SA totaled R\$133.7 million.

11. Social Businesses and Sustainable Development

Our social businesses have as a priority the economically profitable initiatives development, using market mechanisms, to resolve socioeconomic inequalities in a sustainable manner, guaranteeing income, productive inclusion and access to public services.

BB Crédito Acessibilidade, a line for the financing of assistive technology goods and services, in 2018, 8,463 new operations were contracted. Since its launch in February 2012, the line has served more than 65.7 thousand people.

In the Oriented Productive Microcredit (MPO), we work to expand and qualify the offer of credit to entrepreneurs, stimulate the creation and strengthening of small businesses. In 2018, we reached an accumulated disbursement of R\$337,256 thousand in working capital loans. A total of 171,554 thousand clients were benefited, among individuals and legal entities throughout the country, served through the network of branches and in partnership with Movera, our associated company, which 2018 carried out 91,674 operations, with R\$109,621 thousand disbursed to more than 81 thousand customers. In addition to the transaction via the current account, we made available the contracting of the MPO for the Ourocard Conta Fácil and the Ourocard Prepaid Card, via app.

Table 6. Main Social Businesses

R\$ million	Balance	
	2017	2018
Fies	35,834.5	41,611.4
MPO	305.2	234.8
Crédito Acessibilidade	163.6	162.4

12. Risk, Control and Security Management

Risk Management

Our practice is based on the policies and processes approved by our Senior Management and the management structure segregates the risk management process of the other corporate processes.

We have adopted a structure of governance and risk management compatible with the size, nature of the business, the complexity of the products and services and the relationships established with the various stakeholders.

The risk management structure aims to identify, measure, evaluate, monitor, report, control and mitigate risks and includes Directors and Units with defined roles and responsibilities, with the participation of the Management Bodies and the Strategic Committees.

Internal Controls

Our Internal Control System is consolidated. Processes, products and services have activities to identify risks and evaluate controls that have been continually improved with the implementation of mitigators, indicators and the internalization of good practices in Risk Management and Corporate Governance.

The adoption of the Defense Lines Model assists in achieving strategic objectives as it reinforces the competencies and responsibilities of the Bank as a whole within the framework of risk and control management. The Model promotes greater interrelationship between business, risk management, controls and auditing, seeking risk mitigation, reduction of losses, improvement of processes, sustainability and, consequently, better financial results. The more integrated operation between the lines of defense favors the consolidation of the system of internal controls, providing an adequate and safe environment for the execution of the business.

We adopted the Internal Control and Compliance Policy, aligned with CMN Resolution 4,595, which establishes the principles and guidelines for effective compliance risk management. Our Compliance Program focuses on achieving compliance, sustainability and security in our businesses, processes, products and services.

Our Customer and User Relationship Policy adheres to CMN Resolution 4,539, consolidating the guidelines and organizational values that should guide the Bank's behavior in the relationship with its clients and users and in the proper management of the risk of conduct.

The adherence and effectiveness of the Internal Control and Compliance Policy and the Customer and User Relationship Policy is the responsibility of the entire conglomerate, under the coordination of the Internal Controls Directorship.

For further information on the Internal Control System, programs and policies, refer to the Reference Form and Compliance Program, available on the Investor Relations website (www.bb.com.br/ir).

Institutional Security

Reaffirming our commitment to ethics, transparency and integrity, we conducted a review of the Integrity Program and the integrity risk assessment methodology, in accordance with the guidelines of the Ministry of Transparency and Comptroller General's Office (CGU). We actively participated in initiatives to prevent and combat corruption at the Ethos Institute, Alliance for Integrity, National Strategy to Combat Corruption and Money Laundering - Enccla and the Brazilian Federation of Banks - Febraban. We maintain technical cooperation agreements with the Department of Asset Recovery and International Cooperation of the Ministry of Justice, with the Financial Activities Control Council - COAF and with Interpol.

We have a training plan on ethics and integrity issues for employees, including the Institution's top management. In 2018, 11,606 employees participated in the training promoted on the subject of prevention and fight against corruption and 36,269 were trained in training events in prevention and fight against money laundering and the financing of terrorism. In addition, 24,128 tests were carried out to certify knowledge in the prevention and combating of money laundering and terrorist financing.

13. Legal Information

In accordance with criteria defined by the Very Small and Small Companies Brazilian Statute, 96.1% of our companies clients are small and very small companies. The funds used by small and very small companies were R\$23.8 billion in December, 2018. The working capital operations balance contracted by very small companies was R\$1.0 billion, and of small companies was R\$14.8 billion. Investment operations aimed at very small companies was R\$591 million; for small companies, investments was R\$7.1 billion.

In the engagement of services non related to external audits, we adopt procedures based on the applicable legislation and on internationally accepted principles that preserve the auditor independence. These principles consist on: (i) the auditor should not audit his own work and (ii) the auditor should not act managerially before his client nor promote the clients' interests.

During the period, Banco do Brasil's Conglomerate companies contracted KPMG Auditores Independentes to provide other services not related to the Bank's and its subsidiaries' external audit R\$1,576 thousand, representing 4.93% of the fees related to the external audit service. The contracted services were:

Table 7. Hiring of KPMG Audit

Hiring Company	Hiring Date	End of Contract	Description	Amount - In R\$ Thousands
Cielo	01/12/2018	05/30/2018	Consulting	98.7
BB Securities Asia	04/26/2018	04/26/2018	Consulting	21.1
Banco Votorantim S.A.	04/26/2018	04/26/2018	Consulting	75.6
Votorantim Asset	04/26/2018	04/26/2018	Consulting	113.4
Banco Patagonia Ur.	04/01/2018	06/30/2018	Consulting	202.0
Brasil Seguros e Prev.	05/31/2018	06/30/2018	Consulting	73.5
Brasil Seguros e Prev.	05/31/2018	06/30/2018	Consulting	82.0
Banco Votorantim S.A.	07/20/2018	11/30/2018	Consulting	97.5
BV Financeira S.A.	07/01/2018	12/31/2018	Consulting	130.0
Kepler Weber S.A.	10/01/2018	12/31/2018	Consulting	683.0

In compliance with CVM Instruction 381, we report that in 2018, the Independent Auditors KPMG did not provide services that could affect its independence, ratified by the adherence of its professionals to relevant ethical standards and independence that meet or exceed the standards promulgated by IFAC, PCAOB, SEC, AICPA, CFC, CVM, Central Bank, SUSEP PREVIC and by other regulatory branches. These policies and procedures covering areas such as: personal independence, post-employment relationships, rotating professionals as well as the approval of audit and other services, are subject to constant monitoring.

In Banco do Brasil, the contracting of services related to external audit should be preceded by the Audit Committee's opinion.

Securities

In accordance with art. 8 of Bacen Circular 3,068/2001, we state that we have the intention and the financial capacity to hold, up to maturity, securities classified as held-to-maturity securities. Financial capacity is supported by cash flow projection that does not consider the possibility of selling these securities.

The securities breakdown by category and the reclassification of securities can be found in Note 8 - Securities and Derivative Financial Instruments. The amounts related to unrealized gains and losses relating to securities are disclosed in Note 28 - Risk and Capital Management.

Affiliates and Subsidiaries

Pursuant to article 243, Law 6,404/76, we hereby announce that the Company's investments in affiliates and subsidiaries are listed in Notes 3 - Presentation of Financial Statements and 14 - Investments.

Additional Information

- I. Fixed investments amounted to R\$1,665 million in 2018, emphasizing the investment in new service points and in branches ambience improvement (R\$813.5 million) as well as the investment made in information technology (R\$811.4 million).
- II. We have R\$1,870 million and R\$1,880 million non-active tax credits arising from requirements defined by CMN Resolutions 3,059, december 20, 2002 and 3,355, march 31, 2006, and presented in Banco do Brasil Financial Statements and Consolidated Financial Statements note for 2018 on Individual and Consolidated Financial Statements respectively.
- III. Records in a memorandum account, according to rules provided for in Cosif (Financial Institutions Accounting Plan), R\$11,960 million deriving from Co-obligations and Risks in Guarantees Provided to BB's clients and companies.
- IV. We publish annually in our Annual Chart of Public Policies and Corporate Governance, available on our website (www.bb.com.br/ir), the investments made as a result of the exercise of public policies.

Banco do Brasil, its Shareholders, Officers, and the Fiscal Council members undertake to resolve all and any dispute or controversy related with Novo Mercado Listing Regulation by means of B3 Market Arbitration Chamber, in conformity with a commitment clause contained in Banco do Brasil By-laws.

For more information, visit Investor Relations Website: www.bb.com.br/ir.

BALANCE SHEET

ASSETS	Note	Dec 31, 2018	Dec 31, 2017
CURRENT ASSETS		831,685,184	769,102,140
Cash and cash equivalents	6	13,614,866	13,480,903
Interbank investments	7.a	412,306,070	370,906,503
Open market investments		386,121,022	347,671,300
Interbank deposits		26,185,048	23,235,203
Securities and derivative financial instruments	8	22,312,810	17,406,636
Own portfolio		19,892,244	13,669,831
Subject to repurchase agreements		1,543,982	2,590,049
Pledged in guarantee		268,521	634,070
Derivative financial instruments		608,063	512,686
Interbank accounts		64,762,041	74,516,282
Payments and receipts pending settlement	9.a	591,555	4,069
Restricted deposits	9.b	61,888,022	71,892,280
Deposits with Banco Central do Brasil		59,115,355	69,081,139
National Treasury - rural credits resources		38,533	16,252
National Housing Finance System		2,734,134	2,794,889
Correspondent banks		2,282,464	2,619,933
Interdepartmental accounts		254,747	404,870
Internal transfers of funds		254,747	404,870
Loans	10	186,269,969	179,791,353
Public sector		576,035	1,169,169
Private sector		198,248,722	192,639,735
Loan operations linked to assignment		505	165
(Allowance for loan losses)		(12,555,293)	(14,017,716)
Leasing transactions	10	106,335	166,952
Private sector		113,772	183,601
(Allowance for leasing transactions losses)		(7,437)	(16,649)
Other receivables		131,161,499	111,906,397
Receivables from guarantees honored		362,737	601,739
Foreign exchange portfolio	11.a	25,103,044	19,057,714
Accrued income		3,448,674	2,879,303
Securities trading		509,122	417,544
Specific credits	12.a	493	533
Sundry	12.b	104,477,547	91,070,544
(Allowance for other losses)		(2,740,118)	(2,120,980)
Other assets	13	896,847	522,244
Assets not for own use and materials in stock		551,276	412,543
(Allowance for impairment)		(155,818)	(157,586)
Prepaid expenses		501,389	267,287

See the accompanying notes to the financial statements.

ASSETS	Note	Dec 31, 2018	Dec 31, 2017
NON-CURRENT ASSETS		585,458,532	600,099,031
LONG-TERM RECEIVABLES		555,165,692	568,267,266
Interbank investments	7.a	2,785,527	2,116,825
Open market investments		754,933	515,460
Interbank deposits		2,030,594	1,601,365
Securities and derivative financial instruments	8	128,783,655	121,515,935
Own portfolio		89,416,471	91,713,584
Subject to repurchase agreements		36,071,681	28,682,860
Pledged in guarantee		3,220,404	977,258
Derivative financial instruments		75,099	142,233
Interbank accounts		4,092,928	4,118,336
Payments and receipts pending settlement	9.a	3,445,430	3,467,187
Restricted deposits	9.b	15,115	187
National Treasury - rural credits resources		15,115	187
Interbank onlendings		632,383	650,962
Loans	10	362,718,150	364,498,414
Public sector		74,180,719	74,100,972
Private sector		308,355,612	311,327,864
Loan operations linked to assignment		404,563	495,891
(Allowance for loan losses)		(20,222,744)	(21,426,313)
Leasing transactions	10	117,125	211,102
Private sector		119,942	214,956
(Allowance for leasing transactions losses)		(2,817)	(3,854)
Other receivables		56,656,517	75,788,225
Foreign exchange portfolio	11.a	10,497	--
Accrued income		32,730	69,228
Securities trading		382,841	473,626
Specific credits	12.a	392,414	416,269
Sundry	12.b	57,065,563	75,676,085
(Allowance for other losses)		(1,227,528)	(846,983)
Other assets	13	11,790	18,429
Prepaid expenses		11,790	18,429
PERMANENT ASSETS		30,292,840	31,831,765
Investments		16,973,191	17,489,734
Investments in subsidiaries and associates	14.a	16,754,357	17,262,707
Domestic		16,181,548	17,216,404
Abroad		572,809	46,303
Other investments	14.c	274,152	246,161
(Provision for losses)		(55,318)	(19,134)
Property and equipment	15	7,537,617	7,415,302
Land and buildings		8,102,145	7,722,889
Other property and equipment		9,453,968	10,182,774
(Accumulated depreciation)		(10,018,496)	(10,490,361)
Intangible	16	5,782,032	6,926,729
Intangible assets		14,459,342	19,055,527
(Accumulated amortization)		(8,677,310)	(12,128,798)
TOTAL ASSETS		1,417,143,716	1,369,201,171

See the accompanying notes to the financial statements.

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2018	Dec 31, 2017
CURRENT LIABILITIES		1,039,439,783	1,006,184,142
Deposits	17.a	442,285,753	405,168,767
Demand deposits		67,810,697	69,981,063
Savings deposits		174,854,743	160,289,875
Interbank deposits		30,351,705	21,382,405
Time deposits		169,057,376	153,338,582
Other deposits		211,232	176,842
Securities sold under repurchase agreements	17.c	393,556,860	365,536,950
Own portfolio		30,226,030	29,529,818
Third-party portfolio		363,330,830	336,007,132
Funds from acceptance and issuance of securities	18	32,565,915	67,394,565
Bonds backed by real estate, mortgage and other credits		29,256,810	58,716,935
Foreign securities		3,192,679	8,610,339
Certificates of structured operations		116,426	67,291
Interbank accounts		1,638	1,149
Receipts and payments pending settlement	9.a	1,638	1,149
Interdepartmental accounts		2,490,770	2,495,532
Third-party funds in transit		2,490,638	2,495,532
Internal transfers of funds		132	--
Borrowings	19.a	18,179,594	16,872,613
Foreign borrowing		18,179,594	16,872,613
Domestic onlending - official institutions	19.b	38,148,447	44,419,452
National Treasury		4	--
BNDES		4,450,146	6,091,846
Caixa Econômica Federal		29,413,089	26,558,065
Finame		4,036,156	4,549,264
Other institutions		249,052	7,220,277
Foreign onlending	19.b	95	95
Derivative financial instruments	8.d	593,508	577,070
Other liabilities		111,617,203	103,717,949
Billing and collection of taxes and contributions		426,786	493,167
Foreign exchange portfolio	11.a	12,067,141	8,134,346
Shareholders and statutory distributions		3,961,830	2,177,094
Taxes and social security	20.a	10,788,134	11,464,023
Securities trading		655,805	907,009
Financial and development funds	20.b	9,855,261	9,339,505
Subordinated debts	20.c	9,440,498	9,168,341
Equity and debt hybrid securities	20.d	62,168	283,071
Other liabilities	20.e	64,359,580	61,751,393

See the accompanying notes to the financial statements.

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2018	Dec 31, 2017
NON-CURRENT LIABILITIES		275,451,051	264,293,627
LONG-TERM LIABILITIES		275,002,814	263,864,254
Deposits	17.a	43,751,018	45,060,595
Interbank deposits		3,316,890	2,770,354
Time deposits		40,434,128	42,290,241
Securities sold under repurchase agreements	17.c	9,344,342	10,705,745
Own portfolio		9,344,337	10,705,734
Third-party portfolio		5	11
Funds from acceptance and issuance of securities	18	92,252,581	66,371,232
Bonds backed by real estate, mortgage and other credits		72,348,342	50,941,594
Foreign securities		19,886,856	15,394,376
Certificates of structured operations		17,383	35,262
Borrowings	19.a	2,807,154	2,699,881
Foreign borrowing		2,807,154	2,699,881
Domestic onlending - official institutions	19.b	28,582,617	36,465,287
National Treasury		165,553	145,264
BNDES		17,314,666	20,844,346
Finame		11,102,398	15,225,834
Other institutions		--	249,843
Foreign onlending	19.b	382	382
Derivative financial instruments	8.d	215,693	212,817
Other liabilities		98,049,027	102,348,315
Foreign exchange portfolio	11.a	2,455,716	1,605,681
Shareholders and statutory distributions		905	726
Taxes and social security	20.a	768,983	911,945
Securities trading		322,059	298,639
Financial and development funds	20.b	5,667,160	7,455,245
Special operations		2,216	2,216
Subordinated debts	20.c	41,129,651	46,513,485
Equity and debt hybrid securities	20.d	4,245,895	5,324,708
Debt instruments eligible as capital	20.c and 20.d	29,085,685	25,771,771
Other liabilities	20.e	14,370,757	14,463,899
DEFERRED INCOME		448,237	429,373
SHAREHOLDERS' EQUITY	23	102,252,882	98,723,402
Capital		67,000,000	67,000,000
Local residents		51,606,403	52,954,778
Domiciled abroad		15,393,597	14,045,222
Instruments qualifying as common equity tier 1 capital	23.c	8,100,000	8,100,000
Capital reserves		14,692	12,436
Revaluation reserves		2,240	2,371
Profit reserves		42,612,582	35,280,691
Accumulated other comprehensive income		(16,154,116)	(13,219,725)
(Treasury shares)		(1,833,431)	(1,850,043)
Non-controlling interests		2,510,915	3,397,672
TOTAL LIABILITIES		1,417,143,716	1,369,201,171

See the accompanying notes to the financial statements.

STATEMENT OF INCOME

	Note	2nd half/2018	2018	2017
INCOME FROM FINANCIAL INTERMEDIATION		62,575,962	134,487,863	142,438,857
Loans	10.b	40,915,621	86,493,451	83,669,131
Leasing transactions	10.i	90,111	196,945	255,815
Securities	8.b	19,560,906	41,600,526	52,144,046
Derivative financial instruments	8.e	(323,352)	568,930	(465,274)
Foreign exchange results	11.b	816,514	2,247,071	917,229
Reserve requirement	9.c	1,136,920	2,519,272	4,302,545
Operations of sale and transfer of financial assets		379,242	861,668	1,615,365
EXPENSES FROM FINANCIAL INTERMEDIATION		(45,470,171)	(102,973,435)	(110,820,864)
Deposits and securities sold under repurchase agreements	17.d	(31,997,488)	(63,413,576)	(77,153,666)
Borrowings and onlendings	19.c	(3,167,285)	(18,383,042)	(7,734,066)
Leasing transactions	10.i	(60,814)	(129,647)	(147,591)
Operations of sale and transfer of financial assets		(297,568)	(318,617)	(86,373)
Allowance for loan losses	10.f and 10.g	(9,947,016)	(20,728,553)	(25,699,168)
INCOME FROM FINANCIAL INTERMEDIATION		17,105,791	31,514,428	31,617,993
OTHER OPERATING INCOME/EXPENSES		(5,882,387)	(12,006,850)	(14,026,526)
Service fee income and bank fee income	21.a	14,068,941	27,414,692	25,941,416
Service fee income		8,682,941	16,934,672	16,305,668
Bank fee income		5,386,000	10,480,020	9,635,748
Personnel expenses	21.b	(10,664,762)	(20,899,024)	(20,574,976)
Other administrative expenses	21.c	(6,605,118)	(12,819,069)	(14,516,719)
Tax expenses	24.c	(2,530,776)	(5,053,736)	(5,482,503)
Equity in earnings (losses) in associates and joint ventures	14	1,649,477	3,741,668	3,962,261
Other operating income	21.d	5,724,967	9,585,643	8,226,850
Other operating expenses	21.e	(7,525,116)	(13,977,024)	(11,582,855)
OPERATING INCOME		11,223,404	19,507,578	17,591,467
NON-OPERATING INCOME	22	891,061	1,156,118	542,365
Incomes		1,002,104	1,353,435	756,616
Expenses		(111,043)	(197,317)	(214,251)
PROFIT BEFORE TAXATION AND PROFIT SHARING		12,114,465	20,663,696	18,133,832
INCOME TAX AND SOCIAL CONTRIBUTION	24.a	(3,614,686)	(4,767,368)	(4,050,863)
Income tax and social contribution current		(1,759,641)	(3,304,217)	(3,290,685)
Income tax and social contribution deferred		(1,855,045)	(1,463,151)	(760,178)
EMPLOYEE AND DIRECTORS PROFIT SHARING		(890,797)	(1,638,453)	(1,422,159)
NON-CONTROLLING INTERESTS		(630,776)	(1,395,849)	(1,650,034)
NET INCOME		6,978,206	12,862,026	11,010,776
EARNINGS PER SHARE	23.f			
Weighted average number of shares - basic and diluted		2,785,468,140	2,785,290,260	2,784,905,261
Basic and diluted earnings per share (R\$)		2.45	4.54	3.91

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Capital	Instruments qualifying to common equity tier 1 Capital	Capital reserves	Revaluation reserves	Profit reserves		Accumulated other comprehensive income		Treasury shares	Retained earnings/accumulated losses	Non-controlling interest	Total
						Legal reserve	Statutory reserves	Banco do Brasil	Associates and subsidiaries				
Balances at Dec 31, 2016		67,000,000	8,100,000	15,509	2,660	6,570,147	21,076,422	(16,944,830)	15,625	(1,854,749)	--	3,212,968	87,193,752
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	23.i	--	--	--	--	--	--	747,543	91,344	--	--	--	838,887
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	3,048,369	--	--	--	--	3,048,369
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(177,776)	--	--	--	(177,776)
Share-based payment transactions	--	--	--	(3,073)	--	--	--	--	--	4,706	--	--	1,633
Expired dividend/interest on own capital	--	--	--	--	--	--	--	--	--	--	7,628	--	7,628
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(289)	--	--	--	--	--	289	--	--
Change in noncontrolling interest	--	--	--	--	--	--	--	--	--	--	--	184,704	184,704
First time adoption of the CMN Resolution No. 4,512/2016 at Banco Votorantim S.A.	14.a	--	--	--	--	--	--	--	--	--	(58,275)	--	(58,275)
Net income	23.h	--	--	--	--	--	--	--	--	--	11,010,776	--	11,010,776
Interest on instruments qualifying to common equity	--	--	--	--	--	--	--	--	--	--	(97,343)	--	(97,343)
Unrealized gains	--	--	--	--	--	--	32,335	--	--	--	(32,335)	--	--
Allocation - Reserves	23.g	--	--	--	--	541,537	7,060,250	--	--	--	(7,601,787)	--	--
- Interest on own capital	23.g	--	--	--	--	--	--	--	--	--	(3,228,953)	--	(3,228,953)
Balances at Dec 31, 2017		67,000,000	8,100,000	12,436	2,371	7,111,684	28,169,007	(13,148,918)	(70,807)	(1,850,043)	--	3,397,672	98,723,402
Changes in the period		--	--	(3,073)	(289)	541,537	7,092,585	3,795,912	(86,432)	4,706	--	184,704	11,529,650
Balances at Jun 30, 2018		67,000,000	8,100,000	14,692	2,336	7,397,589	31,765,693	(12,871,393)	(257,223)	(1,843,213)	--	3,329,349	102,637,830
Accumulated other comprehensive income of securities, net of taxes	23.i	--	--	--	--	--	--	784,846	(135,121)	--	--	--	649,725
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	(3,322,994)	--	--	--	--	(3,322,994)
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(290,974)	--	--	--	(290,974)
Cash flow hedge	23.i	--	--	--	--	--	--	--	(61,257)	--	--	--	(61,257)
Share-based payment transactions	--	--	--	--	--	--	--	--	--	9,782	--	--	9,782
Expired dividend/interest on own capital	--	--	--	--	--	--	--	--	--	--	4,373	--	4,373
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(96)	--	--	--	--	--	96	--	--
Change in noncontrolling interest	--	--	--	--	--	--	--	--	--	--	--	(818,434)	(818,434)
Net income	23.h	--	--	--	--	--	--	--	--	--	6,978,206	--	6,978,206
Interest on instruments qualifying to common equity	--	--	--	--	--	--	--	--	--	--	(152,933)	--	(152,933)
Unrealized gains	--	--	--	--	--	--	11,585	--	--	--	(11,585)	--	--
Allocation - Reserves	23.g	--	--	--	--	340,908	3,096,807	--	--	--	(3,437,715)	--	--
- Interest on own capital	23.g	--	--	--	--	--	--	--	--	--	(3,380,442)	--	(3,380,442)
Balances at Dec 31, 2018		67,000,000	8,100,000	14,692	2,240	7,738,497	34,874,085	(15,409,541)	(744,575)	(1,833,431)	--	2,510,915	102,252,882
Changes in the period		--	--	--	(96)	340,908	3,108,392	(2,538,148)	(487,352)	9,782	--	(818,434)	(384,948)
Balances at Dec 31, 2017		67,000,000	8,100,000	12,436	2,371	7,111,684	28,169,007	(13,148,918)	(70,807)	(1,850,043)	--	3,397,672	98,723,402
Accumulated other comprehensive income of securities, net of taxes	23.i	--	--	--	--	--	--	(617,793)	(115,490)	--	--	--	(733,283)
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	(1,642,830)	--	--	--	--	(1,642,830)
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(518,829)	--	--	--	(518,829)
Cash flow hedge	23.i	--	--	--	--	--	--	--	(39,449)	--	--	--	(39,449)
Share-based payment transactions	--	--	--	2,256	--	--	--	--	--	16,612	--	--	18,868
Expired dividend/interest on own capital	--	--	--	--	--	--	--	--	--	--	8,372	--	8,372
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(131)	--	--	--	--	--	131	--	--
Change in noncontrolling interest	--	--	--	--	--	--	--	--	--	--	--	(886,757)	(886,757)
First time adoption, at Banco Votorantim S.A., of new accounting method of recognizing the variation in quotas of Private Equity, net of taxes	14.a	--	--	--	--	--	--	--	--	--	(121,064)	--	(121,064)
Net income	23.h	--	--	--	--	--	--	--	--	--	12,862,026	--	12,862,026
Interest on instruments qualifying to common equity	--	--	--	--	--	--	--	--	--	--	(255,752)	--	(255,752)
Unrealized gains	--	--	--	--	--	--	(42,529)	--	--	--	42,529	--	--
Allocation - Reserves	23.g	--	--	--	--	626,813	6,747,607	--	--	--	(7,374,420)	--	--
- Interest on own capital	23.g	--	--	--	--	--	--	--	--	--	(5,161,822)	--	(5,161,822)
Balances at Dec 31, 2018		67,000,000	8,100,000	14,692	2,240	7,738,497	34,874,085	(15,409,541)	(744,575)	(1,833,431)	--	2,510,915	102,252,882
Changes in the period		--	--	2,256	(131)	626,813	6,705,078	(2,260,623)	(673,768)	16,612	--	(886,757)	3,529,480

See the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

	Note	2nd half/2018	2018	2017
Cash flows from operating activities				
Income before taxation and profit sharing		12,114,465	20,663,695	18,133,832
Adjustments to income before taxation and profit sharing		10,988,598	18,118,796	25,807,296
Provision for credits, leasing and other credits	10.f and 10.g	9,947,016	20,728,553	25,699,168
Depreciation and amortization	21.c	1,492,345	2,981,790	4,246,152
Expenses from impairment	15 and 16	29,204	49,137	187
Exchange fluctuation in changes of intangible assets	16	758	(22,340)	(2,344)
Equity in earning in associates and joint ventures	14.a	(1,649,477)	(3,741,668)	(3,962,261)
Gain on the disposal of assets	22	(76,290)	(263,657)	(8,228)
Capital gain	22	(812,625)	(856,166)	(520,323)
Impairment of other assets	22	10,228	(178)	23,614
Amortization of goodwill	14.d	93,884	176,200	210,446
Expenses with civil, labor and tax provisions	27	3,068,984	5,378,412	2,773,722
Adjustment of actuarial assets/liabilities and surplus allocation funds	26	(565,737)	(1,293,414)	49,715
Commissions income deferred		(28,542)	(199,964)	(6,064)
Effect of changes in foreign exchange rates in cash and cash equivalents		553,539	(2,522,422)	(36,146)
Non-controlling interests		(630,776)	(1,395,849)	(1,650,034)
Other adjustments		(443,913)	(899,638)	(1,010,308)
Income adjusted before taxation and profit sharing		23,103,063	38,782,491	43,941,128
Changes in assets and liabilities		(21,391,531)	(8,531,979)	(84,724,499)
(Increase) decrease in short-term interbank investments		17,664,358	(29,037,058)	(23,926,510)
Increase in trading securities and derivative financial instruments		(618,659)	1,561,852	(1,801,173)
Increase in interbank and interdepartmental accounts		(1,576,716)	(62,042)	(996,802)
(Increase) decrease in compulsory deposits with Banco Central do Brasil		11,128,215	9,965,784	(5,630,045)
Increase in loans		(9,497,428)	(23,933,542)	(4,336,548)
Decrease in leasing transactions		47,955	148,840	170,108
Decrease in other receivables net of deferred taxes		1,550,491	247,352	836,920
(Increase) decrease in other assets		129,857	(104,129)	(84,999)
Income tax and social contribution paid		(605,283)	(2,802,471)	(3,038,651)
Increase in deposits		10,498,353	35,807,409	4,248,674
(Decrease) increase in securities sold under repurchase agreements		(21,210,488)	26,658,507	1,608,663
Decrease in funds from issuance of securities		(9,463,985)	(8,947,301)	(31,400,556)
Decrease in borrowings and onlendings		(13,212,119)	(12,739,421)	(3,034,808)
Decrease in other liabilities		(6,239,671)	(5,314,623)	(17,321,883)
(Decrease) increase in deferred income		13,589	18,864	(16,889)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		1,711,532	30,250,512	(40,783,371)
Cash flows from investing activities				
Acquisition of securities available for sale		(24,097,678)	(83,203,902)	(71,527,075)
Proceeds from sale of securities available for sale		38,724,746	81,565,873	56,845,301
Acquisition of securities held to maturity		(12,599,464)	(17,835,572)	(3,040,249)
Proceeds from sale of securities held to maturity		3,507,667	4,989,578	1,625,861
Dividends received from associates and joint ventures		1,435,955	2,925,249	3,219,813
Acquisition of property, plant and equipment in use		(840,926)	(1,361,242)	(1,020,391)
Disposal of property, plant and equipment in use		13,759	18,131	8,721
Disposal of investments		569,872	698,240	711,511
Acquisition of intangible assets		(381,472)	(656,694)	(2,242,292)
Disposal of intangible assets/deferred assets		6,334	13,599	940,676
Net cash of assets and liabilities from ownership interest in Banco Patagônia		2,252,575	2,252,575	--
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		8,591,368	(10,594,165)	(14,478,124)
Cash flows from financing activities				
Change in non-controlling interests		(818,434)	(886,757)	184,704
(Decrease) increase in subordinated debts		(1,117,566)	(4,513,514)	1,366,547
Increase in equity and debt hybrid securities		272,040	1,416,034	353,453
Disposal of treasury shares		9,782	16,612	4,706
Interest on own capital paid		(2,492,346)	(4,206,516)	(2,623,783)
Net cash received on disposal of Mapfre SH2		(839,454)	(839,454)	--
CASH USED IN FINANCING ACTIVITIES		(4,985,978)	(9,013,595)	(714,373)
Net variation of cash and cash equivalents		5,316,922	10,642,752	(55,975,868)
At the beginning of the period		55,585,739	47,183,948	103,123,670
Effect of changes in foreign exchange rates in cash and cash equivalents		(553,539)	2,522,422	36,146
At the end of the period		60,349,122	60,349,122	47,183,948
Increase (decrease) in cash and cash equivalents		5,316,922	10,642,752	(55,975,868)

See the accompanying notes to the financial statements.

STATEMENT OF VALUE ADDED

	Note	2nd half/2018		2018		2017	
Income		65,338,409		137,186,611		139,188,093	
Income from financial intermediation		62,575,962		134,487,863		142,438,857	
Income from service and bank fees		14,068,941		27,414,692		25,941,416	
Allowance for loan losses		(9,947,016)		(20,728,553)		(25,699,168)	
Capital gains	22	891,186		995,372		671,731	
Other income/(expenses)		(2,250,664)		(4,982,763)		(4,164,743)	
Expenses from financial intermediation		(35,523,155)		(82,244,882)		(85,121,696)	
Inputs purchased from third parties		(3,873,616)		(7,545,102)		(7,807,612)	
Materials, water, electric power and gas	21.c	(303,434)		(613,024)		(604,431)	
Expenses with outsourced services	21.c	(456,939)		(896,372)		(856,294)	
Communications	21.c	(425,307)		(862,758)		(1,034,617)	
Data processing	21.c	(180,645)		(383,669)		(321,245)	
Transportation	21.c	(496,683)		(984,001)		(1,114,216)	
Security services	21.c	(598,463)		(1,169,188)		(1,244,514)	
Financial system services	21.c	(372,320)		(744,726)		(744,457)	
Advertising and marketing	21.c	(250,987)		(420,855)		(394,553)	
Maintenance and upkeep	21.c	(376,482)		(715,937)		(706,984)	
Other		(412,356)		(754,572)		(786,301)	
Gross added value		25,941,638		47,396,627		46,258,785	
Depreciation and amortization	21.c	(1,586,231)		(3,157,991)		(4,456,598)	
Value added produced by entity		24,355,407		44,238,636		41,802,187	
Value added received through transfer		1,649,477		3,741,668		3,962,261	
Equity in associates and joint ventures		1,649,477		3,741,668		3,962,261	
Added value to distribute		26,004,884	100.00%	47,980,304	100.00%	45,764,448	100.00%
Value added distributed		26,004,884	100.00%	47,980,304	100.00%	45,764,448	100.00%
Personnel		10,223,896	39.32%	20,015,992	41.72%	19,495,827	42.60%
Salaries and fees		6,580,867		12,792,812		12,633,072	
Employee and directors profit sharing		890,797		1,638,453		1,422,159	
Benefits and staff training		1,612,401		3,201,469		3,163,477	
FGTS (Government severance indemnity fund for employees)		390,688		765,326		760,173	
Other charges		749,143		1,617,932		1,516,946	
Taxes, rates and contributions		7,477,124	28.75%	12,342,587	25.72%	12,040,525	26.31%
Federal		6,639,750		10,678,502		10,474,329	
State		344		1,042		1,002	
Municipal		837,030		1,663,043		1,565,194	
Interest on third parties' capital		694,882	2.67%	1,363,850	2.84%	1,567,286	3.42%
Rent	21.c	694,882		1,363,850		1,567,286	
Interest on own capital	23.g	7,608,982	29.26%	14,257,875	29.72%	12,660,810	27.67%
Federal government's interest on own capital		1,714,743		2,618,355		1,715,555	
Other shareholders' interest on own capital		1,665,699		2,543,467		1,513,398	
Interest on the instrument eligible to the federal government's common equity tier 1 capital		152,933		255,752		97,343	
Retained earnings		3,444,831		7,444,452		7,684,480	
Non-controlling interest in retained earnings		630,776		1,395,849		1,650,034	

See the accompanying notes to the financial statements.

1 - THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. (Banco do Brasil or the Bank) is a publicly-traded company, which explores economic activity pursuant to Art. 173 of the Brazilian Federal Constitution, subject to the rules of Brazilian Corporate Law, and is governed by Laws 4595/64, 13303/16 and the respective ruling Decree. The Brazilian Federal Government controls the Bank. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Federal District, Brazil. The Bank's business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil's National Financial System.

As an agent for execution of the Brazilian Federal Government's credit and financial policies, Brazilian Law, specifically those under article 19 of Law 4,595/1964:

- (i) act as financial agent for the National Treasury;
- (ii) provide banking services on behalf of the Federal Government and other governmental agencies;
- (iii) collect voluntary deposits from financial institutions in the form of cash or equivalents;
- (iv) provide clearing services for checks and other documents;
- (v) buy and sell foreign currencies as determined by the CMN for the Bank's own account and for the account of the Brazilian Central Bank (Bacen);
- (vi) provide receipt and payment services for Bacen, in addition to other services;
- (vii) finance the purchase and development of small and medium-sized farms; and
- (viii) disseminate and provide credit.

With a history of more than 200 years, the Bank operates in a responsible manner to promote social inclusion through the generation of jobs and income.

The Bank finances the production and commercialization of agricultural products; foster rural investments such as storage, processing, industrialization of agricultural products and modernization of machinery and implements; and adjust rural properties to environmental law. Accordingly, the Bank supports the Brazilian agribusiness in all stages of the production chain.

The Bank offers to micro and small companies working capital, financings for investments, and foreign trade solutions, in addition to several other options related to cash flow, social security, pension plan, and services. The Bank provides financing alternatives and business models that promote the transition to an inclusive economy to several companies, including Individual Microentrepreneurs (Microempreendedores Individuais – MEI).

In foreign trade financing, the Bank operates government policy instruments regarding productive development, entrepreneurship, social and financial inclusion, including the Income Generation Program (Programa de Geração e Renda – Proger) and the Export Financing Program (Programa de Financiamento às Exportações – Proex). The Bank is the exclusive agent of the federal government in Proex.

More information about the subsidiaries is included in Note 3, while Note 5 contains a description of the Bank's business segments.

2 - COMPANY RESTRUCTURING

a) Transfer of shares of Banco Patagonia

On September 06, 2018, the transfer of 154,014,912 book-entry shares of the minority shareholders of Banco Patagonia SA (Patagonia) for the Bank was carried out.

The Bank became the holder of 578,116,870 book-entry Class B common shares and it will report 80.3894% of Banco Patagonia earnings. This transaction generated R\$ 606,414 thousand of goodwill.

b) Partnership Restructuring Agreement with BB Mapfre Group

On June 26, 2018, the Bank informed, hereby material fact, that is Board of Directors had approved a partnership restructuring agreement with BB Mapfre Group. On November 30, 2018, the BB concluded the restructuring of the partnership between BB Seguros Participações S.A. (BB Seguros) and Mapfre Brasil Participações S.A. (Mapfre).

With this restructuring, BB as one of the distribution channels of the products of this subsidiary BB Seguridade Participações S.A (BB Seguridade), jointly with BB Seguridade and BB Seguros Participações S.A. (BB Seguros), signed a binding Partnership Restructuring Agreement (Agreement) with Mapfre S.A., Mapfre Internacional S.A. and Mapfre Brasil Participações S.A. (Mapfre Brasil), which resulted in a corporate reorganization, in accordance to the following acts:

(i) Incorporation by Mapfre BB SH2 Participações S.A. (SH2) of all the shares representing the share capital of Mapfre Vida S.A., through a partial spin-off of BB Mapfre SH1 Participações (SH1);

(ii) Incorporation by SH1 of all the shares representing the share capital of Aliança do Brasil Seguros S.A. (ABS), through a partial spin-off of SH2.

After these corporate acts, BB Seguros was sold to Mapfre Brasil by the totality of its investment in SH2 for R\$ 2,4 billion.

3 - PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the National Monetary Council (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - Bacen) and the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários - CVM), as applicable. In the consolidated financial statements, there was a reclassification of the Instrument qualifying as CET1 - hybrid capital and debt instrument to Shareholder's equity. This adjustment is also performed in the prudential financial statement and to IFRS to improve the quality and transparency of these consolidated financial statements.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management uses judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of fixed assets, the allowance for loan losses, deferred tax assets, provision for labor, civil and tax demands, valuation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The consolidated financial statements include the operations of the Bank performed by their domestic agencies and abroad and also include the operations of the Bank's controlled entities, as well as of the special purpose entities (Dollar Diversified Payment Rights Finance Company and Loans Finance Company Limited) and of the investment financial fund (Fundo de Investimento em Direitos Creditórios da Companhia Pernambucana de Saneamento – Compesa) of which the companies of Banco do Brasil are the main beneficiaries or detain the main obligations. The consolidated financial statements reflect the assets, liabilities, income and expenses of Banco do Brasil and its controlled entities, in accordance with CPC 36 (R3) – Consolidated financial statements.

In the preparation of the consolidated financial statements, amounts resulting from transactions between consolidated companies, including the equity interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and in income of the controlled entities were separately disclosed in the financial statements. Leasing transactions were considered based on the financial method, and the amounts were reclassified from the Leased assets line to the Leasing transactions line, after deduction of residual amounts received in advance. The profit and loss with foreign exchange from branches operations are presented in the groupings of income in which the charges and income on these transactions are recognized. The foreign exchange profit and loss on overseas investments are presented in the grouping of Borrowings and onlendings, in order to eliminate the effect of protection for the exchange rate fluctuations of these investments.

The Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) is responsible for issuing accounting pronouncements and interpretations, based on international accounting standards, approved by the CVM. Bacen adopted the following pronouncements of the CPC, applied by the Bank, as applicable: CPC 00 (R1) - Conceptual framework, CPC 01 - Decrease in recoverable amount of assets, CPC 03 - Statement of cash flows (DFC), CPC 05 (R1)- Related party disclosures, CPC 10 (R1) - Share-based payment, CPC 23 - Accounting policies, changes in accounting estimates and errors, CPC 24 - Events after the reporting period, CPC 25 - Provisions, contingent liabilities and contingent assets and CPC 33 (R1) - Employee benefits.

Additionally, Bacen issued CMN Resolution No. 3,533/2008, which became effective in January 2012 and established procedures for classification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution establishes the criteria for the derecognition of financial assets as specified in the CPC 38 – Financial instruments: recognition and measurement.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by article 22, paragraph 2 of Law 6,385/1976: CPC 09 - Value added statement, CPC 12 - Adjustment at present value, CPC 22 - Information by segment, CPC 36 (R3) - Consolidated financial statements and CPC 41 - Earnings per share.

The application of other standards issued by the Comitê de Pronunciamentos Contábeis - CPC, which depends on Bacen's regulations, results primarily in immaterial adjustments or in changes in disclosure, except the following pronouncements, that may result in significant impacts on the financial statements:

CPC 04 (R1) - Intangible assets and CPC 15 (R1) - Business combinations - a) reclassification of intangible assets identified in the acquisition of the equity interest in Banco Votorantim, in 2009, as well as in acquisition of controlling interest of Banco Patagonia, in 2011, and of BB Americas, in 2012, from the investment account to the account of Intangible assets, in the group of Non-current assets - permanent; b) derecognition of goodwill amortization expenses from acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 18 (R2) - Investments in associates and joint ventures - a) recording at fair value of the equity interests received in the partnership of the formation of the joint ventures BB Mapfre SH1 and SH2, on June 30, 2011; b) write-off of the book value of the assets contributed by the Bank including any goodwill; and, c) recognition of the result of the transaction in the new constituted companies by the proportion of the equity interest.

CPC 48 - Financial instruments – a) adaptation of the financial statements in order to apply of presentation requirements about assets classification (amortized cost, fair value through profit or loss and fair value through other comprehensive income); b) adjustment in the recognition of impairment on all debt-type financial assets that are not measured at fair value through profit or loss, due to calculation based on a prospective model of expected losses; c) inclusion of a new hedge accounting model, to better align hedge accounting with risk management.

These financial statements were approved by the Executive Board of Directors on February 11, 2019.

a) Equity interest included in the consolidated financial statements, segregated by business segments:

	Activity	Functional currency	Dec 31, 2018	Dec 31, 2017
			% of Total Share	
Banking segment				
Banco do Brasil AG	Banking	Real	100.00%	100.00%
BB Leasing S.A. - Arrendamento Mercantil	Leasing	Real	100.00%	100.00%
BB Securities Asia Pte. Ltd.	Broker	Real	100.00%	100.00%
Banco do Brasil Securities LLC.	Broker	Real	100.00%	100.00%
BB Securities Ltd.	Broker	Real	100.00%	100.00%
BB USA Holding Company, Inc.	Holding	Real	100.00%	100.00%
BB Cayman Islands Holding	Holding	Real	100.00%	100.00%
Banco do Brasil Americas	Banking	American Dollar	100.00%	100.00%
Banco Patagonia S.A.	Banking	Argentinian Peso	80.39%	58.97%
Investment segment				
BB Banco de Investimento S.A.	Investment bank	Real	100.00%	100.00%
Segment of fund management				
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	100.00%	100.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	99.62%	99.62%
Segment of insurance, private pension fund and capitalization				
BB Seguridade Participações S.A. ⁽¹⁾	Holding	Real	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. ⁽¹⁾	Broker	Real	66.36%	66.36%
BB Seguros Participações S.A. ⁽¹⁾	Holding	Real	66.36%	66.36%
Segment of payment methods				
BB Administradora de Cartões de Crédito S.A.	Service rendering	Real	100.00%	100.00%
BB Elo Cartões Participações S.A.	Holding	Real	100.00%	100.00%
Other segments				
Ativos S.A. Securitizadora de Créditos Financeiros	Credits acquisition	Real	100.00%	100.00%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credits acquisition	Real	100.00%	100.00%
BB Administradora de Consórcios S.A.	Consortium	Real	100.00%	100.00%
BB Tur Viagens e Turismo Ltda. ⁽²⁾	Tourism	Real	100.00%	100.00%
BB Asset Management Ireland Limited	Credits acquisition	Real	100.00%	100.00%
BB Tecnologia e Serviços ⁽¹⁾	IT	Real	99.99%	99.99%

(1) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.

(2) The financial statements refers to November/2018.

b) Information for comparability purposes

For comparability purposes in order to better show the nature of operations the following reclassifications were made:

Restated statement of income

Control of administrative expenses from the grouping Other administrative expenses to Other operating expenses.

Reversal of lawsuits of the grouping Other operating income to Personnel expenses and Other operating expenses.

2017	Original report	Adjustments	Restated balances
OTHER OPERATING INCOME/EXPENSES	(14,026,526)	--	(14,026,526)
Personnel expenses	(20,576,963)	1,987	(20,574,976)
Other administrative expenses	(15,835,524)	1,318,805	(14,516,719)
Other operating income	8,293,294	(66,444)	8,226,850
Other operating expenses	(10,328,507)	(1,254,348)	(11,582,855)

Restated Balance Sheet

Acquisition of receivables from credit cards from the grouping Other receivables for Interbank Accounts.

2017	Original report	Adjustments	Restated balances
INTERBANK ACCOUNTS	75,167,431	3,467,187	78,634,618
Payments and receipts pending settlement	4,069	3,467,187	3,471,256
OTHER CREDITS	191,161,809	(3,467,187)	187,694,622
Other receivables – Sundry	170,213,816	(3,467,187)	166,746,629

4 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco do Brasil are applied consistently in all periods presented in these financial statements and applied to all the entities of the Conglomerate.

a) Statement of income

In accrual basis accounting, revenues and expenses are reported in the closing process of the period in which they are incurred, regardless of receipt or payment. The operations with floating rates are adjusted pro rata die, based on the variation of the indexes agreed, and operations with fixed rates are recorded at future redemption value, adjusted for the unearned income or prepaid expenses for future periods. The operations indexed to foreign currencies are converted at the reporting date using current rates.

b) Present value measurement

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of their interest income and expenses.

Non-contractual liabilities are primarily represented by provisions for lawsuit and legal obligations, for which the disbursement date is uncertain and is not under the Bank's control. They are measured at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

c) Cash and cash equivalents

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, securities purchased under resale agreements – guaranteed by securities not repledged/re-sold, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity at time of acquisition not exceeding 90 days.

d) Interbank investments

Interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustments for allowance for losses.

e) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three categories, according to Bacen Circular 3,068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in value are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity; and

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intent to hold to maturity. These securities are not adjusted to market value. The Bank's financial capacity to hold to maturity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the indicative price reported by Anbima, or relationship between the unit price and the latest business value in the last 30 day, or the net expected realizable value obtained through pricing models, using credit risk curves, expected credit losses, future values of interest rates, foreign exchange rates, price and currency indices, and similar financial instruments.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata die basis on an accrual basis until the date of maturity or final sale, using the cumulative or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment of securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

f) Derivative financial instruments

Derivative financial instruments are adjusted to market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in the appropriate income or expense accounts.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the closing price, or adjustment, when applicable, on the day of calculation or, if not available, pricing models that estimate the expected net realizable value, or the price of a similar financial instrument, considering at least, the payment or maturity date, the credit risk and currency or index.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in the market value or asset cash flow or financial liabilities, commitment or future transaction, are considered hedge instruments and are classified according to their nature:

Market Risk Hedge: increases or decreases in value of the financial instruments, as well as of the hedged item, are recorded in income/expense accounts for the period; and

Cash Flow Hedge: the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income for the period.

g) Loan and leasing transactions, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the transaction, to borrowers and guarantors, observing the parameters established by CMN Resolution 2,682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of transactions more than 15 days overdue as non-performing. For atypical transactions with a term of more than 36 months, there is a double counting on the days-past-due intervals defined for the nine levels of risk, as permitted by CMN Resolution 2,682/1999.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

The operations classified as level H risk are written off against the existing allowance after six months of classification in this level of risk, and they are delayed more than 180 days.

Renegotiated transactions are maintained, at a minimum, at the same level at which they were rated on the date of renegotiation. The renegotiations of loans already written off against the allowance are rated as H level and any gains from renegotiation are recognized as income when effectively received. Reclassification to a lower risk category is allowed when there is significant amortization of the transaction or when new material facts justify a change in risk level, according to CMN Resolution 2,682/1999.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution 2,682/1999 (Note 10.e).

h) Taxes

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income tax (15.00% + additional 10.00%)	25.00%
Social Contribution on Net Income - CSLL ⁽¹⁾	20.00%
Social Integration Program/Public servant fund program(PIS/Pasep) ⁽²⁾	0.65%
Contribution to Social Security Financing – (Cofins) ⁽²⁾	4.00%
Tax on services of any kind – (ISSQN)	Up to 5.00%

(1) Rate applied to financial companies and to non-financial companies in the areas of private insurance and capitalization, since September 01, 2015 (the rate was 15% until August 31, 2015). In January 2019, the rate will return to 15%. For others non-financial companies, the CSLL rate is 9%.

(2) For non-financial companies that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and the Cofins rate is 7.6%.

Deferred tax assets (DTA) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For the recording, maintaining and writing-off of deferred tax assets, the Bank follows the established criteria by CMN Resolution 3,059/2002, amended by CMN Resolutions 3,355/2006, CMN 4,192/2013 and CMN 4,441/2015 and they are supported by a study of their realizability. DTA resulting from the increase of the social contribution rate from 15% to 20% are being recognized in an amount sufficient for consumption by the end of the term of the new rate (December 31, 2018), according to Law 13,169/2015.

i) Prepaid expenses

These expenses refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

j) Permanent assets

Investments: investments in associates and joint ventures in which the Bank has significant influence or an ownership interest of 20% or more of the voting shares, and in other companies which are part of a group or are under common control are accounted for by the equity method based on the Shareholders' equity of the associates and joint ventures.

In the consolidated financial statements, the subsidiaries are fully consolidated and the associates and joint ventures are accounted under the equity method.

Goodwill, the premium paid over the fair value of the investment acquired due to expectations of future profitability, is based on a financial-economic assessment which substantiate the purchase price of the business and is amortized based on annual income projections as per the assessment. Goodwill is tested for impairment annually.

Other permanent investments are valued at acquisition cost, less allowance for impairment losses, as applicable.

Property and equipment: property and equipment are stated at acquisition cost less the impairment losses and depreciation, calculated using the straight-line method by the useful life of the asset (Note 15).

Intangible: intangible assets consist of rights over intangible assets used in the running of the Bank, including acquired goodwill.

An asset meets the criteria for identification as an intangible asset, when it is separable, i.e, it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets with finite useful lives comprise: disbursements for the acquisition of rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; software, amortized on a straight-line basis by the useful life from the date it is available for use. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in the Other administrative expenses account.

k) Impairment of non-financial assets

At each reporting date, the Bank determines if there is any indication that a non-financial asset may be impaired. This evaluation is based on internal and external sources of information. If there are indications of impairment, the Bank estimates the asset's recoverable amount, which is the higher of its fair value less selling costs or its value in use.

Regardless of whether there are indications of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives (including goodwill acquired in business combinations and intangible assets not yet available for use). The Bank performs these tests at the same time every year.

If the recoverable amount of the asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount through a provision for impairment, which is recognized in the Income statement.

Methodologies in assessing the recoverable amount of the main non-financial assets:Property and equipment in use

Land and buildings – the Bank relies on technical evaluations prepared in accordance with the standards of the Brazilian Association of Technical Standards - ABNT to determine the recoverable amount of land and buildings. The ABNT establishes general concepts, methods and procedures for the valuation of urban properties.

Data processing equipment – when available, the Bank uses market values to determine the recoverable amount of data processing equipment. When market values are not readily available, the Bank considers the amount recoverable by using the asset in its operations. Recoverable amount is calculated based on cash flow projections for the asset over its useful life, discounted to present value using the interbank deposit certificate - CDI rate.

Other items of property and equipment – these items are individually insignificant. Although subject to evaluation of impairment indicators, the Bank does not determine their recoverable amount on an individual basis due to cost benefit considerations. The Bank conducts annual inventory counts and writes off assets that are lost or showing signs of deterioration.

Investments and goodwill on acquisition of investments

The recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under CAPM.

Intangible

Rights due to the acquisition of payrolls – the recoverability of acquired payroll contracts is determined based on the contribution margin of the client relationships generated under each contract. The objective is to determine if the projections that justified the initial acquisition correspond to actual performance. An impairment loss is recognized on underperforming contracts.

Software – the Bank continuously invests in the modernization and adequacy of its internally developed software to accompany new technologies and meet the demands of the business. Since there is no similar software in the market, and because of the significant cost associated with developing models to calculate value in use, the Bank evaluates the ongoing utility of its software to test for impairment.

The losses recorded in the Statement of Income to adjust the recoverable value of these assets, if any, are stated in the respective notes.

I) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CPC 33 (R1) - Employee benefits, approved by CVM Resolution 695/2012 and by the CMN Resolution 4,424/2015 (Note 26). The evaluations are performed semiannually.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the Bank's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk value of plan assets fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to the register of a liability when the amount of the actuarial obligation exceeds the value of plan assets, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or will be refundable in the future.

The Bank recognizes the components of defined benefit cost in the period in which the actuarial valuation was performed, in accordance with criteria established by CPC 33 (R1) - Employee benefits, as follows:

- the current service cost and the net interest on the net defined benefit liability (asset) are recognized in profit or loss; and
- the remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income, in the Bank's equity, net of tax effects.

Contributions to be paid by the Bank to medical assistance plans in some cases will continue after the employee's retirement. Therefore, the Bank's obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period in which the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

m) Deposits and Securities sold under repurchase agreements

Deposits and Securities sold under repurchase agreements are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata die basis.

n) Provisions, contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made in accordance with the criteria defined by CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution 3,823/2009 (Note 27).

Contingent assets are not recognized in the financial statements however when there is evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable, are recognized as assets.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated Method: cases that are similar and recurring in nature and whose values are not considered individually significant. Provisions are based on statistical data. It covers civil, tax or labor judicial proceedings (except labor claims filed by trade unions and all proceedings classified as strategic) with probable value of award, estimated by legal advisors, up to R\$ 1 million.

Individual Method: cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the financial statements, they are disclosed in notes, while those classified as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations provided in the legislation, regardless of the probability of success of lawsuits in progress, and have their amounts recognized in full in the financial statements.

o) Debt instrument issue expense

Expenses related to transactions involving the issue of debt instruments are capitalized and presented as a reduction of the corresponding liability. The expenses are recognized in the income statement over the term of the transaction.

p) Other assets and liabilities

Other assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a pro rata die basis, and allowance for losses, when deemed appropriate. Other liabilities are stated at their known and measurable amounts, plus, when applicable, related charges and monetary and exchange variations on a pro rata die basis.

q) Earnings per share

Earnings per share is disclosed in accordance with CPC 41 – Earnings per Share, approved by CVM Resolution 636/2010. The Bank's basic and diluted earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total common shares, excluding treasury shares (Note 23.f). The Bank has no outstanding options, bonus of subscription nor its equivalents which provide their holders the right to acquire shares. Thus, the basic and diluted earnings per share are equal.

r) Functional and presentation currency

These consolidated financial statements are presented in Brazilian Reals, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For most of the Conglomerate entities, the functional currency is the Real (Note 3).

The financial statements of branches and subsidiaries abroad follow the accounting criteria in force in Brazil and are converted into the Real currency by the current rate criterion, as provided for in Bacen Circular 2,397/1993 and CMN Resolution 4,524/2016. Their effects are recognized in the income statement, under the equity method for those who record the functional currency equal to the national currency, and in Shareholders' Equity, for those who record the functional currency different from the national currency.

5 - INFORMATION BY SEGMENT

The segment information was prepared based on internal reports used by the Executive Board of Directors to assess performance, and make decision about the allocation of fund for investment and other purposes. The framework also takes into account the regulatory environment and the similarities between goods and services. The information was prepared based on internal management reports (Management Information), reviewed regularly by Management.

The accounting policies adopted in the Management Information are different from those presented in the description of significant accounting policies of BB Consolidated (Note 4.j), because of proportionally consolidating the investments in joint ventures.

The Bank's operations were mainly in Brazil, divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. The Bank also engages in other activities, including consortium business and other services aggregated in "Other Segments".

The measurement of managerial income and of managerial assets and liabilities by segment takes into account all income and expenses as well as all assets and liabilities recorded by the controlled companies (Note 3) and joint ventures (Note 14). There were no common income or expenses nor common assets or liabilities allocated between the segments, for any distribution criteria.

Transactions between segments were eliminated in the column "Intersegment transactions". They were conducted at the same terms and conditions as those practiced with unrelated parties for similar transactions. These transactions do not involve any unusual payment risk.

None of the Bank's customers individually account for more than 10% of the Bank's income.

a) Banking segment

The result was mainly from operations in Brazil with a wide array of products and services, including deposits, loans and services provided to customers through different distribution channels, located in the country and abroad.

The banking segment includes business with the retail, wholesale and public sector, which were carried out by the Bank's network and customer service teams. It also engages in business with micro-entrepreneurs and low-income population, undertaken through banking correspondents.

b) Investments segment

This segment was responsible for operations in the domestic capital markets, acting in intermediation and distribution of debts in the primary and secondary markets, as well as being responsible for equity investments and the rendering of some financial services.

The income from financial intermediation of this segment were the accrued interest on securities investments net of interest expenses from third party funding costs. The principal equity investments were those in the associates, subsidiary companies and joint ventures. Financial service fee income were from economic/financial advisory services and the underwriting of fixed and variable income.

c) Fund management segment

This segment comprises purchase, sale and custody of securities, portfolio management, and management of investment funds and clubs. Income consists mainly of commissions and management fees for services charged to investors.

d) Insurance, pension and capitalization segment

In this segment, products and services offered were related to life, property and automobile insurance, private pension and capitalization plans.

The income were mainly from revenues from insurance premiums issued, contributions to private pension plans, capitalization bonds and investments in securities. The amounts offset by selling cost, technical insurance provision and expenses related to benefits and redemptions.

e) Payment methods segment

This segment comprises funding, transmission, processing and settlement of operations via electronic means.

Revenues were mainly from commissions and management fees charged to businesses and financial institutions for the services rendered, as well as income from rent, installation and maintenance of electronic terminals.

f) Other segments

Other segments comprise the consortium management and other services segments, which have been aggregated as they were not individually significant.

Their revenues were originated mainly from rendering services not covered in previous segments, such as: credit recovery; consortium management; development, manufacturing, sale, lease and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies; and intermediation of air tickets, lodging and organization of events.

g) Information of external customers by geographic region

	2018		2017	
	Brazil	Abroad	Brazil	Abroad
Income from external customers	169,315,151	7,268,150	182,868,533	(1,542,533)
Income from financial intermediation	128,608,139	5,879,724	145,558,903	(3,120,046)
Loans and leasing transactions ⁽¹⁾	83,293,199	3,397,197	88,866,198	(4,941,252)
Securities	39,456,809	2,143,717	50,562,484	1,581,562
Derivative financial instruments	478,092	90,838	(449,275)	(15,999)
Foreign exchange results and reserve requirement	4,525,088	241,255	4,964,131	255,643
Operations of sale and transfer of financial assets	854,951	6,717	1,615,365	--
Other income	40,707,012	1,388,426	37,309,630	1,577,513
Service fee income and bank fee income	26,142,325	1,272,367	24,725,368	1,216,048
Equity in earnings (losses) in associates and joint ventures	3,770,960	(29,292)	3,962,261	--
Other	10,793,727	145,351	8,622,001	361,465
Non current assets ⁽²⁾	29,927,085	365,755	31,399,092	432,673

(1) Includes negative foreign exchange variation between foreign currencies, related to operations abroad, in the amount of R\$ 7,914,498 thousand in 2017.

(2) Except for financial instruments, deferred tax assets and post-employment benefit assets.

In 2018 and 2017, revenues from abroad were mainly obtained by operations held by the branches in South America and North America.

h) Breakdown of managerial information by segment and accounting reconciliation

	2018									
	Managerial Information by Segment							Managerial to Accounting Reconciliation		
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments	Intersegment transactions	Management information	Consolidation Adjustments	BB Consolidated
Income from financial intermediation	140,178,114	123,027	61,492	3,493,007	695,932	183,271	(354,011)	144,380,832	(9,892,969)	134,487,863
Loans and leasing transactions	91,852,181	--	--	--	--	65,465	(70,825)	91,846,821	(5,156,425)	86,690,396
Securities	42,855,501	47,570	61,492	27,836	647,097	118,277	(403,717)	43,354,056	(1,753,530)	41,600,526
Derivative financial instruments	123,368	75,457	--	--	48,835	--	--	247,660	321,270	568,930
Foreign exchange results and reserve requirement	4,884,717	--	--	--	--	(471)	--	4,884,246	(117,903)	4,766,343
Operations of sale and transfer of financial assets	462,347	--	--	--	--	--	--	462,347	399,321	861,668
Financial results from insurance, pension and capitalization operations	--	--	--	3,465,171	--	--	120,531	3,585,702	(3,585,702)	--
Expenses from financial intermediation	(107,221,877)	(239,769)	--	(2,794,912)	(23,693)	(154,927)	711,868	(109,723,310)	6,749,875	(102,973,435)
Deposits and securities sold under repurchase agreements	(66,386,891)	(239,769)	--	--	--	(153,480)	711,362	(66,068,778)	2,655,202	(63,413,576)
Borrowings, onlendings and leasing transactions	(18,780,156)	--	--	--	(23,693)	(1,447)	506	(18,804,790)	292,101	(18,512,689)
Allowance for loan losses	(21,735,165)	--	--	--	--	--	--	(21,735,165)	1,006,612	(20,728,553)
Operations of sale and transfer of financial assets	(319,665)	--	--	--	--	--	--	(319,665)	1,048	(318,617)
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(2,794,912)	--	--	--	(2,794,912)	2,794,912	--
Other income	31,067,675	1,286,479	2,361,297	8,232,826	5,443,035	2,714,485	(2,197,829)	48,907,968	(6,812,530)	42,095,438
Service fee income and bank fee income	20,971,425	928,654	2,354,738	2,652,267	5,056,486	2,016,306	(1,534,340)	32,445,536	(5,030,844)	27,414,692
Equity in earnings in associates and joint ventures	138,754	110,210	--	522,714	74,639	--	(574,320)	271,997	3,469,671	3,741,668
Results from insurance, pension plan and capitalization operations	--	--	--	4,577,145	--	--	180,717	4,757,862	(4,757,862)	--
Other	9,957,496	247,615	6,559	480,700	311,910	698,179	(269,886)	11,432,573	(493,495)	10,939,078
Other expenses	(53,655,694)	(379,213)	(345,083)	(2,517,629)	(4,010,336)	(1,666,162)	1,839,972	(60,734,145)	7,787,975	(52,946,170)
Personnel expenses	(20,917,329)	(58,072)	(96,372)	(439,660)	(240,063)	(377,085)	10,706	(22,117,875)	1,218,851	(20,899,024)
Other administrative expenses	(10,835,256)	(65,794)	(45,778)	(657,716)	(540,202)	(444,005)	1,542,553	(11,046,198)	1,385,120	(9,661,078)
Amortization	(1,840,500)	(141,696)	--	(83,021)	(110,698)	(3,537)	--	(2,179,452)	213,053	(1,966,399)
Depreciation	(1,189,963)	--	--	(14,204)	(12,903)	(17,981)	--	(1,235,051)	43,459	(1,191,592)
Tax expenses	(4,311,823)	(81,812)	(161,084)	(775,837)	(533,066)	(300,424)	--	(6,164,046)	1,110,310	(5,053,736)
Other	(14,560,823)	(31,839)	(41,849)	(547,191)	(2,573,404)	(523,130)	286,713	(17,991,523)	3,817,182	(14,174,341)
Profit before taxation and profit sharing	10,368,218	790,524	2,077,706	6,413,292	2,104,938	1,076,667	--	22,831,345	(2,167,649)	20,663,696
Income tax and social contribution	(2,243,413)	(313,733)	(922,490)	(2,320,631)	(674,765)	(318,928)	--	(6,793,960)	2,026,592	(4,767,368)
Employee and directors profit sharing	(1,724,666)	--	(2,674)	(29,853)	(19,920)	(2,397)	--	(1,779,510)	141,057	(1,638,453)
Non-controlling interests	(220,332)	--	--	(1,175,516)	--	(1)	--	(1,395,849)	--	(1,395,849)
Net income	6,179,807	476,791	1,152,542	2,887,292	1,410,253	755,341	--	12,862,026	--	12,862,026
Balance sheet										
Interbank investments	424,023,121	181,127	1,370,018	6,043,663	661,672	3,865,561	(15,265,232)	420,879,930	(5,788,333)	415,091,597
Securities and derivative financial instruments	161,062,827	630,770	24,270	206,258,725	6,555,015	315,937	(98,834)	374,748,710	(223,652,245)	151,096,465
Loans and leasing transactions, net of allowance for losses	570,318,141	--	--	--	--	--	(30,000)	570,288,141	(21,076,562)	549,211,579
Investments	15,244,513	5,789,147	39,637	873,674	965,137	27	(17,364,240)	5,547,895	11,425,296	16,973,191
Other assets	290,156,378	1,081,129	380,987	8,763,691	23,325,529	1,509,190	(9,163,863)	316,053,041	(31,282,157)	284,770,884
TOTAL ASSETS	1,460,804,980	7,682,173	1,814,912	221,939,753	31,507,353	5,690,715	(41,922,169)	1,687,517,717	(270,374,001)	1,417,143,716
Liabilities	1,360,040,394	4,512,255	1,676,276	215,587,600	23,093,840	4,163,640	(23,809,170)	1,585,264,835	(270,374,001)	1,314,890,834
Deposits	492,056,522	3,275,240	--	--	--	--	(3,367,648)	491,964,114	(5,927,343)	486,036,771
Securities sold under repurchase agreements	426,556,494	--	--	--	--	--	(11,989,992)	414,566,502	(11,665,300)	402,901,202
Funds from issuance of securities	136,726,635	--	--	--	--	3,197,379	--	139,924,014	(15,105,518)	124,818,496
Onlendings	67,733,353	--	--	--	--	--	--	67,733,353	(1,001,812)	66,731,541
Technical provisions for insurance, pension plans and capitalization	--	--	--	205,082,095	--	--	(11,240)	205,070,855	(205,070,855)	--
Other liabilities	236,967,390	1,237,015	1,676,276	10,505,505	23,093,840	966,261	(8,440,290)	266,005,997	(31,603,173)	234,402,824
Shareholders' equity	100,764,586	3,169,918	138,636	6,352,153	8,413,513	1,527,075	(18,112,999)	102,252,882	--	102,252,882
TOTAL LIABILITIES AND EQUITY	1,460,804,980	7,682,173	1,814,912	221,939,753	31,507,353	5,690,715	(41,922,169)	1,687,517,717	(270,374,001)	1,417,143,716

	2017									
	Managerial Information by Segment							Managerial to Accounting Reconciliation		
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments	Intersegment transactions	Management information	Consolidation Adjustments	BB Consolidated
Income from financial intermediation	148,533,163	209,107	75,475	4,408,288	612,783	181,538	(433,838)	153,586,516	(11,147,659)	142,438,857
Loans and leasing transactions	89,283,291	--	--	--	--	77,071	(77,071)	89,283,291	(5,358,345)	83,924,946
Securities	53,900,243	39,748	75,475	105,393	605,344	104,254	(453,772)	54,376,685	(2,232,639)	52,144,046
Derivative financial instruments	(852,914)	169,359	--	--	7,439	--	--	(676,116)	210,842	(465,274)
Foreign exchange results and reserve requirement	5,280,715	--	--	--	--	213	--	5,280,928	(61,154)	5,219,774
Operations of sale and transfer of financial assets	921,828	--	--	--	--	--	--	921,828	693,537	1,615,365
Financial results from insurance, pension and capitalization operations	--	--	--	4,302,895	--	--	97,005	4,399,900	(4,399,900)	--
Expenses from financial intermediation	(115,862,719)	(343,279)	--	(2,926,582)	(27,145)	(128,078)	784,398	(118,503,405)	7,682,541	(110,820,864)
Deposits and securities sold under repurchase agreements	(80,738,527)	(343,279)	--	--	--	(128,078)	710,958	(80,498,926)	3,345,260	(77,153,666)
Borrowings, onlendings and leasing transactions	(8,187,597)	--	--	--	(27,145)	--	73,440	(8,141,302)	259,645	(7,881,657)
Allowance for loan losses	(26,777,409)	--	--	--	--	--	--	(26,777,409)	1,078,241	(25,699,168)
Operations of sale and transfer of financial assets	(159,186)	--	--	--	--	--	--	(159,186)	72,813	(86,373)
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(2,926,582)	--	--	--	(2,926,582)	2,926,582	--
Other income	28,718,396	1,269,946	2,130,095	7,632,829	5,551,953	2,593,516	(2,146,993)	45,749,742	(6,862,599)	38,887,143
Service fee income and bank fee income	20,050,554	872,210	2,110,459	2,674,001	5,003,110	1,777,660	(1,529,410)	30,958,584	(5,017,168)	25,941,416
Equity in earnings (losses) in associates and joint ventures	149,050	9,106	--	46,993	(84,696)	--	--	120,453	3,841,808	3,962,261
Results from insurance, pension plan and capitalization operations	--	--	--	4,363,427	--	--	200,908	4,564,335	(4,564,335)	--
Other	8,518,792	388,630	19,636	548,408	633,539	815,856	(818,491)	10,106,370	(1,122,904)	8,983,466
Other expenses	(53,466,477)	(382,629)	(342,000)	(2,785,002)	(3,562,063)	(1,528,322)	1,796,433	(60,270,060)	7,898,756	(52,371,304)
Personnel expenses	(20,548,389)	(58,391)	(90,159)	(543,934)	(218,371)	(374,751)	8,691	(21,825,304)	1,250,328	(20,574,976)
Other administrative expenses	(11,199,603)	(76,390)	(64,183)	(753,060)	(524,881)	(378,458)	1,492,647	(11,503,928)	1,443,807	(10,060,121)
Amortization	(3,183,481)	(123,518)	--	(123,490)	(90,059)	(3,406)	--	(3,523,954)	221,015	(3,302,939)
Depreciation	(1,153,170)	--	--	(16,930)	(66,928)	(14,863)	--	(1,251,891)	98,232	(1,153,659)
Tax expenses	(4,801,891)	(80,387)	(144,948)	(750,939)	(545,574)	(261,970)	--	(6,585,709)	1,103,206	(5,482,503)
Other	(12,579,943)	(43,943)	(42,710)	(596,649)	(2,116,250)	(494,874)	295,095	(15,579,274)	3,782,168	(11,797,106)
Profit before taxation and profit sharing	7,922,363	753,145	1,863,570	6,329,533	2,575,528	1,118,654	--	20,562,793	(2,428,961)	18,133,832
Income tax and social contribution	(1,785,920)	(263,138)	(829,339)	(2,302,994)	(890,081)	(270,823)	--	(6,342,295)	2,291,432	(4,050,863)
Employee and directors profit sharing	(1,501,342)	--	(1,635)	(38,809)	(13,230)	(4,672)	--	(1,559,688)	137,529	(1,422,159)
Non-controlling interests	(282,724)	--	--	(1,367,305)	--	(5)	--	(1,650,034)	--	(1,650,034)
Net income	4,352,377	490,007	1,032,596	2,620,425	1,672,217	843,154	--	11,010,776	--	11,010,776
Balance sheet										
Interbank investments	383,310,932	7,465	1,234,275	3,633,395	1,024,968	554,755	(10,110,923)	379,654,867	(6,631,539)	373,023,328
Securities and derivative financial instruments	145,328,578	1,042,080	20,725	192,611,573	7,535,915	1,115,520	(1,422,579)	346,231,812	(207,309,241)	138,922,571
Loans and leasing transactions, net of allowance for losses	565,312,154	--	--	--	--	2,726,120	(2,806,036)	565,232,238	(20,564,417)	544,667,821
Investments	14,668,823	5,940,365	33,794	437,503	695,545	27	(18,033,120)	3,742,937	13,746,797	17,489,734
Other assets	296,561,490	1,025,057	360,004	12,442,451	23,793,922	2,229,211	(8,238,933)	328,173,202	(33,075,485)	295,097,717
TOTAL ASSETS	1,405,181,977	8,014,967	1,648,798	209,124,922	33,050,350	6,625,633	(40,611,591)	1,623,035,056	(253,833,885)	1,369,201,171
Liabilities	1,308,451,657	4,940,858	1,510,076	201,527,919	24,631,666	3,841,641	(20,592,163)	1,524,311,654	(253,833,885)	1,270,477,769
Deposits	454,356,596	3,684,954	--	--	--	--	(3,748,512)	454,293,038	(4,063,676)	450,229,362
Securities sold under repurchase agreements	397,138,462	--	--	--	--	--	(9,078,507)	388,059,955	(11,817,260)	376,242,695
Funds from issuance of securities	143,040,857	--	--	--	--	2,765,908	--	145,806,765	(12,040,968)	133,765,797
Onlendings	82,352,168	--	--	--	--	--	--	82,352,168	(1,466,952)	80,885,216
Technical provisions for insurance, pension plans and capitalization	--	--	--	192,778,796	--	--	(5,250)	192,773,546	(192,773,546)	--
Other liabilities	231,563,574	1,255,904	1,510,076	8,749,123	24,631,666	1,075,733	(7,759,894)	261,026,182	(31,671,483)	229,354,699
Shareholders' equity	96,730,320	3,074,109	138,722	7,597,003	8,418,684	2,763,992	(20,019,428)	98,723,402	--	98,723,402
TOTAL LIABILITIES AND EQUITY	1,405,181,977	8,014,967	1,648,798	209,124,922	33,050,350	6,625,633	(40,611,591)	1,623,035,056	(253,833,885)	1,369,201,171

6 - CASH AND CASH EQUIVALENTS

	Dec 31, 2018	Dec 31, 2017
Cash and due from banks	13,614,866	13,480,903
Local currency	7,267,009	8,744,588
Foreign currency	6,334,186	4,726,524
Investments in gold	13,671	9,791
Interbank investments ⁽¹⁾	46,734,256	33,703,045
Interbank deposits	24,573,479	22,121,240
Securities purchased under resale agreement – guaranteed by securities not repledged / re-sold	22,160,777	11,581,805
Total	60,349,122	47,183,948

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in fair value.

7 - INTERBANK INVESTMENTS

a) Breakdown

	Dec 31, 2018	Dec 31, 2017
Securities purchased under resale agreement	386,875,955	348,186,760
Reverse repos - own resources	22,177,706	11,647,612
Treasury financial bills	20,804,199	10,813,722
National Treasury bills	--	612,933
National Treasury notes	915,411	--
Other securities	458,096	220,957
Reverse repos - financed position	364,698,249	336,539,148
Treasury financial bills	316,683,932	333,060,713
National Treasury bills	32,654,881	3,016,349
National Treasury notes	14,086,367	--
Other securities	1,273,069	462,086
Interbank deposits	28,215,642	24,836,568
Total	415,091,597	373,023,328
Current assets	412,306,070	370,906,503
Non-current assets	2,785,527	2,116,825

b) Income from interbank investments

	2nd half/2018	2018	2017
Income from securities purchased under resale agreement	13,264,134	26,410,841	38,670,104
Own resources	526,853	945,950	2,027,162
Financed position	12,737,281	25,464,891	36,642,942
Income from investments in interbank deposits	441,241	810,709	435,416
Total	13,705,375	27,221,550	39,105,520

8- SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Securities

a.1) Breakdown of the consolidated portfolio by category, type of bonds and maturity

Maturity in days	Dec 31, 2018									Dec 31, 2017		
	Market value					Total			Total			
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to market	Cost value	Market value	Mark to market	
1 - Trading securities	797,416	2,040,785	561,303	497,831	2,284,417	5,678,844	6,181,752	502,908	7,440,564	7,752,533	311,969	
Federal government bonds	1	2,039,751	534,303	477,116	2,151,413	4,810,152	5,202,584	392,432	5,775,735	5,965,378	189,643	
Treasury financial bills	--	--	--	--	289,289	288,957	289,289	332	363,121	365,239	2,118	
National Treasury bills	--	42,177	53,609	445,549	1,255,582	1,783,835	1,796,917	13,082	1,907,577	1,924,111	16,534	
National Treasury notes	--	--	--	--	21,255	20,632	21,255	623	526,709	530,116	3,407	
Brazilian foreign debt securities	--	--	--	--	28,528	28,623	28,528	(95)	7,925	7,859	(66)	
Foreign Government bonds	1	1,982,394	480,694	24,894	500,502	2,609,657	2,988,485	378,828	2,822,864	2,991,236	168,372	
Other	--	15,180	--	6,673	56,257	78,448	78,110	(338)	147,539	146,817	(722)	
Private securities	797,415	1,034	27,000	20,715	133,004	868,692	979,168	110,476	1,664,829	1,787,155	122,326	
Debentures	--	--	25,062	20,302	48,871	93,478	94,235	757	237,653	236,718	(935)	
Shares in investment funds	764,409	--	--	--	--	659,808	764,409	104,601	1,298,144	1,433,278	135,134	
Shares	200	--	--	--	--	44	200	156	302	2,195	1,893	
Certificate of Deposit	--	--	4	--	--	4	4	--	3	3	--	
Other	32,806	1,034	1,934	413	84,133	115,358	120,320	4,962	128,727	114,961	(13,766)	
2 - Available for sale securities	1,547,985	334,152	8,022,538	2,336,646	112,134,237	126,054,816	124,375,558	(1,679,258)	124,510,451	123,505,120	(1,005,331)	
Federal government bonds	--	115,494	7,443,684	328	85,512,521	93,097,048	93,072,027	(25,021)	92,983,928	94,079,578	1,095,650	
Treasury financial bills	--	--	6,775,516	--	67,493,145	74,249,320	74,268,661	19,341	57,296,657	57,319,310	22,653	
National Treasury bills	--	--	--	--	7,858,819	7,737,404	7,858,819	121,415	8,505,544	8,841,981	336,437	
National Treasury notes	--	--	91,361	--	2,009,942	2,128,474	2,101,303	(27,171)	18,275,802	18,912,807	637,005	
Agricultural debt securities	--	--	474	328	1,398	2,141	2,200	59	3,048	3,101	53	
Brazilian foreign debt securities	--	--	--	--	3,700,475	3,728,556	3,700,475	(28,081)	3,330,330	3,489,860	159,530	
Foreign Government bonds	--	6,460	433,124	--	3,670,227	4,196,372	4,109,811	(86,561)	4,703,799	4,631,356	(72,443)	
Other	--	109,034	143,209	--	778,515	1,054,781	1,030,758	(24,023)	868,748	881,163	12,415	
Private securities	1,547,985	218,658	578,854	2,336,318	26,621,716	32,957,768	31,303,531	(1,654,237)	31,526,523	29,425,542	(2,100,981)	
Debentures	--	70,460	105,705	229,889	23,183,341	25,004,427	23,589,395	(1,415,032)	24,240,294	22,776,147	(1,464,147)	
Promissory notes	27,379	--	--	827,830	256,393	1,128,319	1,111,602	(16,717)	1,357,899	1,350,547	(7,352)	
Credit notes	--	--	--	--	--	--	--	--	28,875	27,576	(1,299)	
Shares in investment funds	1,519,544	--	--	215,405	478,884	1,854,444	2,213,833	359,389	676,384	753,985	77,601	
Shares	90	--	--	--	--	266	90	(176)	20,222	37,095	16,873	
Rural product bills - commodities	--	31,090	372,228	1,063,194	--	1,460,979	1,466,512	5,533	623,051	624,760	1,709	
Certificate of Deposit	--	97,206	--	--	--	97,206	97,206	--	330,966	330,626	(340)	
Certificates of agribusiness credit rights	--	--	--	--	128,029	125,007	128,029	3,022	--	--	--	
Real estate receivables certificates	--	--	--	--	225,845	359,154	225,845	(133,309)	342,177	199,827	(142,350)	
Other	972	19,902	100,921	--	2,349,224	2,927,966	2,471,019	(456,947)	3,906,655	3,324,979	(581,676)	
3 - Held to maturity securities	--	--	1,191,743	2,089,931	16,283,053	19,855,993	19,564,727	(291,266)	7,009,999	5,600,731	(1,409,268)	
Federal government bonds	--	--	--	2,002,653	5,865,273	7,726,521	7,867,926	141,405	285,017	285,017	--	
National Treasury bills	--	--	--	2,002,653	3,301,867	5,171,362	5,304,520	133,158	--	--	--	
Brazilian foreign debt securities	--	--	--	--	2,042,897	2,042,897	2,042,897	--	--	--	--	
Foreign Government bonds	--	--	--	--	520,509	512,262	520,509	8,247	285,017	285,017	--	
Private securities	--	--	1,191,743	87,278	10,417,780	12,129,472	11,696,801	(432,671)	6,724,982	5,315,714	(1,409,268)	
Debentures	--	--	794,149	87,278	9,215,706	10,362,485	10,097,133	(265,352)	5,851,036	4,663,867	(1,187,169)	
Real estate receivables certificates	--	--	--	--	212,421	373,161	212,421	(160,740)	399,581	177,482	(222,099)	
Financial letters	--	--	--	--	493,531	493,531	493,531	--	474,365	474,365	--	
Promissory Notes	--	--	397,594	--	496,122	900,295	893,716	(6,579)	--	--	--	
Total	2,345,401	2,374,937	9,775,584	4,924,408	130,701,707	151,589,653	150,122,037	(1,467,616)	138,961,014	136,858,384	(2,102,630)	

a.2) Breakdown of the consolidated portfolio by financial statement classification and maturity date

Maturity in days	Dec 31, 2018								Dec 31, 2017		
	Market value					Total			Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to market	Cost value	Market value	Mark to market
Total by portfolio	2,345,401	2,374,937	9,775,584	4,924,408	130,701,707	151,589,653	150,122,037	(1,467,616)	138,961,014	136,858,384	(2,102,630)
Own portfolio	2,345,401	2,204,525	8,363,417	4,694,484	91,414,400	110,479,199	109,022,227	(1,456,972)	105,663,130	104,074,443	(1,588,687)
Subject to repurchase agreements	--	73,206	1,240,878	229,898	36,066,904	37,654,867	37,610,886	(43,981)	31,682,509	31,172,613	(509,896)
Pledged in guarantee	--	97,206	171,289	26	3,220,403	3,455,587	3,488,924	33,337	1,615,375	1,611,328	(4,047)

a.3) Breakdown of the consolidated portfolio by category and maturity in years

Maturity in years	Dec 31, 2018							Dec 31, 2017	
	Market value					Total		Total	
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value	Market value	Cost value	Market value
Total by category	2,345,401	17,074,929	91,760,941	29,213,000	9,727,766	151,589,653	150,122,037	138,961,014	136,858,384
1 - Trading securities	797,416	3,099,919	2,119,857	119,054	45,506	5,678,844	6,181,752	7,440,564	7,752,533
2 - Available for sale securities	1,547,985	10,693,336	80,650,965	23,579,563	7,903,709	126,054,816	124,375,558	124,510,451	123,505,120
3 - Held to maturity securities	--	3,281,674	8,990,119	5,514,383	1,778,551	19,855,993	19,564,727	7,009,999	5,600,731

a.4) Summary of the consolidated portfolio by financial statement classification

	Dec 31, 2018			Dec 31, 2017		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	21,704,747	128,708,556	150,413,303	16,893,950	121,373,702	138,267,652
Own portfolio	19,892,244	89,416,471	109,308,715	13,669,831	91,713,584	105,383,415
Subject to repurchase agreements	1,543,982	36,071,681	37,615,663	2,590,049	28,682,860	31,272,909
Pledged in guarantee	268,521	3,220,404	3,488,925	634,070	977,258	1,611,328

a.5) Summary of the consolidated portfolio by category

	Dec 31, 2018		Dec 31, 2017	
Total by category				
1 - Trading securities	6,181,752	4%	7,752,533	6%
2 - Available for sale securities	124,375,558	83%	123,505,120	89%
3 - Held to maturity securities	19,855,993	13%	7,009,999	5%
Portfolio book value	150,413,303	100%	138,267,652	100%
Mark to market - held to maturity	(291,266)	--	(1,409,268)	--
Portfolio market value	150,122,037	--	136,858,384	--

b) Income from operations with securities

	2nd half/2018	2018	2017
Short-term interbank investments (Note 7.b)	13,705,375	27,221,550	39,105,520
Fixed-income securities	5,812,655	11,637,097	12,863,101
Variable-income securities	42,876	2,741,879	175,425
Total	19,560,906	41,600,526	52,144,046

c) Reclassification of securities

In order to meet business strategy to the management of asset and liability mismatches, on June 30, 2018, a reclassification of R\$ 2,042,934 thousand of Brazilian foreign debt securities issued abroad was made from the category "Available for Sale" to category "Held to Maturity", attested to their financial capacity. The adjustment did not reflect tax effects or impacts on shareholders' equity.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as hedge (market risk) and trading, both within limits approved by committees of the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and it is approved by the Executive Board of Directors.

The Bank uses derivative financial instruments compatible with the defined objectives, observing the best risk and return ratio and considering the economic scenario. The risk categories of the derivative financial instruments are considered in the management of these instruments and the consolidated view of different risk factors are adopted.

The Bank assesses the liquidity of derivative financial instruments and identifies, in advance, means of reversing positions. Systems and processes that allow the recording, monitoring and controlling of operations with derivative financial instruments are used.

In the options market, long positions have the Bank as holder, while short positions have the Bank as writer.

The main risks inherent to derivative financial instruments resulting from the business of the Bank and its subsidiaries are credit, market, liquidity and operational, which management process is presented in note 28.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses tools and systems to manage the derivatives. New derivatives trades standardized or not, are subjected to a prior risk analysis.

Positioning strategies comply with established limits and risk exposure. Positions are reassessed daily and at the beginning of each day an evaluation of strategies and performances is conducted.

Strategies are developed based on:

- analysis of economic scenarios;
- technical analysis (graphical) and fundamental analysis;
- simulation of expected results;
- Value-at-risk simulation (VaR, EVE, Stress).

The Bank carries out transactions with derivative financial instruments to hedge its own positions to meet the needs of our clients and to take intentional positions, according to limits, accountability and previously established procedures.

The objectives to be achieved with hedge operations are defined on a consolidated basis, ensuring effectiveness of each operation and observing the regulations of each jurisdiction. Mechanisms are used to evaluate and monitor the effectiveness of hedge operations in order to offset the effects of the variation in the market value or in the cash flow of the hedged item.

The Bank documents the identification of the hedged item of the transactions carried out with the purpose of offsetting its risks from its inception.

Risk analysis of the subsidiaries is undertaken on an individual basis and risk management is done on a consolidated basis.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using values at risk, sensibility and stress analysis models.

The VaR is used to estimate the potential loss, under routine market conditions, daily measured in monetary values, considering a confidence interval of 99.21%, a 10-day time horizon and a historical series of 252 business days.

In order to calculate the VaR, the Bank uses the Historical Simulation methodology, which assumes that the retrospective behavior of observed (historical) returns of risk factors constitutes relevant information to the measurement of market risks.

Accordingly, the calculated VaR for the Bank derivatives portfolio, on December 31, 2018, was R\$ 97,104 thousand (R\$ 99,015 thousand on December 31, 2017).

Total credit exposure from swaps is R\$ 372,721 thousand on December 31, 2018 (R\$ 147,204 thousand on December 31, 2017).

d.1) Breakdown of the portfolio of derivatives for trading by index

By Index	Dec 31, 2018			Dec 31, 2017		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
Future contracts						
Purchase commitments	5,629,726	--	--	5,629,177	--	--
Interbank deposits	3,139,411	--	--	3,924,393	--	--
Currencies	2,465,529	--	--	1,695,165	--	--
Bovespa Index	24,786	--	--	--	--	--
Commodities	--	--	--	9,619	--	--
Sales commitments	14,801,489	--	--	12,138,777	--	--
Interbank deposits	1,376,442	--	--	1,458,456	--	--
Currencies	320,925	--	--	1,321,124	--	--
T-Note	225,154	--	--	--	--	--
Bovespa Index	--	--	--	11,526	--	--
Libor	12,760,488	--	--	9,316,471	--	--
Commodities	118,480	--	--	31,200	--	--
Forward operations						
Asset position	8,172,801	275,526	304,852	6,180,063	102,820	127,878
Term securities	13,390	13,390	13,390	1,057	1,057	1,057
Term currencies	8,074,401	259,294	281,038	6,136,946	100,300	120,745
Term commodities	85,010	2,842	10,424	42,060	1,463	6,076
Liability position	7,212,413	(363,019)	(313,727)	5,333,287	(303,480)	(232,568)
Term securities	(13,390)	(13,390)	(13,390)	1,057	(1,057)	(1,057)
Term currencies	7,142,788	(330,032)	(289,313)	5,266,052	(301,350)	(228,765)
Term commodities	83,015	(19,597)	(11,024)	66,178	(1,073)	(2,746)
Option market						
Purchase commitments - long position	92,995	3,436	2,756	693	8	1
Foreign currency	92,995	3,436	2,756	--	--	--
Commodities	--	--	--	693	8	1
Sale commitments - long position	263,800	55	2,425	124,971	139,000	123,556
Foreign currency	--	--	--	1,488	58	73
Interbank deposit	263,800	55	2,425	--	--	--
Shares	--	--	--	123,483	138,942	123,483
Purchase commitments - short position	146,405	(8,574)	(11,386)	183,884	(17,781)	(17,337)
Foreign currency	66,213	(1,333)	(817)	15,954	(1,125)	(758)
Bovespa Index	42,183	(3,620)	(6,723)	--	--	--
Interbank deposit	2,193	(9)	--	2,059	(9)	--
IPCA	35,566	(3,598)	(3,825)	165,773	(16,642)	(16,571)
Commodities	250	(14)	(21)	98	(5)	(8)
Sale commitments - short position	572,457	(6,708)	(8,347)	206,900	(1,329)	(2,274)
Foreign currency	122,979	(5,275)	(3,409)	--	--	--
Interbank deposit	432,057	(1,102)	(4,667)	205,249	(1,285)	(2,273)
Commodities	17,421	(331)	(271)	1,651	(44)	(1)
Swaps contracts						
Asset position	9,804,366	204,028	238,048	7,261,065	394,835	386,920
Interbank deposits	840,820	72,150	71,643	1,754,863	135,148	142,779
Foreign currency	7,552,293	105,454	112,687	5,492,727	259,379	243,505
Pre-fixed	1,411,253	26,424	53,718	13,475	308	636
Liability position	7,351,207	(80,249)	(452,200)	6,610,242	(407,999)	(467,475)
Interbank deposits	101,678	(19,786)	(19,713)	1,065,574	(96,384)	(93,260)
Foreign currency	5,417,413	(282,536)	(384,068)	4,940,410	(304,045)	(353,208)
Pre-fixed	1,832,116	222,073	(48,419)	405,367	(6,365)	(11,603)
IPCA	--	--	--	198,891	(1,205)	(9,404)
Other Derivatives ⁽¹⁾						
Asset position						
Foreign currency	5,496,867	215,389	135,081	669,542	19,453	16,564
Liability position						
Foreign currency	3,739,922	(8,709)	(23,541)	4,063,593	(45,128)	(70,233)

(1) Related to transactions carried out in the Forex market abroad, recorded as Non Deliverable Forwards (NDF) which object is an exchange rate of a specific currency and is traded in the over-the-counter (OTC) market.

d.2) Breakdown of the derivatives portfolio by maturity (notional value)

Maturity in days	0 to 30	31 to 180	181 to 360	More than 360	Dec 31, 2018	Dec 31, 2017
Futures	1,761,312	6,185,848	6,725,341	5,758,714	20,431,215	17,767,954
Forwards	4,933,364	8,038,719	1,977,752	435,379	15,385,214	11,513,350
Options	605,696	239,361	57,050	173,550	1,075,657	516,448
Swaps	4,025,910	4,268,596	3,761,976	5,099,091	17,155,573	13,871,307
Other	2,910,356	3,819,315	2,503,451	3,667	9,236,789	4,733,135

d.3) Breakdown of the derivative portfolio by trading market and counterparty (notional value on December 31, 2018)

	Futures	Forwards	Option market	Swaps	Other
Stock Exchange					
Abroad	12,985,642	--	--	--	--
B3	7,445,573	--	281,471	--	--
Over-the-counter					
Clients	--	14,512,640	794,186	4,421,938	--
Financial Institutions	--	872,574	--	12,733,635	9,236,789

d.4) Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Dec 31, 2018	Dec 31, 2017
Treasury financial bills	651,185	495,372
Total	651,185	495,372

d.5) Portfolio of derivatives designated as hedge accounting

	Dec 31, 2018	Dec 31, 2017
Market risk hedge		
Hedging instruments		
Assets	--	123,483
Options	--	123,483
Liabilities	(92,201)	--
Swaps	(92,201)	--
Hedged items		
Assets	664,473	36,993
Interbank deposits	664,473	--
Securities	--	36,993
Liabilities	(550,091)	--
Foreign securities	(550,091)	--

In order to hedge against possible fluctuations in the interest and exchange rates on its securities and foreign investments, the Bank used a swap (cross currency interest rate swaps) to hedge a foreign funding. On December 2017, BB-BI used option contracts to offset the risks arising from stock market variations. These hedge operations were considered as effective, in accordance with Central Bank Circular No. 3,082/2002, which requires evidence of hedge effectiveness in the range of 80 % to 125 %:

d.6) Income gains and losses with hedging instruments and hedged items

	2nd half/2018	2018	2017
Hedge items losses	(26,451)	(38,508)	(135,005)
Hedging instruments gains	28,788	38,440	139,807
Net effect	2,337	(68)	4,802
Hedge items gains	--	--	59,150
Hedging instruments losses	--	--	(65,582)
Net effect	--	--	(6,432)

d.7) Derivative financial instruments segregated by current and non-current

	Dec 31, 2018		Dec 31, 2017	
	Current	Non-current	Current	Non-current
Assets				
Forwards	289,450	15,402	121,382	6,496
Options	5,060	121	123,557	--
Swaps	178,681	59,367	254,668	132,252
Other Derivatives	134,872	209	13,079	3,485
Total	608,063	75,099	512,686	142,233
Liabilities				
Forwards	(303,887)	(9,840)	(196,619)	(35,949)
Options	(16,075)	(3,658)	(13,209)	(6,402)
Swaps	(250,133)	(202,067)	(299,666)	(167,809)
Other Derivatives	(23,413)	(128)	(67,576)	(2,657)
Total	(593,508)	(215,693)	(577,070)	(212,817)

e) Income from derivative financial instruments

	2nd half/2018	2018	2017
Swaps	(52,526)	469,136	79,548
Forwards	(214,116)	191,369	(423,844)
Options	60,598	91,825	182,603
Futures	(190,684)	(295,825)	(295,457)
Other Derivatives	73,376	112,425	(8,124)
Total	(323,352)	568,930	(465,274)

9 - INTERBANK ACCOUNTS

a) Payments and receipts pending settlement

	Dec 31, 2018	Dec 31, 2017
Assets		
Rights against other participants of settlement systems		
Bank checks and other instruments	983	4,069
Transactions of payments		
Acquisition of receivables from credit cards	4,036,002	3,467,187
Total	4,036,985	3,471,256
Current assets	591,555	4,069
Non-current assets	3,445,430	3,467,187
Liabilities		
Obligations to other participants of settlement systems ⁽¹⁾		
Bank checks and other instruments	--	350
Other receipts	1,638	799
Total	1,638	1,149
Current liabilities	1,638	1,149

b) Restricted deposits

	Dec 31, 2018	Dec 31, 2017
Compulsory deposits with Banco Central do Brasil	59,115,355	69,081,139
Savings deposit requirements	34,757,756	33,698,614
Demand deposit requirements	10,221,107	11,744,668
Time deposit requirements	13,751,778	15,852,584
Resources for microfinance	204,459	279,730
Resources for rural credit ⁽¹⁾	--	7,408,359
Other	180,255	97,184
Housing Finance System	2,734,134	2,794,889
Compensation of wage changes fund	3,316,499	3,131,410
Provision for losses	(596,639)	(353,238)
Other	14,274	16,717
National Treasury - rural credit	53,648	16,439
Rural credit - Proagro	53,648	16,439
Total	61,903,137	71,892,467
Current assets	61,888,022	71,892,280
Non-current assets	15,115	187

(1) Refers to funds deposited with the Banco Central do Brasil, because they were not lent on to rural credits, according to Resolution CMN No. 3,745/2009. The special supply funds were provided by Banco Central do Brasil and recorded in borrowings and onlendings (Note 19.b).

c) Reserve Requirements

	2nd half/2018	2018	2017
Deposits linked to the Banco Central do Brasil	1,272,367	2,573,438	3,845,891
Additional reserve requirements on deposits	--	--	687,793
Savings deposit requirements	818,756	1,638,300	1,763,350
Time deposit requirements	453,611	935,138	1,390,979
Resources for rural credit	--	--	3,769
Deposits linked to real estate	97,023	187,322	194,066
Deposits linked to National Treasury - rural credit	1,001	1,914	44,294
Reversal/(Allowance) for losses on restricted deposits	(233,471)	(243,402)	218,294
Total	1,136,920	2,519,272	4,302,545

10 - LOANS
a) Portfolio by modality

	Dec 31, 2018	Dec 31, 2017
Loans	581,766,156	579,733,796
Loans and discounted credit rights	205,752,015	200,639,248
Financing	147,396,273	160,682,820
Rural financing	171,849,281	163,199,705
Real estate financing	56,363,519	54,715,861
Financing of infrastructure and development	--	106
Loans sold under assignment ⁽¹⁾	405,068	496,056
Other receivables with loan characteristics	58,226,136	55,778,255
Credit card operations	28,079,268	25,296,513
Advances on exchange contracts ⁽²⁾	18,974,290	15,564,207
Other receivables purchase under assignment ⁽³⁾	6,124,782	10,180,439
Transactions of payments	4,036,002	3,467,187
Guarantees honored	362,737	601,739
Other	649,057	668,170
Leasing transactions	233,714	398,557
Total loan portfolio	640,226,006	635,910,608
(Allowance for loan losses)	(34,344,100)	(36,686,440)
(Allowance for loan losses - loans)	(32,778,037)	(35,444,029)
(Allowance for other losses - other receivables) ⁽⁴⁾	(1,555,809)	(1,221,908)
(Allowance for lease losses - leasing transactions)	(10,254)	(20,503)
Total loan portfolio net of provisions	605,881,906	599,224,168

(1) Loans assigned with retention of the risks and benefits of the financial assets.

(2) Advances on exchange contracts are classified as a deduction to other liabilities.

(3) Loans acquired with retention of the risks and benefits by the assignor of the financial assets.

(4) Includes the amount of R\$ 12,930 thousand as of December 31, 2018 (R\$ 12,380 thousand as of December 31, 2017) related to allowance for interbank onlendings losses.

b) Loans and leasing transactions income

	2nd half/2018	2018	2017
Loans income	40,915,621	86,493,451	83,669,131
Loans and discounted credit rights	22,462,178	44,732,952	42,000,249
Financing	4,407,702	14,266,133	11,057,115
Rural financing	5,511,066	10,862,483	10,331,855
Recovery of loans previously written-off as loss ⁽¹⁾	3,251,445	6,007,616	5,171,527
Real estate financing	2,226,655	4,371,611	6,734,355
Equalization of rates - agricultural crop- Law 8,427/1992	1,586,518	3,252,656	4,970,101
Export financing	1,056,208	2,127,387	3,107,870
Income from foreign currency financing	216,682	541,808	117,098
Advances to depositors	161,798	255,854	38,968
Guarantees honored	11,538	27,765	90,949
Other	23,831	47,186	49,044
Leasing transactions income (Note 10.i)	90,111	196,945	255,815
Total	41,005,732	86,690,396	83,924,946

(1) The amount of R\$ 578,254 thousand in the 2nd half/2018 (with impact on the income of R\$ 303,251 thousand), R\$ 635,199 thousand in the period of 2018 (with impact on the income of R\$ 333,114 thousand) and R\$ 95,328 thousand in the period of 2017 (with impact on the income of R\$ 49,992 thousand) was received from assignments without recourse of written off credits to entities outside the financial system, in accordance with CMN Resolution 2,836/2001. The book value of these transactions were R\$ 880,280 thousand, R\$ 1,006,790 thousand and R\$ 159,926 thousand, respectively.

c) Breakdown of the loan portfolio by sector

	Dec 31, 2018	%	Dec 31, 2017	%
Public sector	75,047,238	11.7	75,590,190	12.0
Public administration	45,139,798	7.1	40,996,755	6.5
Oil sector	21,010,203	3.3	24,268,133	3.8
Electricity	6,755,892	1.0	7,995,710	1.3
Services	815,804	0.1	1,029,696	0.2
Other activities	1,325,541	0.2	1,299,896	0.2
Private sector ⁽¹⁾	565,178,768	88.3	560,320,418	88.0
Individuals	349,076,508	54.5	331,674,561	52.4
Companies	216,102,260	33.8	228,645,857	35.6
Agribusiness of plant origin	33,339,396	5.3	30,299,442	4.8
Mining and metallurgy	20,574,106	3.3	24,665,949	3.9
Services	17,494,972	2.7	18,081,636	2.7
Transportation	16,942,530	2.7	17,480,150	2.8
Automotive sector	15,305,785	2.4	16,825,384	2.7
Agribusiness of animal origin	15,021,837	2.3	13,787,041	2.2
Real estate agents	10,849,172	1.7	14,144,187	2.2
Fuel	10,060,179	1.5	9,527,219	1.5
Retail commerce	9,044,807	1.4	9,822,143	1.5
Electricity	7,823,963	1.2	10,288,037	1.6
Agricultural inputs	7,733,919	1.2	7,137,499	1.1
Specific activities of construction	7,096,961	1.1	7,519,681	1.2
Financial services	6,720,936	1.0	7,641,747	0.9
Wholesale and various industries	5,846,187	0.9	5,675,124	0.9
Chemical	5,785,012	0.9	5,529,388	0.9
Electronics	5,723,033	0.9	5,948,218	0.9
Textile and clothing	5,608,085	0.9	6,100,345	1.0
Pulp and paper	4,102,069	0.6	3,926,936	0.6
Woodworking and furniture market	3,674,811	0.6	4,085,707	0.6
Heavy construction	2,501,379	0.4	3,173,504	0.5
Telecommunications	1,709,995	0.3	4,097,668	0.6
Other activities	3,143,126	0.5	2,888,852	0.5
Total	640,226,006	100.0	635,910,608	100.0

(1) The amounts disclosed under individuals include loans to the sectors of agribusiness, housing and other sectors of economic activity carried out with individuals. To the highlighted economic sectors, operations are exclusive to companies.

d) Loan portfolio by risk level and maturity

	AA	A	B	C	D	E	F	G	H	Dec 31, 2018	Dec 31, 2017
Loans not past due											
Installments falling due											
01 to 30	16,760,050	6,181,134	13,826,937	8,008,882	419,150	67,146	64,962	117,115	126,175	45,571,551	41,450,011
31 to 60	13,773,663	3,302,310	5,159,690	2,629,797	232,511	281,235	18,009	334,331	131,394	25,862,940	22,524,136
61 to 90	8,611,453	2,578,298	3,630,942	2,176,506	308,902	68,388	16,945	16,207	180,445	17,588,086	18,347,090
91 to 180	31,024,961	8,385,515	11,789,514	4,682,362	694,337	462,074	95,600	62,167	635,159	57,831,689	55,530,306
181 to 360	44,266,361	8,910,495	24,726,832	7,393,144	1,204,042	644,047	177,925	114,662	636,351	88,073,859	90,611,344
More than 360	214,849,896	35,989,728	77,721,795	25,906,101	7,880,350	5,178,961	1,305,272	1,595,819	7,986,397	378,414,319	374,514,531
Installments overdue											
Up to 14 days	915,506	1,162,126	252,688	190,443	41,928	14,968	5,640	6,125	36,309	2,625,733	2,654,780
Other ⁽¹⁾	426,573	--	--	--	--	--	--	--	--	426,573	405,564
Subtotal	330,628,463	66,509,606	137,108,398	50,987,235	10,781,220	6,716,819	1,684,353	2,246,426	9,732,230	616,394,750	606,037,762
Loans past due											
Installments falling due											
01 to 30	--	--	48,777	156,905	57,775	49,595	59,043	36,120	204,378	612,593	994,910
31 to 60	--	--	31,110	67,952	41,943	63,078	25,609	29,101	142,287	401,080	499,599
61 to 90	--	--	24,924	48,191	34,544	40,976	29,764	14,317	150,222	342,938	433,550
91 to 180	--	--	62,953	137,651	94,051	123,457	82,546	48,019	350,750	899,427	1,166,918
181 to 360	--	--	127,354	286,731	213,136	193,787	143,779	106,244	693,327	1,764,358	2,245,079
More than 360	--	--	1,277,088	1,916,115	1,421,878	1,257,764	1,367,821	1,031,873	4,621,309	12,893,848	15,666,394
Installments overdue											
01 to 14	--	--	49,136	16,623	14,486	17,418	9,803	5,370	44,930	157,766	205,093
15 to 30	--	--	85,522	158,185	43,406	34,710	17,308	20,225	79,007	438,363	517,247
31 to 60	--	--	29,805	226,998	130,393	105,396	35,654	29,334	175,100	732,680	1,597,972
61 to 90	--	--	--	31,118	212,971	61,495	43,846	38,684	247,037	635,151	792,680
91 to 180	--	--	--	20,730	60,107	190,815	208,964	271,254	624,935	1,376,805	1,931,197
181 to 360	--	--	--	--	--	45,878	132,120	63,790	1,816,177	2,057,965	2,780,445
More than 360	--	--	7	--	--	93,703	558,107	3,014	863,451	1,518,282	1,041,762
Subtotal	--	--	1,736,676	3,067,199	2,324,690	2,278,072	2,714,364	1,697,345	10,012,910	23,831,256	29,872,846
Total	330,628,463	66,509,606	138,845,074	54,054,434	13,105,910	8,994,891	4,398,717	3,943,771	19,745,140	640,226,006	635,910,608

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procefa, FAT, BNDES and FCO. The amount of R\$ 41,298 thousand they include in the year 2018 of overdue installments which comply with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

e) Allowance for loan losses by risk level

Level of risk	% Minimum provision	Dec 31, 2018				Dec 31, 2017			
		Value of loans	Minimum required allowance	Supplementary allowance ⁽¹⁾	Total	Value of loans	Minimum required allowance	Supplementary allowance ⁽¹⁾	Total
AA		330,628,463	--	--	--	318,099,637	--	--	--
A	0.5	66,509,606	332,548	38,128	370,676	68,404,929	342,025	38,593	380,618
B	1	138,845,074	1,388,451	485,227	1,873,678	134,631,206	1,346,312	491,807	1,838,119
C	3	54,054,434	1,621,633	1,103,894	2,725,527	61,251,622	1,837,549	1,057,932	2,895,481
D	10	13,105,910	1,310,591	596,342	1,906,933	10,193,686	1,019,369	118,152	1,137,521
E	30	8,994,891	2,698,467	16,255	2,714,722	12,644,509	3,793,353	298,094	4,091,447
F	50	4,398,717	2,199,359	44,732	2,244,091	5,260,850	2,630,425	69,503	2,699,928
G	70	3,943,771	2,760,640	2,693	2,763,333	5,938,862	4,157,203	816	4,158,019
H	100	19,745,140	19,745,140	--	19,745,140	19,485,307	19,485,307	--	19,485,307
Total		640,226,006	32,056,829	2,287,271	34,344,100	635,910,608	34,611,543	2,074,897	36,686,440

(1) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal scale of risk level.

f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

	2nd half/2018	2018	2017
Opening balance	35,178,548	36,686,440	36,070,120
Addition/(reversal)	9,206,756	19,788,864	25,265,431
Minimum required allowance	8,986,586	19,576,490	24,725,576
Supplementary allowance ⁽¹⁾	220,170	212,374	539,855
Exchange fluctuation - foreign allowances	(51,225)	50,752	86,568
Write off	(9,989,979)	(22,181,956)	(24,735,679)
Closing balance	34,344,100	34,344,100	36,686,440

(1) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal scale of risk level.

g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

	2nd half/2018	2018	2017
Opening balance	1,838,903	1,758,435	1,566,638
Addition/(reversal)	740,260	939,689	433,737
Exchange fluctuation - foreign allowances	(1,705)	(16,254)	(4,259)
Write-off/other adjustments	(152,691)	(257,103)	(237,681)
Closing balance	2,424,767	2,424,767	1,758,435

h) Leasing portfolio by maturity

	Dec 31, 2018	Dec 31, 2017
Up to 1 year ⁽¹⁾	113,772	183,601
More than 1 year and up to 5 years	119,921	214,687
Over 5 years	21	269
Total present value	233,714	398,557

(1) Includes amounts related to overdue installments.

i) Income from leasing transactions

	2nd half/2018	2018	2017
Lease revenue	90,111	196,945	255,815
Leasing	90,111	196,945	255,815
Lease expenses	(60,814)	(129,647)	(147,591)
Leasing	(60,213)	(128,528)	(147,403)
Operating leases	(565)	(941)	--
Loss on disposal of leased assets	(36)	(178)	(188)
Total	29,297	67,298	108,224

j) Concentration of loans

	Dec 31, 2018	% of credit portfolio	Dec 31, 2017	% of credit portfolio
Largest debtor	21,860,093	3.4	25,032,029	4.0
10 largest debtors	72,193,449	11.3	74,153,914	11.7
20 largest debtors	95,302,551	14.9	100,040,118	15.8
50 largest debtors	129,787,796	20.3	137,784,192	21.8
100 largest debtors	153,481,111	24.0	161,081,892	25.5

k) Renegotiated credits

	2nd half/2018	2018	2017
Credits renegotiated during the period ⁽¹⁾	30,467,120	57,044,631	48,548,687
Renegotiated when past due ⁽²⁾	4,979,260	9,264,145	10,924,658
Renovated ⁽³⁾	25,487,860	47,780,486	37,624,029
Changes on credits renegotiated when past due			
Opening balance	22,914,066	25,297,378	27,086,224
Contracts ⁽²⁾	4,979,260	9,264,145	10,924,658
Interest (received) and appropriated	(2,285,682)	(4,463,774)	(4,312,597)
Write off	(2,733,435)	(7,223,540)	(8,400,907)
Closing balance ⁽⁴⁾	22,874,209	22,874,209	25,297,378
Allowance for loan losses of the portfolio renegotiated when past due	--	12,234,066	12,440,294
(%) Allowance for loan losses on the portfolio	--	53.5%	49.2%
90 days default of the portfolio renegotiated when past due	--	3,857,435	5,918,116
(%) Portfolio default	--	16.9%	23.4%

- (1) Represents the balance of all installments (past due and future) of loans renegotiated during the period using the internet, automated teller machines (ATM) or branch network.
- (2) Renegotiated credit under debt composition as a result of payment delay by the clients.
- (3) Renegotiated current credits (i.e. not past due) in the form of the extension or renewal of the credit or the granting of new loans for partial or full settlement of previous contracts or any other type of agreement that changes the maturity or the payment terms, originally agreed.
- (4) Includes the amount of R\$ 46,079 thousand (R\$ 67,189 thousand as of December 31, 2017) related to renegotiated rural credits. The amount of R\$ 10,610,391 thousand (R\$ 8,511,882 thousand as of December 31, 2017), related to deferred credits from rural portfolio governed by specific legislation, is not included.

l) Supplementary information

	Dec 31, 2018	Dec 31, 2017
Undrawn credit lines	118,785,761	117,609,174
Guarantees provided ⁽¹⁾	5,885,173	3,977,234
Confirmed export credit	279,492	221,115
Contracted credit opened for import	332,259	176,766
Linked resources	1,381,302	2,422,714

- (1) For these operations, the Bank maintains an allowance recorded in Other liabilities - sundry, (Note 20.f).

m) Loans by line of credit from Fund for Workers' Assistance (Fundo de Amparo ao Trabalhador – FAT)

Lines of FAT	TADE ⁽¹⁾	Dec 31, 2018	Dec 31, 2017
Loans and discounted securities		1,495,697	1,136,832
Proger Urbano Capital de Giro	15/2005 and 01/2016	1,487,878	1,128,091
FAT Turismo - Capital de Giro	02/2012	7,819	8,741
Financing		2,141,543	2,306,663
Proger Urbano Investimento	18/2005	1,846,351	1,911,334
FAT Taxista	02/2009	249,554	311,647
FAT Turismo - Investimento	01/2012	35,382	64,492
Proger Exportação	27/2005	10,256	19,190
Rural financing		10,589	36,613
Pronaf Investimento	05/2005	7,401	30,364
Proger Rural Investimento	13/2005	2,553	4,709
Pronaf Custeio	04/2005	621	1,367
Proger Rural Custeio	02/2006	14	173
Total		3,647,829	3,480,108

- (1) TADE - Allocation Term of Special Deposits.

11 - FOREIGN EXCHANGE PORTFOLIO

a) Breakdown

	Dec 31, 2018	Dec 31, 2017
Other receivables		
Exchange purchases pending settlement	24,070,311	17,875,671
Bills of exchange and time drafts in foreign currency	47,834	40,836
Receivables from sales of foreign exchange	8,113,897	6,941,737
(Advances received in national/foreign currency)	(7,412,677)	(6,086,813)
Foreign currency receivables	5,376	506
Income receivable on advances granted and on financed imports	288,800	285,777
Total	25,113,541	19,057,714
Current assets	25,103,044	19,057,714
Non-current assets	10,497	--
Other liabilities		
Exchange sales pending settlement	9,224,512	7,109,167
(Financed imports)	(1,336)	(297)
Exchange purchase liabilities	23,415,484	17,470,004
(Advances on exchange contracts)	(18,180,023)	(14,904,402)
Foreign currency payables	54,690	51,476
Unearned income on advances granted	9,530	14,079
Total	14,522,857	9,740,027
Current liabilities	12,067,141	8,134,346
Non-current liabilities	2,455,716	1,605,681
Net foreign exchange portfolio	10,590,684	9,317,687
Off balance accounts		
Credit opened for imports	436,790	249,031
Confirmed export credit	279,493	221,115

b) Foreign exchange results

	2nd half/2018	2018	2017
Exchange income	6,486,497	12,500,092	7,106,606
Exchange expenses	(5,669,983)	(10,253,021)	(6,189,377)
Foreign exchange results	816,514	2,247,071	917,229

12 - OTHER RECEIVABLES

a) Specific credits

	Dec 31, 2018	Dec 31, 2017
Extension of rural credits - National Treasury ⁽¹⁾	392,414	416,269
Other	493	533
Total	392,907	416,802

(1) Credits receivable from the Federal Government, from extended and securitized rural transactions under Law No. 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat. The Bank has liabilities payable to the Federal Government recorded in Other liabilities - Sundry creditors - domestic (Note 20.e) and Demand deposits - Restricted (Note 17.a).

b) Sundry

	Dec 31, 2018	Dec 31, 2017
Deferred tax asset (Note 24.e)	38,643,121	39,722,336
Sundry debtors from escrow deposits - contingencies (Note 27.g.1)	37,644,645	37,082,595
Credit card operations (Note 10.a)	28,079,268	25,296,513
Sundry debtors from escrow deposits - lawsuit (Note 27.h.1)	18,668,426	18,180,644
Fund of allocation of surplus - Previ (Note 26.f)	9,511,761	9,602,214
Income tax and social contribution to offset	9,026,643	8,910,280
Actuarial assets (Note 26.e)	3,771,509	4,540,356
Receivables - other	3,810,289	3,033,354
Credit linked to acquired operations (Note 10.a) ⁽¹⁾	6,124,782	10,180,439
Sundry debtors - domestic	2,159,822	3,305,416
Receivables - National Treasury ⁽²⁾	811,616	1,173,851
National Treasury - interest rate equalization - agricultural crop - Law 8,427/1992	1,592,642	2,166,453
Receivables acquisition	--	424,193
Receivables - ECT - Banco Postal	333,381	626,474
Rights for acquisition of royalties and government credits	--	494,100
Sundry debtors - foreign	314,145	205,213
Receivables - non-financial companies	302,225	1,097,039
Salary advances and other advances	285,076	256,627
Sundry debtors from escrow deposits - other	61,127	73,852
Sundry debtors for purchasing assets	2,181	4,445
Other	400,451	370,235
Total	161,543,110	166,746,629
Current assets	104,477,547	91,070,544
Non-current assets	57,065,563	75,676,085

(1) Refers to the portfolios of payroll loans and vehicle financing granted to individuals, acquired by the Bank through assignments with full recourse to the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

(2) Refers mainly to amounts from subsidies in operations with MCR 6-2 resources, MCR 6-4 (Rural credit manual) and they are supported by specific legislation, like the CMN resolutions, the Program of Bahia's Cocoa Farming Recovery (CMN Resolution No. 2,960/2002) and the regional funds (FDNE and FDCO). Credits receivable from the Federal Government, from extended and securitized rural transactions under Law No. 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in the amount of R\$ 133,574 thousand, in a reconciliation process with the National Treasury Secretariat. The Bank has liabilities payable to the Federal Government recorded in Other liabilities - Sundry creditors - domestic (Note 20.e) and Demand Deposits - Restricted (Note 17.a).

13 - OTHER ASSETS

	Dec 31, 2018	Dec 31, 2017
Non-operating assets	490,288	356,308
Assets in special regime ⁽¹⁾	--	186,024
Real estate	307,303	79,420
Residential properties	174,007	75,474
Machinery and equipment	1,471	2,765
Vehicles	336	411
Other	7,171	12,214
Materials in stock	60,988	56,235
Subtotal	551,276	412,543
(Impairment) ⁽²⁾	(155,818)	(157,586)
Prepaid expenses	513,179	285,716
Personnel and other administrative expenses	418,449	171,501
Entities abroad	60,173	79,042
Tax expenses	27	26
Unearned insurance premiums	13,670	12,566
Rent	3,646	5,494
Premiums for purchased payroll credits ⁽³⁾	119	327
Other	17,095	16,760
Total	908,637	540,673
Current assets	896,847	522,244
Non-current assets	11,790	18,429

(1) Assets in special regime were reclassified to the Real Estate item in compliance with Law 13,506/2017.

(2) The Bank recognized, in the 2018, allowance expenses for impairment losses of assets not in use in the amount of R\$ (10,228) thousand (allowance expenses in the amount of R\$ (23,614) thousand in the 2017).

(3) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

14 - INVESTMENTS

a) Changes in associates and joint ventures

	Share capital	Adjusted shareholders' equity	Net income/(loss) - 2018	Number of shares (in thousands)		Ownership interest in share capital %	Book value Dec 31, 2017	Changes - 2018			Book value Dec 31, 2018	Equity income 2017
				Common	Preferred			Dividends	Other events ⁽¹⁾	Equity income		
Domestic							17,216,404	(3,312,839)	(1,463,685)	3,741,668	16,181,548	3,962,574
Banco Votorantim S.A. ⁽²⁾	8,130,372	9,373,596	1,061,172	43,114,693	9,581,043	50.00%	4,433,632	(9,430)	(268,132)	530,645	4,686,715	290,948
Cateno Gestão de Contas de Pagamento S.A. ⁽³⁾	414,000	12,206,349	717,572	2,397,200	1,198,600	30.00%	3,655,182	(208,545)	--	215,268	3,661,905	205,842
Cielo S.A. ⁽²⁾⁽⁴⁾	5,700,000	11,284,975	2,371,845	778,320	--	28.68%	3,264,584	(1,103,785)	49,815	861,435	3,072,049	1,127,484
BB Mapfre SH1 Participações S.A. ⁽⁴⁾⁽⁵⁾	1,422,278	1,703,167	1,548,426	1,039,908	2,079,400	74.99%	1,686,052	(1,060,816)	(420,704)	1,072,673	1,277,205	1,144,423
Mapfre BB SH2 Participações S.A. ⁽⁴⁾⁽⁵⁾⁽⁶⁾							1,469,780	(55,110)	(1,198,808)	(215,862)	--	(73,364)
Brasilprev Seguros e Previdência S.A. ⁽²⁾⁽⁴⁾⁽⁵⁾	1,402,269	2,875,598	913,382	572	1,145	75.00%	1,975,877	(583,602)	849	743,335	2,136,459	820,267
Neoenergia S.A.	12,919,982	18,805,055	1,549,891	113,430	--	9.35%	1,570,055	(73,702)	142,265	110,695	1,749,313	25,588
Elo Participações S.A. ⁽⁷⁾	1,052,000	2,532,036	573,968	525,895	--	49.99%	976,121	(35,533)	(5,229)	222,102	1,157,461	133,916
Brasilcap Capitalização S.A. ⁽⁴⁾⁽⁵⁾	231,264	381,121	98,614	107,989	107,989	66.66%	241,544	(62,559)	--	75,070	254,055	170,414
Other investments							751,772	(119,757)	274,371	126,307	1,032,693	117,056
Goodwill/(bargain) purchase on acquisition of investments							336,981	--	(150,382)	--	186,599	--
Unrealized results ⁽⁸⁾							(3,145,176)	--	112,270	--	(3,032,906)	--
Abroad							46,303	--	526,506	--	572,809	(313)
Other equity abroad							--	--	--	--	--	(313)
Goodwill on acquisition of investments abroad							46,303	--	526,506	--	572,809	--
Total investments in subsidiaries and associates							17,262,707	(3,312,839)	(937,179)	3,741,668	16,754,357	3,962,261
(Provision for losses)							(11,213)	--	(29,249)	--	(40,462)	--

(1) These basically refer to the exchange fluctuation and equity valuation adjustments of available-for-sale securities and the foreign exchange variation on investments abroad.

(2) Excluded unrealized result arising from transactions with the Banco do Brasil.

(3) Indirect interest of the Bank in Cateno, through its subsidiary BB Elo Cartões Participações S.A. The total share of the Bank is 50.07% (Cielo S.A. holds 70% of direct interest in Cateno).

(4) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.

(5) Equity interest held by BB Seguros Participações S.A. It includes harmonization adjustments in accounting practices.

(6) Write-off of the investment in Mapfre BB SH2.

(7) The equity of Elo Participações S.A. is calculated in proportion to the monthly contribution of BB Elo Cartões in the business of the company, according to agreement of 01.11.2017, between BB Elo Cartões and Bradescard.

(8) Unrealized profit arising from a new strategic partnership between BB Elo Cartões Participações S.A. and Cielo S.A., forming Cateno Gestão de Contas de Pagamento S.A.

b) Summarized financial information of associates and joint ventures, not adjusted for the equity interest percentage held by the Bank

Balance sheet	Dec 31, 2018						
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Cielo S.A.	Other	Total
Total assets	261,344,248	101,819,911	12,910,719	13,659,046	82,995,433	51,968,205	524,697,562
Cash and cash equivalents	3,050	201,874	3,118	31,374	69,372	706,187	1,014,975
Short-term interbank investments	--	12,997,077	248,359	--	8,301	6,558,151	19,811,888
Securities and derivative financial instruments	258,899,903	30,385,743	1,671,299	6,572,709	7,253,606	9,533,671	314,316,931
Loans	--	42,410,397	--	--	--	54,941	42,465,338
Other credits and other assets	2,201,405	13,382,034	885,987	6,806,390	64,739,265	12,643,065	100,658,146
Permanent assets	239,890	2,442,786	10,101,956	248,573	10,924,889	22,472,190	46,430,284
Total liabilities	258,468,650	92,446,315	704,370	11,955,879	71,710,458	29,521,923	464,807,595
Deposits, securities, loans, derivative financial instruments and others onlendings	--	76,628,254	--	--	59,534,999	4,202,855	140,366,108
Other liabilities	258,468,650	15,818,061	704,370	11,955,879	12,175,459	25,319,068	324,441,487
Technical provisions for insurance, pension plans and capitalization	256,765,876	--	--	8,657,486	--	17,896,578	283,319,940
Subordinated debts and equity and debt hybrid securities	--	3,084,748	--	--	--	2,902,306	5,987,054
Other	1,702,774	12,733,313	704,370	3,298,393	12,175,459	4,520,184	35,134,493
Shareholders' equity	2,875,598	9,373,596	12,206,349	1,703,167	11,284,975	22,446,282	59,889,967
% of Total Share	75.00%	50.00%	30.00%	74.99%	28.68%	--	--
Shareholders' equity (proportional to the equity interest)	2,156,555	4,686,798	3,661,905	1,277,205	3,236,023	2,207,965	17,226,451
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	162,550	598,419	759,408
Other amounts ⁽¹⁾	(20,096)	(83)	--	--	(163,974)	(1,047,349)	(1,231,502)
Balance of the investment	2,134,898	4,686,715	3,661,905	1,277,205	3,234,599	1,759,035	16,754,357

(1) It refers, mainly, to unrealized results, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Statements of income	2018							
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A. ⁽²⁾	Cielo S.A.	Other	Total
Income from financial intermediation	117,534	3,779,494	--	505,592	160,201	1,535,098	4,657,003	10,754,922
Service fee income	2,623,630	521,607	3,032,589	--	1,571	7,206,775	4,230,701	17,616,873
Other administrative expenses	(263,721)	(1,343,662)	(857,393)	(266,253)	(231,537)	(805,135)	(1,311,421)	(5,079,122)
Other operating income/expenses	(747,316)	(1,041,954)	(1,091,978)	2,279,839	(212,686)	(3,899,051)	(2,331,481)	(7,044,627)
Non-operating income	(79)	(75,548)	--	4,341	317	(13,175)	162,443	78,299
Result before tax	1,730,048	1,839,937	1,083,218	2,523,519	(282,134)	4,024,512	5,407,245	16,326,345
Tax about profit and profit sharing	(816,666)	(778,765)	(365,646)	(975,092)	105,155	(1,652,667)	(546,713)	(5,030,394)
Net income	913,382	1,061,172	717,572	1,548,427	(176,979)	2,371,845	4,860,532	11,295,951
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%	28.68%	--	--
Net income (proportional to the equity interest)	684,991	530,587	215,268	1,161,165	(88,489)	680,119	977,519	4,161,160
Other amounts ⁽¹⁾	58,344	58	--	(88,492)	(127,373)	181,316	(443,345)	(419,492)
Result in the equity method investments	743,335	530,645	215,268	1,072,673	(215,862)	861,435	534,174	3,741,668

(1) It refers, mainly, to unrealized results, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

(2) Mapfre BB SH2 was sold in november 2018.

Balance sheet	Dec 31, 2017							
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.	Cielo S.A.	Other	Total
Total assets	238,702,120	93,520,037	12,881,294	13,625,872	13,501,265	89,612,229	47,930,606	509,773,423
Cash and cash equivalents	11	296,334	10	33,757	18,205	15,163	1,337,849	1,701,329
Short-term interbank investments	--	15,109,681	401,522	--	--	269,191	6,360,411	22,140,805
Securities and derivative financial instruments	236,374,844	23,118,394	1,164,145	6,941,632	4,686,490	10,903,369	10,547,969	293,736,843
Loans	--	41,534,199	--	--	--	--	45,092	41,579,291
Other credits and other assets	2,100,704	12,200,234	834,939	6,251,715	8,458,124	67,811,899	10,991,958	108,649,573
Permanent assets	226,561	1,261,195	10,480,678	398,768	338,446	10,612,607	18,647,327	41,965,582
Total liabilities	236,038,658	84,541,892	697,355	11,377,679	10,214,439	77,853,783	24,836,146	445,559,952
Deposits, securities, loans, derivative financial instruments and others onlendings	--	64,151,436	--	--	--	72,926,333	1,489,342	138,567,111
Other liabilities	236,038,658	20,390,456	697,355	11,377,679	10,214,439	4,927,450	23,346,804	306,992,841
Technical provisions for insurance, pension plans and capitalization	225,947,586	--	--	8,249,245	7,566,393	--	18,051,454	259,814,678
Subordinated debts and equity and debt hybrid securities	--	3,673,691	--	--	--	--	--	3,673,691
Other	10,091,072	16,716,765	697,355	3,128,434	2,648,046	4,927,450	5,295,350	43,504,472
Shareholders' equity	2,663,462	8,978,145	12,183,939	2,248,193	3,286,826	11,758,446	23,094,460	64,213,471
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%	28.68%	--	--
Shareholders' equity (proportional to the equity interest)	1,997,463	4,489,073	3,655,182	1,685,920	1,643,413	3,374,921	4,074,015	20,919,987
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	--	304,246	34,296	336,981
Other amounts ⁽¹⁾	(21,586)	(55,441)	--	132	(173,633)	(110,337)	(3,633,396)	(3,994,261)
Balance of the investment	1,974,316	4,433,632	3,655,182	1,686,052	1,469,780	3,568,830	474,915	17,262,707

(1) It refers, mainly, to unrealized results, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Statements of income	2017							
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.	Cielo S.A.	Other	Total
Income from financial intermediation	452,538	3,063,765	--	711,770	441,204	1,000,670	3,733,989	9,403,936
Service fee income	2,382,459	512,690	2,914,138	--	7,443	7,610,457	854,416	14,281,603
Other administrative expenses	(270,380)	(1,206,234)	(909,356)	(294,010)	(516,212)	(865,280)	(1,142,354)	(5,203,826)
Other operating income/expenses	(641,870)	(1,195,449)	(965,165)	2,048,722	163,749	(2,281,005)	258,697	(2,612,321)
Non-operating income	(2,646)	3,221	--	493	(145)	(11,608)	67,413	56,728
Result before tax	1,920,101	1,177,993	1,039,617	2,466,975	96,039	5,453,234	3,772,161	15,926,120
Tax about profit and profit sharing	(828,941)	(595,764)	(353,557)	(866,175)	(58,805)	(1,475,957)	(818,129)	(4,997,328)
Net income	1,091,160	582,229	686,060	1,600,800	37,234	3,977,277	2,954,032	10,928,792
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%	28.68%	--	--
Net income (proportional to the equity interest)	818,315	291,114	205,817	1,200,440	18,617	1,140,841	779,887	4,455,031
Other amounts ⁽¹⁾	1,952	(166)	25	(56,017)	(91,981)	(13,357)	(333,226)	(492,770)
Result in the equity method investments	820,267	290,948	205,842	1,144,423	(73,364)	1,127,484	446,661	3,962,261

(1) It refers, mainly, to unrealized results, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

c) Other investments

	Dec 31, 2018	Dec 31, 2017
Tax incentive investments	56,051	43,289
Equity securities	57	57
Stocks and shares	84,380	86,629
Other investments	3,811	3,970
Other equity abroad	129,853	112,216
Total ⁽¹⁾	274,152	246,161
(Provision for losses)	(14,856)	(7,921)

(1) Includes the amount of R\$ 5,564 thousand of December 31, 2017, related of accumulated impairment.

d) Goodwill arising on acquisition of investments

Changes of goodwill	2nd half/2018	2018	2017
Opening balance	292,404	384,845	604,440
Acquisitions/Additions ⁽¹⁾	606,414	606,414	--
Amortizations ⁽²⁾	(93,884)	(176,200)	(210,444)
Exchange fluctuation ⁽³⁾	(43,874)	(53,999)	(9,151)
Closing balance	761,060	761,060	384,845

(1) Purchase of shares from Banco Patagonia.

(2) Recorded in other administrative expenses.

(3) Levied on the goodwill from Banco do Brasil Americas e do Banco Patagonia.

e) Expected goodwill amortization

	2019	2020	2021	After 2020	Total
Banco do Brasil	50,856	41,509	41,509	258,735	392,609
Banco Patagonia ⁽¹⁾	50,856	41,509	41,509	258,735	392,609
Tax effects ⁽²⁾	(20,342)	(16,604)	(16,604)	(103,494)	(157,044)
Net total	30,514	24,905	24,905	155,241	235,565
Other investments					
BB-BI ⁽³⁾	162,550	--	--	--	162,550
Cielo	162,550	--	--	--	162,550
BB Seguros	20,354	2,540	2,716	--	25,610
Brasilcap	7,753	--	--	--	7,753
IRB-Brasil Resseguros S.A.	12,601	2,540	2,716	--	17,857
BB Consolidated	233,760	44,049	44,225	258,735	580,769
Tax effects ⁽²⁾	(92,280)	(17,468)	(17,527)	(103,494)	(230,769)
Net total	141,480	26,581	26,698	155,241	350,000

(1) The goodwill to be amortized does not include an amount of R\$ 180,200 thousand related to the intangible asset with an indefinite useful life.

(2) 25% of income tax and 15% of social contribution for financial companies and for non-financial companies of insurance, private pension plan and capitalization, and 25% of income tax and 9% of social contribution for other non-financial companies.

(3) According to Note 31 - Subsequent Events, Cielo's goodwill will be transferred from BB BI to BB Elo Cartões in 2019

The expected amortization of goodwill arising on the acquisition of investments is based on the projections of results made at the time of the purchase, prepared by specialized firms or technical departments within the Bank, and considers the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

f) Goodwill impairment test

The recoverable amount of goodwill arising on acquisition of investments is determined by the value in use, which is the discounted value of the cash flow projections of the invested entity (cash-generating unit). For the evaluation of the banks, the free cash flow for shareholders discounted by the cost of equity capital calculated for each institution was used.

Assumptions used to project these cash flows are based on public information, budgets and / or business plans of the purchased entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were actively projected for ten years and considered perpetual from the eleventh year with fixed growth rates. For the periods that exceed the terms of the budget or business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate is determined annually based on the CAPM (Capital Asset Pricing Model) adjusted for the market and the currency of each country.

Entity (cash-generating unit)	Growth rate p.a. ⁽¹⁾	Discount rate p.a. ⁽²⁾
Banco do Brasil Americas	2.00%	10.0%
Banco Patagonia	7.30%	23.4%

(1) Nominal growth in perpetuity.

(2) Geometric average used in economic evaluations.

According to the sensitivity analysis performed, there is no indication that changes in the assumptions would cause the book value of the cash-generating units to exceed the recoverable amount.

The recoverable amount of the goodwill arising on the acquisition of Cielo, as well as of the goodwill recognized in the BB Seguros/BB Seguridade, is determined by the net realizable value through sale, based on the share price of the companies on B3.

Entity (cash-generating unit)	Share price ⁽¹⁾
BB Seguridade (BBSE3)	R\$ 24.10
Cielo (CIEL3)	R\$ 12.25

(1) Share price quoted at September 28, 2018.

In 2018 and 2017, there was no impairment loss on goodwill arising on the acquisition of investments.

15- PROPERTY AND EQUIPMENT

	Dec 31, 2017	2018			Dec 31, 2018			
	Book value	Changes	Depreciation	Provision for impairment	Cost value	Accumulated Depreciation	Accumulated impairment	Book value
Buildings	3,326,593	596,353	(381,516)	(29,277)	7,808,669	(4,249,818)	(46,698)	3,512,153
Furniture and equipment in use	1,553,976	246,875	(283,358)	73	3,593,070	(2,075,351)	(153)	1,517,566
Data processing systems	1,115,034	567,399	(443,258)	--	3,632,976	(2,393,801)	--	1,239,175
Constructions in progress	791,350	(259,506)	--	--	531,844	--	--	531,844
Land	195,256	144,919	--	--	340,500	--	(325)	340,175
Facilities	161,003	25,292	(32,454)	--	1,004,802	(850,961)	--	153,841
Security systems	141,539	21,799	(28,751)	--	396,581	(261,994)	--	134,587
Communication systems	121,156	1,816	(21,187)	--	282,071	(180,286)	--	101,785
Transport systems	7,730	(1,827)	(1,066)	--	11,123	(6,286)	--	4,837
Furniture and equipment in stock	1,665	(10)	--	--	1,655	--	--	1,655
Total	7,415,302	1,343,110	(1,191,590)	(29,204)	17,603,291	(10,018,497)	(47,176)	7,537,618

16 - INTANGIBLE ASSETS

a) Changes and breakdown

	Dec 31, 2017	2018					Dec 31, 2018			
	Book value	Acquisitions	Exchange fluctuation	Write offs	Amortization	Impairment loss ⁽²⁾	Cost value	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll ⁽¹⁾	4,668,153	194,012	--	(13,077)	(1,420,604)	--	9,535,387	(6,057,163)	(49,740)	3,428,484
Software	2,088,331	458,751	22,341	(522)	(302,481)	--	4,539,165	(2,272,745)	--	2,266,420
Other intangible assets	170,245	--	--	--	(63,184)	(19,933)	454,463	(347,402)	(19,933)	87,128
Total	6,926,729	652,763	22,341	(13,599)	(1,786,269)	(19,933)	14,529,015	(8,677,310)	(69,673)	5,782,032

(1) The values of acquisitions and write-offs include contracts renegotiated in the period, in which the new contract value is recorded and the past contract value is written-off without impact on Statement of Income.

(2) Impairment losses are included in the line-item other operating expenses.

b) Estimate for amortization

	2019	2020	2021	2022	After 2022	Total
Amounts to be amortized	1,539,489	1,247,982	1,045,187	530,705	1,418,669	5,782,032

17 - DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
a) Deposits

	Dec 31, 2018	Dec 31, 2017
Demand deposits	67,810,697	69,981,063
Individuals	35,414,939	36,490,812
Corporations	22,071,825	21,405,918
Government	1,826,142	1,935,474
Restricted ⁽¹⁾	5,543,457	6,942,953
Foreign currency	587,532	635,786
Associated	662,097	1,024,617
Financial system institutions	582,305	645,506
National Treasury Special	226,368	262,607
Domiciled abroad	228,760	73,495
Other	667,272	563,895
Saving deposits	174,854,743	160,289,875
Individuals	167,501,857	152,554,594
Corporations	6,960,602	7,363,904
Associated	376,425	357,995
Financial system institutions	15,859	13,382
Interbank deposits	33,668,595	24,152,759
Time deposits	209,491,504	195,628,823
Judicial	135,481,016	121,524,344
National currency	43,657,658	47,388,073
Foreign currency	22,495,385	20,134,813
Fundo de Amparo ao Trabalhador - FAT (Note 17.e)	4,284,560	4,360,303
Funproger (Note 17.f)	402,693	366,469
Other	3,170,192	1,854,821
Other deposits	211,232	176,842
Total	486,036,771	450,229,362
Current liabilities	442,285,753	405,168,767
Non-current liabilities	43,751,018	45,060,595

(1) Includes the amount of R\$ 55,318 thousand, relating to obligations with the Federal Government, from extended and securitized rural transactions under Law 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat.

b) Deposits by liability date

	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Dec 31, 2018	Dec 31, 2017
Time deposits ⁽¹⁾	143,320,047	17,249,817	8,487,512	17,731,473	22,702,655	209,491,504	195,628,823
Saving deposits	174,854,743	--	--	--	--	174,854,743	160,289,875
Demand deposits	67,810,697	--	--	--	--	67,810,697	69,981,063
Interbank deposits	--	10,564,588	19,787,117	1,015,632	2,301,258	33,668,595	24,152,759
Other deposits	211,232	--	--	--	--	211,232	176,842
Total	386,196,719	27,814,405	28,274,629	18,747,105	25,003,913	486,036,771	450,229,362

(1) Includes the amount of R\$ 42,414,052 thousand (R\$ 45,300,305 thousand as of December 31, 2017), of time deposits with early repurchase clause (liquidity commitment), classified based on the contractual maturity dates.

c) Securities sold under repurchase agreements

	Dec 31, 2018	Dec 31, 2017
Own portfolio	39,570,367	40,235,552
Private securities	17,417,544	23,576,205
National Treasury bills	9	--
Treasury financial bills	21,114,864	15,660,312
Securities abroad	1,037,950	999,035
Third-party portfolio	363,330,835	336,007,143
Treasury financial bills	316,612,217	332,990,784
National Treasury bills	32,645,031	3,016,349
National Treasury notes	14,073,569	--
Securities abroad	18	10
Total	402,901,202	376,242,695
Current liabilities	393,556,860	365,536,950
Non-current liabilities	9,344,342	10,705,745

d) Deposits and securities sold under repurchase agreements expenses

	2nd half/2018	2018	2017
Deposits	(12,588,835)	(24,252,072)	(19,352,308)
Saving deposits	(4,976,060)	(9,550,065)	(10,067,847)
Judicial deposits	(4,681,127)	(9,229,061)	(11,056,741)
Time deposits	(2,415,869)	(4,591,804)	(5,780,305)
Interbank deposits ⁽¹⁾	(515,779)	(881,142)	7,552,585
Securities sold under repurchase agreements	(13,725,446)	(27,556,891)	(40,359,127)
Third-party portfolio	(12,330,205)	(24,834,095)	(35,864,548)
Own portfolio	(1,395,241)	(2,722,796)	(4,494,579)
Funds from acceptance and issuance of securities ⁽²⁾	(4,092,992)	(8,482,026)	(14,400,092)
Agribusiness letters of credit	(2,275,449)	(4,666,751)	(8,778,104)
Financial bills	(819,902)	(1,860,988)	(3,001,949)
Securities issued abroad	(573,798)	(1,127,589)	(1,220,335)
Letters of credit – real estate	(423,843)	(826,698)	(1,399,704)
Subordinated debt abroad ⁽³⁾	(331,808)	(624,774)	(545,864)
Equity and debt hybrid securities ⁽⁴⁾	(1,006,830)	(1,956,552)	(1,846,975)
Other	(251,577)	(541,261)	(649,300)
Total	(31,997,488)	(63,413,576)	(77,153,666)

(1) The credit balances presented arise from the exchange variation of the period.

(2) Funds from acceptance and issuance of securities are disclosed in Note 18.

(3) Subordinated debt abroad are disclosed in Note 20.c.

(4) Equity and debt hybrid securities are disclosed in Note 20.d.

e) Fund for worker's assistance (Fundo de Amparo ao Trabalhador – FAT)

Program	Resolution/ TADE ⁽¹⁾	Repayment of FAT Funds		Dec 31, 2018			Dec 31, 2017		
		Type ⁽²⁾	Initial date	Available TMS ⁽³⁾	Invested TJLP and TLP ⁽⁴⁾	Total	Available TMS ⁽³⁾	Invested TJLP ⁽⁴⁾	Total
Proger Rural and Pronaf				7,179	18,608	25,787	9,692	32,469	42,161
Pronaf Custeio	04/2005	RA	11/2005	234	213	447	290	654	944
Pronaf Investimento	05/2005	RA	11/2005	6,527	16,641	23,168	8,588	29,023	37,611
Rural Custeio	02/2006	RA	11/2005	14	3	17	68	45	113
Rural Investimento	0	RA	11/2005	404	1,751	2,155	746	2,747	3,493
Proger Urbano				640,350	3,254,914	3,895,264	931,378	2,893,256	3,824,634
Urbano Investimento	18/2005	RA	11/2005	123,221	1,763,470	1,886,691	363,866	1,783,188	2,147,054
Urbano Capital de Giro	01/2016	RA	06/2016	517,129	1,491,444	2,008,573	567,512	1,110,068	1,677,580
Other				75,693	287,816	363,509	111,744	381,764	493,508
Exports	27/2005	RA	11/2005	2,434	9,728	12,162	5,226	16,518	21,744
FAT Taxista	02/2009	RA	09/2009	64,055	243,947	308,002	93,223	303,605	396,828
FAT Turismo Investimento	01/2012	RA	08/2012	9,204	34,141	43,345	13,295	61,641	74,936
Total				723,222	3,561,338	4,284,560	1,052,814	3,307,489	4,360,303

(1) TADE - Allocation Term of Special Deposits.

(2) RA - Automatic Return (monthly, 2% of the total balance).

(3) Funds remunerated by the Taxa Média Selic (average selic rate - TMS).

(4) Funds remunerated by Long-term interest rate (TJLP) for resources released until 12.31.2017 and Long-Term Rate (TLP) for those released as of 01.01.2018 .

FAT is a special accounting and financial fund, established by Law 7,998/1990, associated with the Ministério do Trabalho e Emprego (Ministry of Labor and Employment) and managed by the Executive Council of the Fundo de Amparo ao Trabalhador (Fund for Workers' Assistance) – Codefat. Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, who acts as manager of the FAT.

The main actions to promote employment using FAT funds are structured around the Employment and Earnings Generating Program (Proger), which resources are invested through special deposits, established by Law 8,352/1991, in official federal financial institutions. These programs include, among others, the urban Proger program (Investment and Working Capital), Popular Entrepreneur, the National Program for Strengthening Family Farming – Pronaf, in addition to special lines such as FAT Taxista, FAT Turismo Investimento and FAT Turismo Capital de Giro.

The FAT special deposits invested in Banco do Brasil are daily accrued the Average Selic Rate (TMS), when not lent out. As they are invested in the financing, they will be remunerated by the Long Term Rate (TLP) as of January 1, 2018 and TJLP (Long Term Interest Rate) for funds released through December 31, 2017, until maturity. The accruals are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005, 489/2006 and 801/2017.

f) Endorsement fund for the generation of employment and income (Funproger)

The Endorsement fund for the generation of employment and income (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance at December 31, 2018 is R\$ 402,693 thousand (R\$ 366,469 thousand as of December 31, 2017).

The objective of Funproger is to provide endorsement to entrepreneurs who do not have the necessary guarantees to contract financing by Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado, through the payment of a commission. The Funproger equity where incorporated from the spread between TMS and TJLP accrued over FAT special deposits. Other sources of funds are the operations accruals and the income paid by Banco do Brasil, the fund manager.

18 - FUNDS FROM ISSUANCE OF SECURITIES

Funding	Currency	Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2018	Dec 31, 2017
Banco do Brasil						121,468,280	130,664,265
Global Medium - Term Notes Program						10,498,690	10,283,894
	USD	500,000	6.00%	2010	2020	1,987,453	1,695,693
	EUR	1,000,000	3.75%	2013/2014	2018	--	4,034,287
	CHF	275,000	2.50%	2013	2019	1,097,028	943,297
	USD	1,000,000	4.63%	2017	2025	3,933,679	3,313,262
	R\$	293,085	10.15%	2017	2027	325,581	297,355
	USD	750,000	4.88%	2018	2023	2,930,439	--
	COP	160,000,000	8.51%	2018	2025	224,510	--
"Senior Notes"						7,039,710	6,002,340
	USD	1,809,700 ⁽¹⁾	3.88%	2012	2022	7,039,710	6,002,340
Structured notes						82,316	73,527
	EUR	18,400	2.21% to 3.55%		2021	82,316	73,527
Certificates of deposits ⁽²⁾						2,108,603	4,543,422
Short term			2.03% to 4.60%			1,968,914	4,353,804
Long term			2.35% to 3.90%		2021	139,689	189,618
Certificates of structured operations						133,809	102,553
Short term			6.24% to 11.23% of DI			116,426	67,291
Long term			7.90% to 10.58% of DI		2022	17,383	35,262
Letters of credit - real estate			50.00% to 95.00% of DI TR + 7.7151%			17,264,716	16,885,957
Short term						4,704,521	1,484,174
Long term					2026	12,560,195	15,401,783
Letters of credit agribusiness			70.00% to 98.00% of DI Fixed 6.00%			78,937,444	88,897,938
Short term						24,403,914	54,510,038
Long term					2021	54,533,530	34,387,900
Financial letters			98.25% to 102.00% of DI 4.50% to 5.30% + IPCA Fixed 7.40% to 12.58%			5,402,992	3,874,634
Short term						148,375	2,722,723
Long term					2021	5,254,617	1,151,911
Banco Patagonia			Fixed 25.70% to 27.45% 344 to 417 pts + Badlar			173,067	393,408
Short term	ARS					125,185	225,743
Long term	ARS				2020	47,882	167,665
Special Purpose Entities – SPE abroad ⁽³⁾						3,197,379	2,765,909
Securitization of future flow of payment orders from abroad ⁽³⁾	USD	6,000 ⁽¹⁾	5.25%	2008	2018	--	39,789
Structured notes ⁽³⁾							
	USD	500,000	Libor 6m + 2.50%	2014/2015	2034	1,954,501	1,665,228
	USD	320,000	Libor 6m + 3.20%	2015	2030	1,242,878	1,060,892
Eliminated amount on consolidation ⁽⁴⁾						(20,230)	(57,785)
Total						124,818,496	133,765,797
Current liabilities						32,565,915	67,394,565
Non-current liabilities						92,252,581	66,371,232

(1) Refers to the outstanding value since partial repurchases occurred.

(2) Securities issued abroad in USD.

(3) The Special Purpose Entities (SPE) "Dollar Diversified Payment Rights Finance Company" and "Loans Finance Company Limited" were organized under the laws of the Cayman Islands. The liabilities arising from securities issued by these entities are paid using the funds accumulated in their accounts. The SPE declare that have no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. The Bank is not a shareholder, the owner, or a beneficiary of any of the results of operations of the SPE.

The Dollar Diversified Payment Rights Finance Company was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) use of resources obtained by issuing securities to pay for the purchase, with the Bank, of the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York, in U.S. dollars, for any agency in Brazil (Rights on Consignment); and (c) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

The Loans Finance Company Limited was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) closing and booking repurchase agreements with the Bank; (c) purchasing of protection against credit risk of the Bank through a credit derivative, which is actionable only in case of Bank's default in any of the obligations assumed in repurchase agreements; and (d) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

(4) Refers to securities issued by Banco do Brasil Conglomerate, which are in possession of overseas subsidiaries/entities.

19 - BORROWINGS AND ONLENDINGS

a) Borrowings

	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	Dec 31, 2018	Dec 31, 2017
Abroad	6,632,253	11,547,341	2,609,589	197,565	20,986,748	19,572,494
Borrowings from bankers abroad	6,597,660	11,493,173	2,609,589	197,565	20,897,987	19,455,139
Imports	34,593	54,168	--	--	88,761	117,355
Total	6,632,253	11,547,341	2,609,589	197,565	20,986,748	19,572,494
Current liabilities					18,179,594	16,872,613
Non-current liabilities					2,807,154	2,699,881

b) Onlendings

Domestic - official institutions

Programs	Finance charges	Dec 31, 2018	Dec 31, 2017
National Treasury - rural credit		165,557	145,264
Pronaf	TMS (if available) Fixed 0.50% p.a. to 4.60% p.a. (if applied)	11,020	27,991
Cacau (cocoa)	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or Fixed 6.35% p.a.	105,780	101,247
Recoop	Fixed 5.75% p.a. to 8.25% p.a. or IGP-DI + 1.00% p.a. or IGP-DI + 2.00% p.a.	10,770	11,381
Other		37,987	4,645
BNDES	Fixed 0.00% p.a. to 9.50% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 4.82% p.a. to 9.41% p.a. Selic + 0.50% p.a. to 2.08% p.a. FX Variation + 0.90% p.a. to 3.00% p.a. TLP + 1.42% p.a. to 2.10% p.a.	21,764,812	26,936,192
Caixa Econômica Federal	Fixed 5.30% p.a. (average)	29,413,089	26,558,065
Finame	Fixed 0.00% p.a. to 8.50% p.a. TJLP + 0.50% p.a. to 5.50% p.a. FX Variation + 0.90% p.a. to 3.00% p.a. Selic + 2.08% p.a. a 2.45% p.a. TLP + 1.42% p.a. to 2.33% p.a.	15,138,554	19,775,098
Other official institutions		249,052	7,470,120
Special supply - rural savings (Note 9.b)	TR	--	7,158,515
Special supply - deposits (Note 9.b)		--	249,844
Funcafé	TMS (if available) Fixed 5.50% p.a. to 11.25% p.a. or FAM + 1.28% p.a. to 3.67% p.a. (if applied)	249,024	61,734
Other		28	27
Total		66,731,064	80,884,739
Current liabilities		38,148,447	44,419,452
Non-current liabilities		28,582,617	36,465,287

Overseas

	Dec 31, 2018	Dec 31, 2017
Special Fund for Support to Small and Medium Manufacturing Companies	477	477
Total	477	477
Current liabilities	95	95
Non-current liabilities	382	382

c) Expense on borrowings and onlendings

	2nd half/2018	2018	2017
Borrowings expenses	(711,713)	(6,895,553)	(1,858,789)
Onlendings expenses	(2,109,296)	(8,856,749)	(5,115,306)
Foreign	(339,208)	(5,148,439)	(703,570)
BNDES	(853,407)	(1,818,605)	(2,147,478)
Caixa Econômica Federal	(703,268)	(1,393,805)	(1,642,381)
Finame	(162,993)	(349,191)	(456,329)
National Treasury	(26,431)	(96,047)	(71,607)
Other	(23,989)	(50,662)	(93,941)
Expenses for obligations with bankers abroad ⁽¹⁾	102,249	(2,366,125)	(18,639)
Expenses for financial and development funds liabilities	(441,172)	(1,833,073)	(1,103,186)
Foreign exchange profit/(loss) on overseas investments ⁽¹⁾	(7,353)	1,568,458	361,854
Total	(3,167,285)	(18,383,042)	(7,734,066)

(1) The credit balances presented arise from the negative exchange variation of the period (the appreciation of the Real against the Dollar).

20 - OTHER LIABILITIES
a) Taxes and social security

	Dec 31, 2018	Dec 31, 2017
Legal liabilities (Note 27.h1) ⁽¹⁾	6,571,673	6,571,673
Deferred tax liabilities (Note 24.d)	1,252,259	2,255,388
Taxes and contributions payable	1,307,373	1,179,657
Provision for taxes and contributions on net income	393,007	461,301
Taxes and contributions on net income payable	2,032,805	1,907,949
Total	11,557,117	12,375,968
Current liabilities	10,788,134	11,464,023
Non-current liabilities	768,983	911,945

(1) Refers to tax losses of income tax and social contribution negative bases / social contribution recoverable from legal liability.

b) Financial and development funds

	Dec 31, 2018	Dec 31, 2017
Marinha Mercante	8,754,178	8,428,862
Pasep ⁽¹⁾	1,529,567	4,285,088
Fundo Constitucional do Centro Oeste – FCO ⁽²⁾	1,249,914	--
Fundo de Desenvolvimento do Nordeste – FDNE	1,836,454	2,009,071
Fundo de Desenvolvimento do Centro Oeste – FDCO	1,206,319	1,175,704
Funds from Governo do Estado de São Paulo	857,284	776,541
Fundo Nacional de Aviação Civil – FNAC	48,148	55,989
Other	40,557	63,495
Total	15,522,421	16,794,750
Current liabilities	9,855,261	9,339,505
Non-current liabilities	5,667,160	7,455,245

(1) The Bank is administrator of the Public Servant Heritage Formation Program (Pasep), guaranteeing a minimum return equal to the Long-Term Interest Rate - TJLP.

(2) CMN Resolution No. 4,679/2018 limited the use of FCO resources which are considered tier II of the Referential Equity – RE (Note 20.c). The amount disclosed refers to what exceed this value. R\$ 793,415 thousand are funds applied (remunerated at the rates on the loans funded with these amounts less the del credere of the financial institution, according to article 9 of Law 7,827/1989) and R\$ 456,499 thousand are resources available (remunerated based on extra-market rate announced by the Banco Central do Brasil, according to article 9 of Law 7,827/1989).

c) Subordinated debts

Funding		Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2018	Dec 31, 2017
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						29,336,898	27,870,141
Subordinated debt abroad						11,522,511	9,826,030
	USD	660,000	5.38%	2010	2021	2,616,710	2,232,252
	USD	1,500,000	5.88%	2011	2022	5,934,900	5,059,991
	USD	750,000	5.88%	2012	2023	2,970,901	2,533,787
Subordinated letters of credit						18,006,049	25,679,955
		215,000	112.00% of CDI	2012	2019	437,979	408,542
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	308,977	286,248
		4,680,900	111.00% of CDI	2013	2019	9,000,459	8,400,751
		540,623	112.00% to 114.00% of CDI	2014	2020	910,169	848,135
		3,868,384	113.00% to 115.00% of CDI	2014	2021	6,605,387	6,151,317
		400,000	8.08% + IPCA	2014	2022	743,078	661,021
		4,844,900	111.50% do CDI 1.06% a 1.11% + CDI 5.24% a 5.56% + IPCA Pré 10.51%	2012	2018	--	8,923,941
Total subordinated debt from Banco do Brasil						58,865,458	63,376,126
Eliminated amount on consolidation						(36,674)	(33,828)
Total subordinated debt consolidated ^{(1) (2)}						58,828,784	63,342,298
Current liabilities						9,440,498	9,168,341
Non-current liabilities						49,388,286	54,173,957

(1) R\$ 38,925,975 thousand (40,327,803 thousand as of December 31, 2017) of the total balance is considered tier II of the Referential Equity (RE).

(2) Includes the amount of R\$ 8,258,635 thousand, relating to subordinated debt recorded in the line Debt Instruments eligible as capital.

d) Equity and debt hybrid securities

Funding		Issued value ⁽¹⁾	Remuneration p.a.	Issue date	Dec 31, 2018	Dec 31, 2017
Perpetual bonds						
	USD	898,512	8.50%	10/2009	3,536,595	5,032,780
	USD	1,298,727	9.25%	01 and 03/2012	5,221,040	4,800,902
	USD	1,988,000	6.25%	01/2013	7,783,964	6,641,984
	R\$	8,100,000	5.50% ⁽²⁾	09/2012	8,307,033	8,197,342
	USD	2,169,700	9.00%	06/2014	8,410,702	7,176,685
Total Banco do Brasil					33,259,334	31,849,693
Eliminated amount on consolidation					(24,221)	(30,615)
Total reclassified to shareholders' equity (Note 23.c)					(8,100,000)	(8,100,000)
Total BB Consolidated					25,135,113	23,719,078
Current liabilities					62,168	283,071
Non-current liabilities					25,072,945	23,436,007

(1) Refers in funding in US dollars, the outstanding value, as occurred partial repurchases of these instruments.

(2) Since August 28, 2014, the remuneration is fully variable (Note 23.c).

R\$ 24,120,630 thousand of the Perpetual Bonds is included in the Referential Equity (R\$ 22,907,900 thousand as of December 31, 2017). Of this amount, R\$ 20,827,050 thousand are recorded in debt instruments eligible as capital (Note 28.b).

The bonds of USD 1,500,000 thousand (outstanding value USD 898,512 thousand), issued in October 2009, have the option of redemption at the discretion of the Bank from 2020 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by Banco Central do Brasil (Bacen). In case the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be adjusted on this date to 7.782% plus the traded rate on 10 year North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be adjusted by taking into account the traded rate of the 10 year North American Treasury bonds.

The bonds issued in January 2012 and March 2012 (reopening), of USD 1,750,000 thousand (outstanding value USD 1,298,727 thousand) and the bonds issued in January 2013 of USD 2,000,000 thousand (outstanding value USD 1,988,000 thousand), had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of Bacen through CMN Resolution No. 4,192 of March 1, 2013, which regulates the implementation of Basel III in Brazil. The changes were effective from October 1, 2013, when the instruments were submitted to Bacen to obtain authorization to be included in the Supplementary Capital (Tier I) of the Bank. The authorization was granted on October 30, 2013.

The bonds issued in June 2014 of USD 2,500,000 thousand (outstanding value USD 2,169,700 thousand), have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by the Central Bank of Brazil. If the Bank did not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted to 6.362% plus the traded rate on 10 year North American Treasury bonds.

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, the rate of bond interest is adjusted on that date and every 10 years according to the 10 year North American Treasury bonds at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of Bacen:

- (i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, and on each subsequent, semi-annual interest payment date, at the base redemption price;
- (ii) the Bank may, at its option, redeem the bonds in whole, but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, before April 2024 for the bonds issued in 2013, and before April 2024 for the bonds issued in 2014, as a result of a tax event, at the base redemption price;

(iii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, on the occurrence of a regulatory event, at the higher value between the base redemption price and the Make-whole amount;

(iv) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue as long as it is before June 2024 for the bonds issued in 2014, on the occurrence of a regulatory event at the base redemption price.

The bonds issued in October 2009 determine that the Bank suspends the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

- (i) the Bank does not comply or the payment of such charges does not allow the bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
- (ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
- (iii) any event of insolvency or bankruptcy occurs;
- (iv) a default occurs; or
- (v) the Bank has not distributed dividends or interest on equity to common shareholders for the period of calculation of such interest and/or accessories.

The bonds issued in January 2012 and March 2012, in January 2013 and in June 2014 determine that the Bank suspend the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

- (i) distributable income for the period are not sufficient for making the payment (discretionary condition of the Bank);
- (ii) the Bank does not comply or the payment of such charges does not allow the Bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
- (iii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
- (iv) any event of insolvency or bankruptcy occurs; or
- (v) a default occurs.

According to Basel III rules, the bonds issued in January 2012, March 2012, in January 2013 and in June 2014 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semi-annual interest payments and / or accessories on those titles have been resumed in full. Finally, these bonds will expire permanently and at the minimum value corresponding to the balance recorded in the Tier I capital of the Bank if:

- (i) the main capital of the Bank is less than 5.125% of the amount of risk-weighted assets (RWA);
- (ii) the decision to make a capital injection from the public sector or an equivalent capital contribution to the Bank is taken, in order to maintain the bank's viability;
- (iii) the Bank, on a discretionary assessment regulated by the CMN, sets out, in writing, the expiration of the bonds to enable the continuity of the Bank.

e) Sundry

	Dec 31, 2018	Dec 31, 2017
Credit/debit card operations	24,940,764	23,672,221
Actuarial liabilities (Note 26.e)	12,677,088	11,919,681
Legal liabilities – Provision for tax risks (Note 27.h1)	11,095,690	9,898,829
Provisions for civil claims (Note 27.e1)	6,997,444	6,723,721
Sundry creditors – domestic ⁽¹⁾	6,291,128	6,019,238
Provisions for pending payments	4,562,840	4,384,094
Provision for labor claims (Note 27.e1)	2,520,968	2,677,568
Funds linked to loan operations	1,381,302	2,422,714
Third party payment obligations	1,833,703	1,963,031
Liabilities for official agreements	1,180,708	1,470,938
Creditors of resources to be disbursed	668,186	794,139
Sundry creditors - abroad	754,839	673,470
Liabilities for premiums granted under customer loyalty schemes	434,399	551,458
Liabilities for operations linked to assignments	404,844	496,365
Provision for tax litigation (Note 27.e1)	262,724	258,324
Provision for losses with the Fundo de Compensação de Variação Salarial - FCVS	133,971	197,710
Provisions for guarantees provided (Note 20.f)	358,552	202,547
Liabilities for assets acquisition	272,522	348,059
Liabilities for shares in investment funds	12,748	108,728
Guarantees on credits assignment	--	676
Other	1,945,917	1,431,781
Total	78,730,337	76,215,292
Current liabilities	64,359,580	61,751,393
Non-current liabilities	14,370,757	14,463,899

(1) Includes the amount of R\$ 548,439 thousand, relating to obligations with the Federal Government, from extended and securitized rural transactions under Law 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat.

f) Financial Guarantees

	Dec 31, 2018		Dec 31, 2017	
	Guaranteed values	Allowance	Guaranteed values	Allowance
Guarantees related to bidding, auctions, service rendering or execution of works	950,285	121,827	1,232,766	55,070
Other financial guarantees provided ⁽¹⁾	1,239,539	175,137	813,848	89,943
Other bank guarantees	2,532,441	5,098	859,357	3,830
Sureties or guarantees in lawsuits and in tax-based administrative proceedings	1,034,800	56,358	994,495	53,702
Linked to the distribution of securities by public offering	32,000	--	32,000	--
Guarantees related to the supply of goods	18,985	59	37,377	2
Guarantees related to international trade of goods	75,570	73	6,994	--
Other guarantees	1,553	--	397	--
Total	5,885,173	358,552	3,977,234	202,547

(1) Refers mainly to guarantees provided in foreign currency.

The operations of financial guarantees provided are evaluated through the risk classification models of operations in force in the institution, in the same format as the credit operations, which follow the provisions of CMN Resolutions No. 2,682 and No. 2,697 disclosed on December 21, 1999 and February 24, 2000, respectively, which set out the classification criteria for credit operations and the rules for the constitution of Allowance for Loan Losses.

The risk classification of operations is carried out by applying methodologies developed that take into account the characteristics of customers, operations and guarantees. The final result of the classification is the assignment of risk according to the scale contained in CMN Resolution No. 2,682, which defines the percentage of provision that should be allocated to the operation.

21 - OTHER OPERATING INCOME/EXPENSES

a) Service fee income and bank fee income

	2nd half/2018	2018	2017
Account fee	3,758,371	7,331,047	6,997,452
Fund management	3,042,937	6,022,875	5,397,265
Commissions on Insurance, pension plans and capitalization	1,752,997	3,221,096	3,047,672
Loans and guarantees provided	1,019,448	1,998,784	1,853,352
Card income	997,802	1,941,533	1,881,199
Billing	626,500	1,289,880	1,447,794
Collection	560,032	1,116,250	1,087,296
Consortium management fees	511,090	941,758	724,933
Capital market income	372,437	787,891	774,647
National Treasury and official funds management	335,115	605,007	688,651
Interbank	72,290	145,103	154,063
Other	1,019,922	2,013,468	1,887,092
Total	14,068,941	27,414,692	25,941,416

b) Personnel expenses

	2nd half/2018	2018	2017
Wages and salaries	(5,014,716)	(9,834,417)	(9,646,449)
Social charges	(1,671,038)	(3,223,904)	(3,180,244)
Benefits	(1,544,542)	(3,064,314)	(3,045,696)
Personnel administrative provisions	(971,356)	(2,404,678)	(2,137,052)
Labor lawsuits	(929,721)	(1,378,814)	(1,597,100)
Pension plans	(463,294)	(871,940)	(859,159)
Training	(46,049)	(72,682)	(64,267)
Director's and officer's remuneration	(24,046)	(48,275)	(45,009)
Total	(10,664,762)	(20,899,024)	(20,574,976)

c) Other administrative expenses

	2nd half/2018	2018	2017
Amortization	(980,325)	(1,966,399)	(3,302,939)
Rent	(694,882)	(1,363,850)	(1,567,286)
Depreciation	(605,906)	(1,191,592)	(1,153,659)
Security services	(598,463)	(1,169,188)	(1,244,514)
Transport	(496,683)	(984,001)	(1,114,216)
Expenses with outsourced services	(456,939)	(896,372)	(856,294)
Communications	(425,307)	(862,758)	(1,034,617)
Financial system services	(372,320)	(744,726)	(744,457)
Maintenance and upkeep	(376,482)	(715,937)	(706,984)
Water, electricity and gas	(252,043)	(509,101)	(491,613)
Specialized technical services	(250,564)	(467,463)	(520,248)
Advertising and marketing	(250,987)	(420,855)	(394,553)
Data processing	(180,645)	(383,669)	(321,245)
Promotion and public relations	(104,004)	(175,780)	(163,272)
Domestic travel	(57,788)	(111,329)	(102,781)
Materials	(51,391)	(103,923)	(112,818)
Other	(450,389)	(752,126)	(685,223)
Total	(6,605,118)	(12,819,069)	(14,516,719)

d) Other operating income

	2nd half/2018	2018	2017
Recovery of charges and expenses	1,051,403	2,136,981	2,068,593
Income on receivables	1,783,583	1,991,890	785,049
Update of deposits in guarantee	949,046	1,978,828	2,672,991
Surplus allocation update - Previ Plan 1 (Note 26.f)	320,682	800,932	646,882
Cards transactions	466,580	734,073	600,326
Defined benefit plan income	423,641	664,481	17,199
From non-financial subsidiaries	93,844	206,454	240,643
Reversal of provisions - administrative and personnel expenses	101,000	185,442	211,382
Adjustment of tax recoverable	134,895	172,555	172,168
Income from specific credits and special operations - National Treasury	12,129	27,622	40,094
Dividends received	2,952	6,512	12,330
Other	385,212	679,873	759,193
Total	5,724,967	9,585,643	8,226,850

e) Other operating expenses

	2nd half/2018	2018	2017
Civil and tax claims	(1,612,437)	(2,990,782)	(1,206,579)
Cards transactions	(873,783)	(1,708,910)	(1,488,934)
Discounts granted on renegotiations	(855,136)	(1,426,679)	(1,441,337)
Actuarial liabilities update	(682,825)	(1,309,719)	(1,409,652)
Expenses with outsourced services	(556,829)	(1,074,539)	(1,043,211)
Business relationship bonus	(529,311)	(1,024,241)	(1,066,531)
Adjustment of the provision for deposit in court (Note 27.h)	(351,810)	(695,333)	(1,026,712)
Failures/frauds and other losses	(361,928)	(476,707)	(319,268)
Compensation for transactions of banking correspondents	(188,795)	(436,132)	(462,180)
From non-financial subsidiaries	(210,042)	(398,810)	(405,948)
ATM Network	(130,246)	(319,986)	(331,908)
Other expenses - provisions operating	(285,499)	(317,145)	(40,977)
Compliance bonus	(117,005)	(226,292)	(200,438)
Compensation for transactions of Banco Postal	(81,432)	(202,832)	(236,936)
INSS - Social Security	(105,200)	(201,608)	(171,409)
Provision for rendering of guarantees	(175,248)	(187,932)	(23,174)
Life insurance premium - consumer credit	(66,720)	(128,848)	(131,999)
Fees for the use of Sisbacen - Banco Central do Brasil System	(10,679)	(22,468)	(20,520)
Update of interest on own capital/dividends	(8,272)	(16,785)	(10,662)
Other	(321,919)	(811,276)	(544,480)
Total	(7,525,116)	(13,977,024)	(11,582,855)

22 - NON-OPERATING INCOME

	2nd half/2018	2018	2017
Non-operating income	1,002,104	1,353,435	756,616
Capital gains ⁽¹⁾	891,186	995,372	671,731
Profit on disposal of assets	81,188	276,794	25,596
Reversal of provision for devaluation of other assets	5,447	32,064	17,804
Vendors' reimbursement	14,292	21,360	18,108
Rental income	4,438	10,292	9,543
Other non-operating income	5,553	17,553	13,834
Non-operating expenses	(111,043)	(197,317)	(214,251)
Capital losses	(78,561)	(139,205)	(151,408)
Devaluation of other assets	(15,675)	(31,886)	(41,418)
Loss on disposal of assets	(4,898)	(13,136)	(17,368)
Performance expenses (BB Seguros x Mapfre SH1)	(7,521)	(7,521)	--
Other non-operating expenses	(4,388)	(5,569)	(4,057)
Total	891,061	1,156,118	542,365

(1) It refers mainly to the sale of the equity interest of the Mapfre BB SH2 (2018) and of the IRB and Neoenergia (2017).

23 - SHAREHOLDERS' EQUITY

a) Book value and market value per common share

	Dec 31, 2018	Dec 31, 2017
Shareholders' equity - Banco do Brasil	91,989,546	87,530,779
Book value per share (R\$) ⁽¹⁾	33.02	31.43
Market value per share (R\$)	46.49	31.82
Shareholders' equity - consolidated	102,252,882	98,723,402

(1) Calculated based on the equity attributable to shareholders of Banco do Brasil.

b) Capital

Banco do Brasil's share capital of R\$ 67,000,000 thousand (R\$ 67,000,000 thousand on December 31, 2017) is fully subscribed and paid-in and consists of 2,865,417,020 book-entry common shares with no par value. The Federal Government is the largest shareholder and holds a majority of the Bank's voting shares.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its capital up to the limit of R\$ 120,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

c) Instruments Qualifying as Common Equity Tier 1 Capital

The Bank signed a Mutual Agreement with the Federal Government on September 26, 2012, as hybrid capital and debt instrument, in the amount up to R\$ 8,100,000 thousand, whose resources were designated to finance agribusiness. The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

Since the signature of the amendment, the interest rate is fully variable, and the interest period matches the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment for the fiscal year.

The interest payment is made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, no interest will be paid on the loan. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities. There will be no preferred interest on the loan under any circumstances, including in relation to other equity instruments included in Reference Equity.

As the instrument is qualifying as Common Equity Tier I Capital, its balance is reclassified to the Shareholders' Equity, for disclosure purposes.

d) Revaluation reserves

The revaluation reserves, totaling R\$ 2,240 thousand (R\$ 2,371 thousand as of December 31, 2017), refer to revaluations of assets made by the associates/subsidiaries.

In 2018, there was a reserve realization of R\$ 131 thousand (R\$ 289 thousand in 2017), due to depreciation, transferred to Retained Earnings (Accumulated Losses), net of taxes. In accordance with CMN Resolution 3,565/2008, the remaining amount will be recognized until the date of its effective realization.

e) Capital and profit reserves

	Dec 31, 2018	Dec 31, 2017
Capital reserves	14,692	12,436
Profit reserves	42,612,582	35,280,691
Legal reserve	7,738,497	7,111,684
Statutory reserves	34,874,085	28,169,007
Operating margin	30,657,730	24,312,045
Equalization of dividends	4,216,355	3,856,962

The legal reserve ensures the adequacy of the Bank's capital structure and can only be used to offset losses or increase capital. Five percent of net income, before any other allocations, is transferred to the legal reserve. The amount of the reserve cannot exceed 20% of the share capital.

The operating margin statutory reserve ensures the adequacy of the Bank's operating margins in accordance with its business activities. The reserve consists of up to 100% of net income after allocation to legal reserve (including dividends) and is limited to 80% of the share capital.

The dividend equalization statutory reserve provides funds for the payment of dividends. The reserve consists of up to 50% of net income after allocation to legal reserve (including dividends) and is limited to 20% of the share capital.

f) Earnings per share

	2nd half/2018	2018	2017
Net income (R\$ thousand)	6,813,688	12,648,803	10,881,098
Weighted average number of shares (basic and diluted)	2,785,468,140	2,785,290,260	2,784,905,261
Earnings per share (basic and diluted) (R\$)	2.45	4.54	3.91

g) Interest on own capital/dividends and destination of the income

Calculation base of dividends are shown below, as well as destination of the income of the period:

	2018	2017
1) Net income - Banco do Brasil	12,648,803	10,881,098
Domestic	11,377,668	10,439,231
Abroad	1,271,135	441,867
2) Interest on instrument qualifying as common equity tier 1 capital	255,752	97,343
3) Calculation base of dividends (item 1 + item 2)	12,904,555	10,978,441
Dividends - payout	5,161,822	3,228,953
Minimum required dividend	2,977,357	2,572,301
Additional dividend	2,184,465	656,652
4) Allocation		
Net income	12,648,803	10,881,098
Retained earnings/losses	(112,562)	(50,358)
Distributed income	12,536,241	10,830,740
Legal reserve	626,812	541,537
Dividends and interest on own capital	5,161,822	3,228,953
Statutory reserves	6,747,607	7,060,250

Introducing payment schedule of interest on own capital and dividends:

	Amount	Amount per share (R\$)	Base date of payment	Payment date
1st quarter/2018				
Interest on own capital paid ⁽¹⁾	227,559	0.082	Mar 12, 2018	Mar 29, 2018
Complementary Interest on own capital paid ⁽¹⁾	595,914	0.214	May 21, 2018	May 30, 2018
2nd quarter/2018				
Interest on own capital paid ⁽¹⁾	215,030	0.077	Jun 11, 2018	Jun 29, 2018
Complementary Interest on own capital paid ⁽¹⁾	742,877	0.267	Aug 21, 2018	Aug 31, 2018
3rd quarter/2018				
Interest on own capital paid ⁽¹⁾	238,140	0.085	Sep 11, 2018	Sep 28, 2018
Complementary Interest on own capital paid ⁽¹⁾	1,161,270	0.417	Nov 21, 2018	Nov 30, 2018
4th quarter/2018				
Interest on own capital paid ⁽¹⁾	350,059	0.126	Dec 11, 2018	Dec 28, 2018
Complementary Interest on own capital payable ⁽¹⁾	1,630,973	0.586	Feb 21, 2019	Mar 07, 2019
Total allocated to the shareholders	5,161,822	1.854		

(1) Amounts subject to Withholding Tax, with the exception of shareholders who are exempted or immune.

	Amount	Amount per share (R\$)	Base date of payment	Payment date
1st quarter/2017				
Interest on own capital paid ⁽¹⁾	200,824	0.072	Mar 13, 2017	Mar 31, 2017
Complementary Interest on own capital paid ⁽¹⁾	509,477	0.183	May 22, 2017	May 31, 2017
2nd quarter/2017				
Interest on own capital paid ⁽¹⁾	218,823	0.079	Jun 12, 2017	Jun 30, 2017
Complementary Interest on own capital paid ⁽¹⁾	559,958	0.201	Aug 21, 2017	Aug 31, 2017
3rd quarter/2017				
Interest on own capital paid ⁽¹⁾	212,471	0.076	Sep 11, 2017	Sep 29, 2017
Complementary Interest on own capital paid ⁽¹⁾	621,704	0.223	Nov 21, 2017	Nov 30, 2017
4th quarter/2017				
Interest on own capital paid ⁽¹⁾	230,029	0.083	Dec 11, 2017	Dec 28, 2017
Complementary Interest on own capital paid ⁽¹⁾	675,667	0.243	Mar 01, 2018	Mar 12, 2018
Total allocated to the shareholders	3,228,953	1.160		

(1) Amounts subject to Withholding Tax, with the exception of shareholders who are exempted or immune.

In accordance with Laws 9,249/1995, 9,430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on own capital to its shareholders.

The interest on own capital is calculated based on adjusted net equity value and is limited on a pro rata die basis to the variation of long-term interest rate, as long as there is profit (before the deduction of interest on own capital) or reserves for retained earnings and profit reserves of at least twice its value.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as "Financial expenses" and, for purposes of disclosure in these financial statements, reclassified to "Retained earnings". The total interest on own capital in 2018, provided an expense reduction on tax charges totaling R\$ 2,241,271 thousand (R\$ 1,453,029 thousand in 2017).

h) Reconciliation of net income and shareholders' equity

	Net income			Shareholders' equity	
	2nd half/2018	2018	2017	Dec 31, 2018	Dec 31, 2017
Banco do Brasil	6,813,688	12,648,803	10,881,098	91,989,546	87,530,779
Instruments qualifying to common equity tier 1 capital ⁽¹⁾	152,933	255,752	97,343	8,100,000	8,100,000
Unrealized gains ⁽²⁾	11,585	(42,529)	32,335	(347,579)	(305,049)
Non-controlling interests	--	--	--	2,510,915	3,397,672
BB Consolidated	6,978,206	12,862,026	11,010,776	102,252,882	98,723,402

(1) The instrument qualifying as CET1 was registered in the liabilities in the Individual Financial Statements and its interest recognized as expenses with securities sold under repurchase agreements. This Instrument was reclassified to Shareholder's Equity in the consolidated financial statements. (Notes 3 and 23.c).

(2) Refers to unrealized results arising from the assignment of credits from the Bank to Ativos S.A.

i) Accumulated Other Comprehensive Income

	2nd half/2018				2nd half/2017			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(2,108,674)	1,326,141	(541,295)	(1,323,828)	(885,145)	288,944	(109,834)	(706,035)
Subsidiaries abroad	26,628	(20,917)	(3,152)	2,559	42,875	(44,369)	57,797	56,303
Associates and subsidiaries	110,309	(166,787)	55,735	(743)	(20,421)	159,698	(78,274)	61,003
Cash flow hedge								
Associates and subsidiaries	11,471	(103,825)	42,570	(49,784)	(8,771)	(4,993)	3,427	(10,337)
Investment Hedge Abroad								
Associates and subsidiaries	55,130	2,470	(840)	56,760	(368)	10,788	(3,543)	6,877
Foreign Exchange Variation in Investments Abroad								
Subsidiaries abroad	(460,761)	(292,606)	--	(753,367)	(30,926)	(153,727)	--	(184,653)
Actuarial gains/(losses) on pension plans	(10,762,719)	(5,539,704)	2,216,710	(14,085,713)	(15,978,910)	5,903,067	(2,367,040)	(12,442,883)
Total	(13,128,616)	(4,795,228)	1,769,728	(16,154,116)	(16,881,666)	6,159,408	(2,497,467)	(13,219,725)

	2018				2017			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(706,035)	(648,626)	30,833	(1,323,828)	(1,453,578)	1,202,166	(454,623)	(706,035)
Subsidiary abroad	56,303	(54,944)	1,200	2,559	29,480	(30,621)	57,444	56,303
Associates and subsidiaries	61,003	(89,154)	27,408	(743)	(5,555)	113,271	(46,713)	61,003
Cash flow hedge								
Associates and subsidiaries	(10,337)	(60,879)	21,432	(49,784)	(8,300)	(7,832)	5,795	(10,337)
Investment Hedge Abroad								
Associates and subsidiaries	6,877	75,580	(25,697)	56,760	--	10,420	(3,543)	6,877
Foreign Exchange Variation in Investments Abroad								
Subsidiary abroad	(184,653)	(568,714)	--	(753,367)	--	(184,653)	--	(184,653)
Actuarial gains/(losses) on pension plans	(12,442,883)	(2,737,684)	1,094,854	(14,085,713)	(15,491,252)	5,091,650	(2,043,281)	(12,442,883)
Total	(13,219,725)	(4,084,421)	1,150,030	(16,154,116)	(16,929,205)	6,194,401	(2,484,921)	(13,219,725)

j) Noncontrolling interests

	Shareholders' equity	
	Dec 31, 2018	Dec 31, 2017
Banco Patagonia S.A. ⁽¹⁾	374,176	842,202
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	26	27
BB Tecnologia e Serviços	35	34
BB Seguridade S.A.	2,136,678	2,555,409
Non-controlling interest	2,510,915	3,397,672

(1) Reduction resulting from the transfer of shares of Banco Patagonia S.A. (Note 2).

k) Shareholdings (number of shares)

Number of shares issued by the Bank to shareholders which, directly or indirectly, hold more than 5% of the shares:

Shareholders	Dec 31, 2018		Dec 31, 2017	
	Shares	% Total	Shares	% Total
Federal government	1,453,493,742	50.7	1,502,374,642	52.4
Tesouro Nacional	1,453,493,742	50.7	1,453,493,742	50.7
Fundo Fiscal de Investimento e Estabilização	--	--	48,880,900	1.7
Caixa de Previdência dos Funcionários do Banco do Brasil - Previ	181,160,514	6.3	244,572,814	8.5
Treasury shares ⁽¹⁾	79,886,296	2.8	80,463,476	2.8
Other shareholders	1,150,876,468	40.2	1,038,006,088	36.3
Total	2,865,417,020	100.0	2,865,417,020	100.0
Resident shareholders	2,207,072,639	77.0	2,264,739,133	79.0
Non resident shareholders	658,344,381	23.0	600,677,887	21.0

(1) Includes, on December 31, 2018, 38,294 shares of the Bank held by BB DTVM (40,900 on December 31, 2017).

Number of shares issued by the Bank, held by the Board of Directors, the Executive Board and the Audit Committee:

	Common shares (ON) ⁽¹⁾	
	Dec 31, 2018	Dec 31, 2017
Board of Directors (except for Bank's CEO, listed in the Bank's Executive Committee)	147	144
Executive Committee	175,800	145,195
Audit Committee	18	18

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.006% of the Bank's capital stock.

l) Movement of shares outstanding/free float

	Dec 31, 2018		Dec 31, 2017	
	Total	%	Total	%
Free float at the beginning of period	1,282,433,554	44.8	1,226,072,321	42.8
Acquisition of shares - Tesouro Nacional	--		(6,627)	
Disposal of shares by FFIE - Fundo Fiscal de Investimento e Estabilização	48,880,900		56,143,700	
Other changes ⁽¹⁾	546,572		224,160	
Free float at the end of period ⁽²⁾	1,331,861,026	46.5	1,282,433,554	44.8
Outstanding shares	2,865,417,020	100.0	2,865,417,020	100.0

(1) Refers mainly to changes coming from Technical and Advisory Bodies.

(2) According to the Law 6,404/1976 and the regulation of B3's New Market. The shares held by the Board of Directors and Executive Committee are not included. The shares held by the Caixa de Previdência dos Funcionários do Banco do Brasil - Previ compose the free float shares.

m) Treasury shares

The Bank had 79,886,296 shares in treasury on December 31, 2018, representing R\$ 1,833,431 thousand. Of the total amount, 71,353,201 shares were acquired in repurchase programs, which occurred between 2012 and 2015, 8,075,350 shares were received in order to comply with operations secured by the FGCN - Fundo de Garantia para a Construção Naval, 457,682 shares were related to share-based payment and 63 shares remaining from mergers.

n) Share-based payment

The Program of Variable Remuneration

The program of variable remuneration was based on the CMN Resolution 3,921 of November 25, 2010, which governs compensation policies for executives of financial institutions.

The program has a yearly basis period. It is established according to the risks and the activity overseen by the executive and has as pre requirements: the activation of the Participation in Profit and Results Program and the achievement of accounting profit by the Bank.

The qualification and classification of the executive are based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil - ECBB for the period. The program also determines that 50% of the remuneration should be paid in cash (CPC 33 (R1) - Employee benefits) and the remaining 50% should be paid in shares.

The number of Banco do Brasil shares to be allocated to each participant is calculated by dividing the net amount equivalent to 50% of variable remuneration to which one is entitled, to the average price of the share in the week prior to the payment. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. At the time of calculation of deferred installments, if fractions occur, they are accumulated in the first installment to be made available.

The distribution of compensation in shares occurs in a way that 20% is immediately transferred for the beneficiary's ownership and 80% is deferred for a period of four years, in which: 20% within one year, 20% within two years, 20% within three years and 20% within four years.

BB DTVM, in accordance to the resolution mentioned above, also adopted variable remuneration policy for its directors, directly acquiring treasury shares of the Banco do Brasil. All shares acquired are BBAS3 and its fair value is the quoted market price on the date of grant.

We present the statement of acquired shares, its distribution and its transfer schedule:

	Total Program Shares	Average Cost	Shares Distributed	Shares to Distribute	Estimated Schedule Transfers
2014 Program					
Banco do Brasil	318,633	24.08	230,466	63,711	Feb 2019
Total shares to be distributed				63,711	
BB DTVM	27,063	22.98	21,651	5,412	Apr 2019
Total shares to be distributed				5,412	
2015 Program					
Banco do Brasil	342,134	19.92	177,766	68,426	Mar 2019
				68,426	Mar 2020
Total shares to be distributed				136,852	

	Total Program Shares	Average Cost	Shares Distributed	Shares to Distribute	Estimated Schedule Transfers
BB DTVM	26,109	19.92	15,669	5,220	Mar 2019
				5,220	Mar 2020
Total shares to be distributed				10,440	
2016 Program					
Banco do Brasil	99,348	33.78	39,686	19,846	Mar 2019
				19,846	Mar 2020
				19,846	Mar 2021
Total shares to be distributed				59,538	
BB DTVM	10,397	32.84	4,163	2,078	Apr 2019
				2,078	Apr 2020
				2,078	Apr 2021
Total shares to be distributed				6,234	
Program 2017					
Banco do Brasil	193,976	42.65	38,926	38,763	Mar 2019
				38,763	Mar 2020
				38,762	Mar 2021
				38,762	Mar 2022
Total shares to be distributed				155,050	
BB DTVM	20,270	42.65	4,062	4,052	Mar 2019
				4,052	Mar 2020
				4,052	Mar 2021
				4,052	Mar 2022
Total shares to be distributed				16,208	

The Sense of Ownership Program

To fulfil the Sense of Ownership Program, 295,266 treasury shares from the repurchase program were distributed to all active employees, regardless of the hierarchical level, where each one received three shares of the Bank.

The securities are held by the Bank itself and may only be marketed by the employee after retirement or after the employee's relationship with the Bank ceases.

The transferred shares totaled R\$ 9,782 thousand and, for the attribution of its price, it was adopted the criterion of the average price of the week prior to the payment. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. The average daily quotations are obtained from B3 or information system contracted by the Bank, without dividend correction.

24 - TAXES

a) Breakdown of income tax (IR) and social contribution expenses (CSLL)

	2nd half/2018	2018	2017
Current values	(1,759,641)	(3,304,217)	(3,290,685)
Domestic income tax and social contribution	(1,512,629)	(2,807,448)	(2,842,517)
Foreign income tax	(247,012)	(496,769)	(448,168)
Deferred values	(1,855,045)	(1,463,151)	(760,178)
Deferred tax liabilities	(106,950)	(305,718)	20,096
Leasing transactions - portfolio adjustment and accelerated depreciation	13,996	29,975	27,492
Mark to Market (MTM)	32,149	(25,663)	366,397
Interest and inflation adjustment of fiscal judicial deposits	(181,473)	(286,791)	(321,619)
Foreign profits	87,228	--	--
Transactions carried out on the futures market	505	5,303	(5,921)
Recovered term credits	(59,355)	(28,542)	(46,253)
Deferred tax assets	(1,748,095)	(1,157,433)	(780,274)
Intertemporal differences	(1,138,678)	(2,210,099)	152,237
Tax losses/CSLL negative bases	(388,218)	1,125,118	(4,987)
Mark to Market (MTM)	(221,199)	(72,451)	(921,535)
Transactions carried out on the futures market	--	--	(5,989)
Total	(3,614,686)	(4,767,368)	(4,050,863)

b) Reconciliation of income tax and social contribution charges

	2nd half/2018	2018	2017
Profit before taxation and profit sharing	12,114,465	20,663,695	18,133,832
Total charges of IR (25%) and CSLL (20%)	(5,451,509)	(9,298,663)	(8,160,224)
Charges upon interest on own capital	1,521,199	2,322,820	1,453,029
Equity in subsidiaries and joint ventures	755,447	1,696,932	1,783,017
Employee profit sharing	398,308	727,911	627,343
Other amounts	(838,131)	(216,368)	245,972
Income tax and social contribution	(3,614,686)	(4,767,368)	(4,050,863)

c) Tax expenses

	2nd half/2018	2018	2017
Cofins	(1,446,306)	(2,897,008)	(3,351,849)
ISSQN	(579,854)	(1,124,600)	(1,064,476)
PIS/Pasep	(246,468)	(491,780)	(564,046)
Other	(258,148)	(540,348)	(502,132)
Total	(2,530,776)	(5,053,736)	(5,482,503)

d) Deferred tax liabilities

	Dec 31, 2018	Dec 31, 2017
Arising from mark-to-market	306,327	705,415
Arising from interest and inflation adjustment of fiscal judicial deposits	316,489	581,247
Arising from recovered term credits	425,634	397,092
Overseas entities	88,938	66,398
Arising from leasing portfolio adjustment	21,963	51,938
Arising from positive adjustments of benefits plans	39,676	423,015
Arising from futures market transactions	693	6,562
Other	52,539	23,721
Total deferred tax liabilities	1,252,259	2,255,388
Income tax	769,721	1,009,782
Social contribution	445,160	679,059
Cofins	32,153	487,352
PIS/Pasep	5,225	79,195

e) Deferred tax assets (Tax credit)

	Dec 31, 2017	2018		Dec 31, 2018
	Balance	Constitution	Write off	Balance
Intertemporal differences	38,617,726	15,891,840	(17,900,495)	36,609,071
Allowance for loan losses	24,684,481	9,607,569	(12,505,345)	21,786,705
Provisions	9,393,973	3,626,371	(2,907,853)	10,112,491
Negative adjustments of benefits plans	1,828,381	1,009,378	(560,472)	2,277,287
Mark to Market (MTM)	1,158,475	1,161,679	(1,493,307)	826,847
Other provisions	1,552,416	486,843	(433,518)	1,605,741
CSLL written to 18% (MP 2,158/2001)	667,060	--	--	667,060
Tax losses/excess depreciation	89,298	--	(27,277)	62,021
Tax losses/negative bases	348,252	3,770,601	(2,813,884)	1,304,969
Total deferred tax assets	39,722,336	19,662,441	(20,741,656)	38,643,121
Income tax	23,351,896	10,966,187	(10,367,820)	23,950,263
Social contribution	16,263,204	8,582,940	(10,243,782)	14,602,362
Cofins	92,246	97,474	(111,874)	77,846
PIS/Pasep	14,990	15,840	(18,180)	12,650

As of December 31, 2018, deferred assets and liabilities were adjusted at the rate of 15% as a result of the end of the period of Law 13,169 / 2015, which returned to CSLL of financial institutions and private insurance companies 15% of capitalization, effective January 1, 2019.

f) Deferred tax assets (Tax credit - not recorded)

	Dec 31, 2018	Dec 31, 2017
Overseas deferred tax assets	930,845	821,539
Tax losses/negative bases	949,078	7,906
Intertemporal differences	253	161
Total deferred tax assets	1,880,176	829,606
Income tax	1,176,171	519,393
Social contribution	704,005	310,213

Realization expectative

The expectation of realization of the deferred tax assets (tax credits) is based on a technical study, prepared on December 31, 2018, and the present value is determined based on the average rate of funding of Banco do Brasil.

	Future value	Present value
In 2019	15,413,417	14,813,595
In 2020	15,861,446	15,160,137
In 2021	5,495,762	4,865,693
In 2022	794,442	412,621
In 2023	469,775	364,921
In 2024	449,667	71,763
In 2025	72,162	21,771
In 2026	27,034	7,221
In 2027	8,601	1,201
In 2028	50,815	35,428
Total deferred tax assets on Dec 31, 2018	38,643,121	35,754,351

In the first half 2018 it was possible to observe the realization of tax credits at Banco do Brasil, in the amount of R\$ 20,472,741 thousand corresponding to 302.81% of the projection of use for the period of 2018 contained in the technical study prepared on December 31, 2017.

The realization of the nominal value of tax credits registered, considering the recovery of those written-off during the lawsuits (Note 27.h), based on a technical study conducted by Banco do Brasil on December 31, 2018, is projected for 10 years in the following proportions:

	Tax losses/CSLL recoverable ⁽¹⁾	Diferences intertemporal ⁽²⁾
In 2019	4%	42%
In 2020	29%	42%
In 2021	33%	13%
In 2022	17%	1%
In 2023	17%	1%
From 2024	--	1%

(1) Projected consumption linked to the capacity to generate IR and CSLL taxable amounts in subsequent periods.

(2) The consumption capacity results from the movements of provisions (expectation of reversals, write offs and uses).

25 - RELATED PARTY TRANSACTIONS

a) Bank's key management personnel

Salaries and other benefits paid the Bank's key management personnel (Executive Board and Board of Directors) are as follows:

	2nd half/2018	2018	2017
Short-term benefits	25,473	61,487	48,812
Fees and social charges	18,090	38,413	33,098
Executive Board	17,887	38,007	32,699
Board of Directors	203	406	399
Variable remuneration (cash) and social charges	5,476	19,629	12,592
Other ⁽¹⁾	1,907	3,445	3,122
Benefits motivated by cessation of tenure	--	345	549
Share-based payment benefits	--	14,913	8,459
Total	25,473	76,745	57,820

(1) Includes contributions to pension plan and complementary healthy plan, housing and relocation benefits, group insurance, among others.

The Bank's variable compensation policy (developed in accordance with CMN Resolution 3,921/2010) requires variable compensation for the Executive Directors to be paid partially in shares (Note 23.n).

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank.

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosed to the market. The policy aims to establish rules to assure that all decisions, especially those involving related party and other situations potentially conflicted, are made observing the interests of the Bank and its shareholders. It is applicable to all stakeholders and directors of the company.

The policy forbids related party transactions under conditions other than those of the market or that may adversely affect the Bank's interest. Therefore, the transactions are conducted under normal market conditions. The terms and conditions reflect comparable transactions with unrelated parties (including interest rates and collateral requirements). These transactions do not involve unusual payment risks.

According to current standards and the Bank's Bylaws, the Bank does not grant loans and advance, neither does buy nor sell any kind of assets to the Bank's key management personnel. The only possible loans with key management personnel were contracted before the effectiveness of the mandates.

The transactions between the consolidated companies are eliminated in the consolidated financial statements.

The main transactions carried out by the Bank with related parties are:

- i. intercompany transactions, such as: interbank deposits, securities, loans (except to its key management personnel), interest bearing and non-interest bearing deposits, securities sold under repurchase agreements, borrowings and onlendings, guarantees given and others;
- ii. the most important transactions involving the National Treasury include rural loans granted by the Bank under CMN Resolution 2,238/1996 and receivables from the National Treasury for interest rate equalization under Federal Government programs (Law 8,427/1992). Interest rate equalization represents an economic subsidy for rural credit, which provides borrowers with discounted interest rates compared to the Bank's normal funding costs (including administrative and tax expenses). The equalization payment is updated by the Selic rate in accordance with the National Treasury's budgeting process (as defined by law) and is designed to preserve the Bank's earnings;
- iii. Previ uses the Bank's internal systems for voting, selective processes and access to common internal standards, which generates cost savings for both parties involved;

- iv. gratuitous loan between the Bank and some related parties, where the Bank is a transferee in the contracts, using the spaces mainly for the installation of self-service terminals, banking service offices and branches. Gratuitous loan with related parties do not represent significant value, because the most of them are carried out with third parties;
- v. structure for controlled and sponsored entities, through reimbursement due to the use of employees, technological and administrative materials. Sharing of structure aims to gain efficiency for the Conglomerate. Additional information regarding the assignment of employees can be obtained in Note 30.e.
- vi. contracts in which the Bank rents property owned by the entities sponsored to carry out its activities;
- vii. acquisition of portfolio of loans transferred by Banco Votorantim;
- viii. assignment of credits arising from loans written off as losses to Ativos S.A.

In 2018 the Bank exchanged property with the Federal Union and made advance of employer's contributions with sponsored entity Cassi.

The Bank signed with Union an amendment to the Credit Assignment Agreement arising from the Renegotiation of Rural Debt signed between the Union and BB on June 29, 2001. The Union paid to BB funds resulting from the reconciliation of PESA operations provided by BB to the Federal Government under MP 2,196 / 2001. The Bank also reconciled other rural programs such as: Programa de Recuperação da Lavoura Cacaueira Baiana – PRLCB; Subvenções Pronaf Finame / BNDES; Pronaf Reforma Agrária Grupo “A – Safra 1999/2000 e Fundo Contábil do PROCERA.

The balances arising from the transactions above mentioned are disclosed in the "Summary of related party transactions" segregated by nature and category of related entities.

Some transactions are disclosed in other notes: the resources applied in federal government securities are listed in Note 8; information about the government funds are related in Note 20; and additional information about the Bank's contributions and other transactions with sponsored entities are listed in Note 26.

Fundação Banco do Brasil (FBB) promotes, encourages and sponsors actions in the areas of education, culture, health, social welfare, recreation and sports, science, technology and community development. In 2018, the Bank's contributions to FBB totaled R\$ 53,423 thousand (R\$ 54,457 thousand in 2017).

c) Acquisition of portfolio of loans transferred by Banco Votorantim

	2018	2017
Assignment with substantial retention of risks and rewards (with co-obligation)	3,013,066	3,853,901
Unrealized result, net of tax effects (balance)	83	143

d) Summary of related party transactions

	Dec 31, 2018				
	Controller ⁽¹⁾	Joint ventures and associates ⁽²⁾	Key management personnel ⁽³⁾	Other related parties ⁽⁴⁾	Total
Assets					
Interbank deposits	--	559,569	--	352,617	912,186
Securities	--	3,431,777	--	511,801	3,943,578
Loans ⁽⁵⁾	--	8,426,052	2,335	27,212,815	35,641,202
Receivables from related companies	--	241,671	--	9,188	250,859
Other assets ⁽⁶⁾	3,458,980	301,279	--	477,210	4,237,469
Guarantees received ⁽⁷⁾	--	1,635,113	--	3,243,446	4,878,559
Liabilities					
Demand deposits	1,274,150	193,754	458	481,410	1,949,772
Saving deposits	12,966	--	446	218,638	232,050
Remunerated time deposits	2,369,388	695,753	111	12,615,160	15,680,412
Securities sold under repurchase agreements	39,950	1,506,669	--	9,263,323	10,809,942
Borrowings and onlendings	165,557	--	--	66,316,170	66,481,727
Other liabilities ⁽⁸⁾	1,843,497	11,935,068	11,129	1,310,978	15,100,672
Guarantees given and other coobligations ⁽⁹⁾	--	6,813,492	--	753,552	7,567,044
2nd half/2018					
Income from financial intermediation	1,586,396	562,267	134	1,085,388	3,234,185
Service fee income	31,620	1,698,981	--	180,882	1,911,483
Other income ⁽¹⁰⁾	1,439,861	772,581	--	7,542	2,219,984
Expenses from financial intermediation	(266,027)	(5,881)	(433)	(1,885,077)	(2,157,418)
Other expenses	(493,358)	(231,445)	--	(507,176)	(1,231,979)
2018					
Income from financial intermediation	3,252,534	1,225,304	275	2,230,792	6,708,905
Service fee income	70,580	3,872,394	--	396,722	4,339,696
Other income ⁽¹⁰⁾	1,592,993	1,493,677	--	16,590	3,103,260
Expenses from financial intermediation	(335,643)	(10,459)	(907)	(4,037,655)	(4,384,664)
Other expenses	(493,358)	(380,477)	--	(958,226)	(1,832,061)

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).

(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.

(3) Board of Directors and Executive Board.

(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R\$ 420 thousand as allowance for losses on loans on transactions with related parties in December 31, 2018. The provision for allowance was R\$ 418 thousand in the 2nd half/2018 (constitution of R\$ 396 thousand in 2018). The loans with key management personnel were contracted before the effectiveness of mandates.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).

(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.

(8) Mainly include derivative financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

(10) Includes the amount of R\$ 183,352 thousand in the 2nd half/2018 related recoveries of costs and expenses from the structure sharing (R\$ 373,713 thousand in 2018).

	Dec 31, 2017				
	Controller ⁽¹⁾	Joint ventures and associates ⁽²⁾	Key management personnel ⁽³⁾	Other related parties ⁽⁴⁾	Total
Assets					
Interbank deposits	--	529,900	--	301,087	830,987
Securities	--	3,440,424	--	682,928	4,123,352
Loans ⁽⁵⁾	--	12,839,370	2,774	31,326,490	44,168,634
Receivables from related companies	--	252,692	--	9,254	261,946
Other assets ⁽⁶⁾	4,430,928	548,403	--	346,905	5,326,236
Guarantees received ⁽⁷⁾	--	2,278,693	--	3,920,441	6,199,134
Liabilities					
Demand deposits	262,607	13,854	526	917,470	1,194,457
Saving deposits	--	--	548	316,032	316,580
Remunerated time deposits	663,039	663,829	205	14,078,718	15,405,791
Securities sold under repurchase agreements	37,542	2,010,763	--	10,616,313	12,664,618
Borrowings and onlendings	145,264	--	--	73,268,852	73,414,116
Other liabilities ⁽⁸⁾	452,077	13,565,303	18,327	4,918,734	18,954,441
Guarantees given and other coobligations ⁽⁹⁾	--	6,804,136	--	735,098	7,539,234
2017					
Income from financial intermediation	4,985,242	2,117,296	162	3,483,713	10,586,413
Service fee income	99,479	3,261,351	--	569,054	3,929,884
Other income	125,904	1,581,919	--	7,141	1,714,964
Expenses from financial intermediation	(78,137)	(351,092)	(659)	(4,927,036)	(5,356,924)
Other expenses	--	(184,168)	--	(947,145)	(1,131,313)

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).

(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.

(3) Board of Directors and Executive Board.

(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R\$ 24 thousand as allowance for losses on loans on transactions with related parties. The reversal of expense for allowance was R\$ 74,751 thousand in the 2nd half/2017 (reversal of R\$ 39,798 thousand in 2017). The loans with key management personnel were contracted before the effectiveness of the mandates.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).

(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, among others.

(8) The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

26 - EMPLOYEE BENEFITS

Banco do Brasil sponsors the following pension and health insurance plans for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Variable contribution
	Plano de Benefícios I	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep - Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2018			Dec 31, 2017		
	Number of participants			Number of participants		
	Active	Retired/users	Total	Active	Retired/users	Total
Retirement and pension plans	100,027	118,699	218,726	102,110	118,499	220,609
Plano de Benefícios 1 - Previ	9,694	98,902	108,596	10,637	98,788	109,425
Plano Previ Futuro	77,111	1,700	78,811	77,975	1,520	79,495
Plano Informal	--	2,870	2,870	--	3,076	3,076
Other plans	13,222	15,227	28,449	13,498	15,115	28,613
Health care plans	100,990	105,701	206,691	103,239	105,724	208,963
Cassi	90,390	98,721	189,111	92,390	98,618	191,008
Other plans	10,600	6,980	17,580	10,849	7,106	17,955

Bank's contributions to benefit plans

	2nd half/2018	2018	2017
Retirement and pension plans	1,089,576	1,871,310	1,564,536
Plano de Benefícios 1 - Previ ⁽¹⁾	560,407	891,384	606,677
Plano Previ Futuro	361,122	662,091	619,585
Plano Informal	87,036	166,952	180,153
Other plans	81,011	150,883	158,121
Health care plans	711,880	1,643,733	1,287,365
Cassi	622,540	1,473,670	1,132,016
Other plans	89,340	170,063	155,349
Total	1,801,456	3,515,043	2,851,901

(1) Refers to the contributions relating to participants subject to Agreement 97 and Plan 1, whereby these contributions occur by the realization of Fundo Paridade and Fundo de Utilização (Note 26.f). Agreement 97 aims to regulate the funding required to constitute a portion equivalent to 53.7% of guaranteed amount relating to the supplementary pension due to the participants who joined the Bank up to April 14, 1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

The Bank estimates that contributions to benefit plans (post-employment) in the first half of 2019 will be approximately R\$ 1,148,410 thousand.

Values recognized in income

	2nd half/2018	2018	2017
Retirement and pension plans	(222,519)	(569,821)	(1,396,267)
Plano de Benefícios 1 - Previ	318,318	444,053	(465,601)
Plano Previ Futuro	(361,122)	(662,091)	(619,585)
Plano Informal	(65,343)	(128,206)	(128,051)
Other plans	(114,372)	(223,577)	(183,030)
Health care plans	(871,747)	(1,659,628)	(1,545,553)
Cassi	(781,524)	(1,486,662)	(1,407,685)
Other plans	(90,223)	(172,966)	(137,868)
Total	(1,094,266)	(2,229,449)	(2,941,820)

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan include Bank employees hired after December 24, 1997. Depending on time of service and salary, active participants may contribute between 7% and 17% of their salary (retired participants do not contribute). The plan sponsor matches participants' contributions up to 14% of their salaries.

Plano de Benefícios 1 (Previ)

Participants in this plan include Bank employees hired prior to December 23, 1997. Active and retired participants may contribute between 1.8% and 7.8% of their salary or pension.

Prior to December 15, 2000, the Bank contributed 2/3 of the total amount to this plan. As from December 16, 2000, considering the Federal Constitutional Amendment nº 20, the Bank and the participants started to make equal contributions. As a result of this contributive parity, the Parity Fund was set-up in December 2000, and its funds are being used to offset the Bank's contributions (Note 26.f).

Plano Informal (Previ)

Banco do Brasil is fully responsible for this plan. The Bank's contractual obligations include to:

- (i) providing retirement benefits to the initial group of participants and pension payments to the beneficiaries of participants who died prior to April 14, 1967;
- (ii) paying additional retirement benefits to plan participants who retired prior to April 14, 1967, or had the right to retire based on time of service and at least 20 years of service with the Bank; and
- (iii) increasing retirement and pension benefits due to judicial and administrative decisions related to changes in the Bank's career, salary and incentive plans (in excess of the plan's original benefits).

The Bank and Previ formalized an agreement on December 31, 2012. Under the agreement, Banco do Brasil paid 100% of the mathematical reserves for the so-called Grupo Especial (for which it was fully liable) using funds from the Fundo Paridade. As a result, this group migrated from the Plano Informal to Plano de Benefícios 1. The Grupo Especial included participants from Plano de Benefícios 1 (Previ) listed in the paragraph of first clause of the contract signed on December 24, 1997. These participants received additional retirement benefits due to administrative and/or judicial decisions.

Prevmais (Economus)

Participants in this plan include employees of Banco Nossa Caixa (a bank acquired by Banco do Brasil on November 30, 2009) who enrolled after August 01, 2006, or were part of the Regulamento Geral benefit plan and opted to receive their vested account balances. The sponsor and participants make equal contributions, which may not exceed 8% of participants' salaries. The plan provides additional risk coverage, including supplemental health, work-related accident, disability and death benefits.

Regulamento Geral (Economus)

Participants in this plan include employees of Banco Nossa Caixa who enrolled prior to July 31, 2006. This plan is closed to new members. The sponsor and participants contribute equally.

Regulamento Complementar 1 (Economus)

Participants in this plan include employees of Banco Nossa Caixa. This plan offers supplemental health benefits and annuities upon death or disability. The sponsor, participants and retired/other beneficiaries fund the plan.

Grupo B' (Economus)

Participants in this plan include employees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. This plan is closed to new members. Benefit levels are based on the fulfillment of certain conditions outlined in the plan regulation.

Multifuturo I (Fusesc)

Participants in this plan include employees of the State Bank of Santa Catarina – Besc (acquired by Banco do Brasil on September 30, 2008) who enrolled after January 12, 2003, or were part of the Plano de Benefícios I (Fusesc) and chose to participate in this plan. Participants may contribute from 2.33% to 7% of their salaries. The plan sponsor matches these contributions.

Plano de Benefícios I (Fusesc)

Participants in this plan include employees of Besc who enrolled prior to January 11, 2003. This plan is closed to new members. The sponsor and participants contribute equally.

Plano BEP (Prevbep)

Participants in this plan include employees of the State Bank of Piauí – BEP (acquired by Banco do Brasil on November 30, 2008). The sponsor and participants contribute equally.

b) Health Care Plans**Plano de Associados (Cassi)**

The Bank sponsors a health care plan managed by Cassi. The plan covers health care services related to prevention, protection, recovery and rehabilitation for participants and their beneficiaries. Each month, the Bank contributes 4.5% of participants' salaries or pension benefits.

Monthly contributions by participants and pensioners total 3% of their salary or pension, in addition to copayments for certain hospital procedures. Moreover, as a result of the amendment to the Cassi Statute in November 2016, it was approved the extraordinary monthly contribution of 1% for the participants until December 2019.

Plano Unificado de Saúde - PLUS (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents (both preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents and adult children. This plan does not cover non-preferred dependents.

Plano de Assistência Médica Complementar - PAMC (Economus)

Participants in this plan include employees of Banco Nossa Caixa located in the state of São Paulo. The plan serves disabled employees under the Complementar and Regulamento Geral and their dependents. Participant costs vary based on usage and in accordance with a progressive salary table.

Plano de Saúde (SIM)

Participants in this plan include employees of Besc and other sponsors of the plan (including Badesc, Codesc, Bescor, Fusesc and SIM). For active members, monthly contributions total 3.44% of salary, including their 13th salary. For inactive members, monthly contributions total 8.86% of salary, while the plan sponsors contribute 5.42%. Beneficiaries also contribute 0.75% per dependent. The plan requires a copayment for ambulatory care procedures.

c) Risk factors

The Bank may need to make unplanned contributions to Previ, Economus, Fusesc and Prevbep, which could negatively affect operating income.

Determination of the Bank's obligations to these entities is based on long-term actuarial and financial estimates and the application and interpretation of current regulatory standards. Inaccuracies inherent to the estimation process could result in differences between recorded amounts and the actual obligations in the future. This could have a negative impact on the Bank's operating results.

d) Actuarial valuations

Actuarial evaluations are performed every six months. The information contained in the below tables refers to the calculations at December 31, 2018 and December 31, 2017.

d.1) Changes in present value of defined benefit actuarial obligations

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening balance	(155,258,787)	(148,349,574)	(959,692)	(965,470)	(8,724,130)	(7,948,422)	(8,900,039)	(7,609,949)
Interest cost	(16,703,376)	(15,912,131)	(94,775)	(96,792)	(980,982)	(901,981)	(956,491)	(819,764)
Current service cost	(399,287)	(429,542)	--	--	(85,096)	(98,102)	(23,534)	(23,819)
Past service cost	--	--	(33,431)	(31,259)	--	--	--	--
Benefits paid net of retirees contributions	11,988,879	12,228,789	166,952	180,153	730,087	724,412	668,778	653,780
Remeasurements of actuarial gain/(losses)	(11,656,103)	(2,796,329)	(19,428)	(46,324)	(334,480)	(500,037)	(508,143)	(1,100,287)
Experience adjustment	(311,951)	3,518,247	4,685	(7,965)	415,728	(10,283)	(122,439)	45,167
Changes to biometric assumptions	(4,209,120)	--	(536)	--	(303,405)	--	30,496	(644,827)
Changes to financial assumptions	(7,135,032)	(6,314,576)	(23,577)	(38,359)	(446,803)	(489,754)	(416,200)	(500,627)
Closing balance	(172,028,674)	(155,258,787)	(940,374)	(959,692)	(9,394,601)	(8,724,130)	(9,719,429)	(8,900,039)
Present value of actuarial liabilities with surplus	(172,028,674)	(155,258,787)	--	--	(242,250)	--	(6,045,154)	(5,713,736)
Present value of actuarial liabilities without surplus	--	--	(940,374)	(959,692)	(9,152,351)	(8,724,130)	(3,674,275)	(3,186,303)

d.2) Changes in fair value of plan assets

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans ⁽¹⁾	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening balance	164,024,626	143,946,397	--	--	--	--	5,713,736	5,731,092
Interest income	17,990,770	15,410,472	--	--	--	--	632,690	608,154
Advance of consideration ⁽²⁾	--	--	--	--	242,250	--	--	--
Contributions received	891,384	606,678	166,952	180,153	730,087	724,412	220,828	220,451
Benefits paid net of retirees contributions	(11,988,879)	(12,228,789)	(166,952)	(180,153)	(730,087)	(724,412)	(668,778)	(653,780)
Actuarial gain/(loss) on plan assets	8,279,554	16,289,868	--	--	--	--	146,678	(192,181)
Closing balance	179,197,455	164,024,626	--	--	242,250	--	6,045,154	5,713,736

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmis (Economus), Regulamento Complementar 1 (Economus), Multifuturo I (Fusesc), Plano I (Fusesc) and Plano BEP (Prevbep).

(2) Refers to the Advance of employer contributions on Christmas bonus (13th salary) corresponding to the period from 2018 to 2021.

d.3) Amounts recognized in the balance sheet

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
1) Fair value of the plan assets	179,197,455	164,024,626	--	--	242,250	--	6,045,154	5,713,736
2) Present value of actuarial liabilities	(172,028,674)	(155,258,787)	(940,374)	(959,692)	(9,394,601)	(8,724,130)	(9,719,429)	(8,900,039)
3) Surplus/(deficit) (1+2)	7,168,781	8,765,839	(940,374)	(959,692)	(9,152,351)	(8,724,130)	(3,674,275)	(3,186,303)
4) Net actuarial asset/(liability) (1+2) ⁽¹⁾	3,584,390	4,382,919	(940,374)	(959,692)	(9,152,351)	(8,724,130)	(2,397,244)	(2,078,422)

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

d.4) Maturity profile of defined benefit actuarial obligations

	Duration ⁽¹⁾	Expected benefit payments ⁽²⁾				
		Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Plano 1 (Previ)	8.99	13,952,027	13,826,304	13,614,753	241,770,289	283,163,373
Plano Informal (Previ)	5.69	146,054	130,762	116,649	896,339	1,289,804
Plano de Associados (Cassi)	9.66	779,164	765,809	751,698	15,440,616	17,737,287
Regulamento Geral (Economus)	10.79	489,017	489,946	491,205	13,000,609	14,470,777
Regulamento Complementar 1 (Economus)	14.14	1,534	1,654	1,784	110,788	115,760
Plus I e II (Economus)	8.27	76,751	74,700	72,410	1,104,047	1,327,908
Grupo B' (Economus)	9.42	16,707	16,623	16,526	334,267	384,123
Prevmais (Economus)	12.03	20,783	21,153	21,449	716,261	779,646
Multifuturo I (Fusesc)	9.32	5,883	5,812	5,735	111,195	128,625
Plano I (Fusesc)	8.69	43,530	43,317	43,024	751,030	880,901
Plano BEP (Prevbep)	11.18	4,479	4,556	4,987	141,029	155,051

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.

(2) Amounts considered without discounting at present value.

d.5) Breakdown of the amounts recognized in statement of income relating to defined benefit plans

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	2nd half/2018	2018	2017	2nd half/2018	2018	2017	2nd half/2018	2018	2017	2nd half/2018	2018	2017
Current service cost	(92,939)	(199,644)	(214,772)	--	--	--	(40,668)	(85,096)	(98,101)	(5,606)	(11,767)	(11,909)
Interest cost	(4,392,589)	(8,351,688)	(7,956,065)	(48,976)	(94,775)	(96,792)	(513,216)	(980,982)	(901,980)	(278,517)	(528,832)	(446,325)
Expected yield on plan assets	4,803,846	8,995,385	7,705,236	--	--	--	--	--	--	170,269	315,656	303,477
Unrecognized past service cost	--	--	--	(16,367)	(33,431)	(31,259)	--	--	--	--	--	--
Expense with active employees	--	--	--	--	--	--	(227,640)	(420,584)	(407,604)	(94,516)	(178,495)	(173,065)
Other adjustments/reversals	--	--	--	--	--	--	--	--	--	3,775	6,895	6,924
(Expense)/income recognized in the Statement of income	318,318	444,053	(465,601)	(65,343)	(128,206)	(128,051)	(781,524)	(1,486,662)	(1,407,685)	(204,595)	(396,543)	(320,898)

d.6) Composition of the plan assets

	Plano 1 - Previ		Other plans	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Fixed income	74,008,549	70,104,125	4,734,172	4,708,087
Equity securities and similar instruments ⁽¹⁾	88,864,018	77,501,636	530,688	316,452
Real estate investments	9,802,101	9,759,465	266,761	190,893
Loans and financing	5,465,522	5,593,240	140,399	121,801
Other	1,057,265	1,066,160	373,134	376,503
Total	179,197,455	164,024,626	6,045,154	5,713,736
Amounts listed in fair value of plan assets				
In the entity's own financial instruments	10,296,587	12,191,887	31,463	30,297
In properties or other assets used by the entity	148,139	155,611	8,449	7,684

(1) Includes, in Plano de Benefícios 1 from Previ, the amount of R\$ 54,975,138 thousand (R\$ 45,179,060 thousand on December 31, 2017), related to the assets that are not quoted in active markets.

d.7) Main actuarial assumptions adopted

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Inflation rate (p.a.)	4.42%	5.10%	4.39%	5.00%	4.43%	5.11%	4.42%	5.11%
Real discount rate (p.a.)	4.83%	5.30%	4.64%	5.05%	4.86%	5.32%	4.86%	5.31%
Nominal rate of return on investments (p.a.)	9.46%	10.67%	--	--	--	--	9.50%	10.69%
Real rate of expected salary growth (p.a.)	0.77%	0.93%	--	--	--	--	0.95%	0.91%
Actuarial life table	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)	AT-2000 / AT-83	
Capitalization method	Projected credit unit		Projected credit unit		Projected credit unit		Projected credit unit	

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitted by the entities sponsored.

CPC 33 (R1) prescribes the accounting, as well as the effects that occurred or that will occur in the entities that sponsor employee benefits plans. However, the sponsored entities themselves must comply with the rules issued by the Ministério da Previdência Social, through the Conselho Nacional de Previdência Complementar (CNPCC) and the Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are in the definition of the assumptions used in Plano 1 – Previ.

d.8) Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	4.83%	5.00%
Actuarial life table	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)
Evaluation of assets		
Federal Government securities	Market value	Amortized Cost
Equity stakes	Market Value or Discounted Cash Flow	Weighted Average ⁽¹⁾ or Discounted Cash Flow
Capitalization method	Projected credit unit	Aggregate method

(1) On September 2018 Previ adopted a new valuation methodology for its investment in Litel. Priced at the end of each month, this methodology considers a weighted average prices of the previous three months.

d.9) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

	Plan assets		Actuarial liabilities		Effect in surplus/(deficit)	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Value determined - Previ	160,882,240	142,116,752	(154,506,120)	(146,567,430)	6,376,120	(4,450,678)
Incorporation of values from agreement 97	13,190,867	13,506,509	(13,190,867)	(13,506,509)	--	--
Incorporation of values from Grupo Especial	1,091,011	1,101,682	(1,091,011)	(1,101,682)	--	--
Adjustment in the value of plan assets ⁽¹⁾	4,033,337	7,299,683	--	--	4,033,337	7,299,683
Adjustment in the liabilities - discount rate/capitalization method	--	--	(3,240,676)	5,916,834	(3,240,676)	5,916,834
Value determined - Bank	179,197,455	164,024,626	(172,028,674)	(155,258,787)	7,168,781	8,765,839

(1) Refers mainly to adjustments made by the Bank in determining the fair value of the investments in Litel, Neoenergia and in securities held to maturity.

d.10) Sensitivity analysis

The sensitivity analysis is performed for changes in a single assumption while maintaining all others constant. This is unlikely in reality, since some of the assumptions are correlated.

The same methodology was used to perform the sensitivity analysis in each of the periods presented. However, the discount rate was updated to reflect market conditions.

	Dec 31, 2018	Life table		Salary increase		Interest rate	
		+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Plano 1 (Previ)	Present value of defined benefit actuarial obligations	172,028,674	167,895,943	176,119,780	172,081,171	171,976,178	168,131,995
	Surplus/(deficit) in the plan	7,168,781	11,301,512	3,077,675	7,116,284	7,221,277	11,065,460
Plano Informal (Previ)	Present value of defined benefit actuarial obligations	940,374	904,014	977,651	--	--	927,016
	Surplus/(deficit) in the plan	(940,374)	(904,014)	(977,651)	--	--	(927,016)
Plano de Associados (Cassi)	Present value of defined benefit actuarial obligations	9,394,601	9,158,136	9,629,399	9,397,905	9,391,297	9,158,649
	Surplus/(deficit) in the plan	(9,152,351)	(8,915,886)	(9,387,149)	(9,155,655)	(9,149,047)	(8,916,399)
Regulamento Geral (Economus)	Present value of defined benefit actuarial obligations	7,538,365	7,412,821	7,660,420	--	--	7,337,093
	Surplus/(deficit) in the plan	(3,018,831)	(2,893,287)	(3,140,886)	--	--	(2,817,559)
Regulamento Complementar 1 (Economus)	Present value of defined benefit actuarial obligations	51,038	52,742	49,368	--	--	49,278
	Surplus/(deficit) in the plan	(1,412)	(3,116)	258	--	--	348
Plus I e II (Economus)	Present value of defined benefit actuarial obligations	807,388	778,070	837,466	--	--	790,872
	Surplus/(deficit) in the plan	(807,388)	(778,070)	(837,466)	--	--	(790,872)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	220,881	215,988	225,649	--	--	215,777
	Surplus/(deficit) in the plan	(220,881)	(215,988)	(225,649)	--	--	(215,777)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	308,819	305,864	311,738	310,379	307,283	300,084
	Surplus/(deficit) in the plan	135,342	138,297	132,423	133,782	136,878	144,077
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	85,246	84,065	86,395	--	--	83,133
	Surplus/(deficit) in the plan	145,612	146,793	144,463	--	--	147,725
Plano I (Fusesc)	Present value of defined benefit actuarial obligations	630,554	618,336	642,647	--	--	619,264
	Surplus/(deficit) in the plan	44,492	56,710	32,399	--	--	55,782
Plano BEP (Prevbep)	Present value of defined benefit actuarial obligations	77,138	75,842	78,396	77,292	76,983	75,046
	Surplus/(deficit) in the plan	48,791	50,087	47,533	48,637	48,946	50,883

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Plano 1 (Previ)	3,584,390	4,382,919	--	--
Plano Informal (Previ)	--	--	(940,374)	(959,692)
Plano de Associados (Cassi)	--	--	(9,152,351)	(8,724,130)
Regulamento Geral (Economus)	--	--	(1,555,593)	(1,368,699)
Regulamento Complementar 1 (Economus)	--	--	(501)	(339)
Plus I e II (Economus)	--	--	(807,388)	(656,497)
Grupo B' (Economus)	--	--	(220,881)	(210,324)
Prevmais (Economus)	67,671	43,535	--	--
Multifuturo I (Fusesc)	72,806	63,286	--	--
Plano I (Fusesc)	22,246	26,488	--	--
Plano BEP (Prevbep)	24,396	24,128	--	--
Total	3,771,509	4,540,356	(12,677,088)	(11,919,681)

f) Allocations of the Surplus - Plano 1

	2nd half/2018	2018	2017
Fundo Paridade			
Opening balance	41,354	102,726	129,900
Restatement	1,282	4,636	9,092
Contributions to Plano 1 - Agreement 97	(252,385)	(317,111)	(36,266)
Amounts transferred from the Fundo de Utilização	209,749	209,749	--
Closing balance	--	--	102,726
Fundo de Utilização			
Opening balance	9,710,133	9,499,488	9,432,110
Contributions to Plano 1	(308,022)	(574,273)	(570,411)
Transfer to the Fundo Paridade	(209,749)	(209,749)	--
Restatement	319,399	796,295	637,789
Closing balance	9,511,761	9,511,761	9,499,488
Total funds allocated surplus	9,511,761	9,511,761	9,602,214

f.1) Fundo Paridade

In 2000, the cost of switching to equal contributions was based on the Plano de Benefícios 1's surplus at the time. The agreement (between Banco do Brasil and participants) allowed the Bank to recognize an asset of R\$ 2,227,254 thousand in Allocation funds surplus. The asset is recalculated each month based on the actuarial goal: INPC (the National Consumer Price Index published by the Brazilian Institute of Geography and Statistics – IBGE) + 5% p.a..

Since January 2007, the asset has been used to offset financial liabilities related to the agreement signed with Previ in 1997. This agreement granted additional benefits to participants in Plano 1 (Previ) who joined the plan prior to April 14, 1967, and had not yet retired.

f.2) Fundo de Utilização

This fund contains resources transferred from the Allocation Fund (because of the plan's surplus), which the Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The Fundo de Utilização is recalculated based on the actuarial target (INPC + 5% p.a.).

27 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES, LEGAL LIABILITIES – TAXES AND SOCIAL SECURITY**a) Contingent assets**

Contingent assets are not recognized in the financial statements according to CPC 25 – Provisions, Contingent Liabilities and Contingent Assets.

b) Labor lawsuits

The Bank is a party to labor claims involving mainly former employees, banking industry unions or former employees of companies that provide services (outsourced). These claims cover requests of compensation, overtime, incorrect working hours, and additional functions bonus, among others.

c) Tax lawsuits

The Bank, in spite of its conservative profile, may receive tax inquiries during inspections by the tax authorities, which could lead to the issuance of tax notices. These notices relate to the calculation base for income/social contribution taxes (mainly regarding deductibility) and matters involving payment of other taxes (based upon the occurrence of certain events). Most claims arising from the notices relate to service tax (ISSQN), income tax, social contribution (CSLL), the Social Integration Program (PIS), Contribution to Social Security Financing (Cofins), Tax on Financial Transactions (IOF), and Employer Social Security Contributions (INSS). As a guarantee in some of these cases, the Bank has pledged collateral in the form of cash, bonds, real estate or judicial deposits when necessary, preventing the Bank to be included in restrictive registration, as well as not to obstruct the semiannual renewal of its tax regularity certificate.

d) Civil lawsuits

Civil lawsuits relate mainly to claims from customers and users of the Bank's network. In most cases, they are requesting indemnification for material or moral damages arising from banking products or services and Economic Plans (Bresser Plan, Verão Plans and Collor Plans I and II).

Indemnifications for material and moral damages are ordinarily based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage.

The Bank is a defendant in claims seeking the payment and refunding the overpayment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments and rural credit when Economic Plans were implemented in the late 1980's and early 1990's.

Although it complied with prevailing laws and regulations at the time, the Bank set-up provisions for these lawsuits. The provisions consider claims brought against the Bank in which the risk of loss is considered probable. Loss probabilities are determined after an analysis of each claim considering the most recent decisions in the Superior Courts of Justice (STJ) in the Federal Supreme Court (STF).

With respect to cases involving the financial investments related to Economic Plans, the Federal Supreme Court (STF) suspended prosecution of all cases in the knowledge phase. This will be the case until the court issues a definitive ruling. In the end of 2017, Febraban and the entities representing the savers signed an agreement about the demands involving the economic plans in savings accounts. This agreement has already been approved by the Federal Supreme Court. Since May 2018, savers will can join the agreement, through a tool made available by Febraban. In October 2018, Minister Gilmar Mendes determined in the proceedings of RE 632.212 / SP the suspension of the processes related to the inflationary purges of the savings plans, regardless of the procedural stage (knowledge, liquidation or execution), for a term of 24 months of February 5, 2018, date of homologation of the agreement.

e) Provisions for labor, tax and civil claims – probable loss

The Bank recorded a provision for labor, tax and civil demands with risk of loss probable, quantified using individual or aggregated methodology (includes processes with the author's probability of success equal to remote, possible or probable), according to the nature and / or process value.

The estimates of outcome and financial effect are determined by the nature of the claims, the management's judgment, by the opinion of legal counsel on the basis of process elements, complemented by the complexity and the experience of similar demands.

The Management considers to be sufficient the provision for losses of labor, tax and civil claims.

e.1) Changes in the provisions for civil, tax and labor claims classified as probable

	2nd half/2018	2018	2017
Labor lawsuits			
Opening balance	2,561,756	2,677,568	2,508,268
Addition	832,213	1,485,098	1,227,945
Reversal of the provision	(61,348)	(411,492)	(207,902)
Write off	(949,695)	(1,476,428)	(1,099,010)
Inflation correction and exchange fluctuation	138,042	246,222	248,267
Closing balance	2,520,968	2,520,968	2,677,568
Tax lawsuits			
Opening balance	245,016	258,324	276,015
Addition	92,831	177,286	98,276
Reversal of the provision	(23,470)	(99,143)	(99,684)
Write off	(57,743)	(82,871)	(35,907)
Inflation correction and exchange fluctuation	6,090	9,128	19,624
Closing balance	262,724	262,724	258,324
Civil lawsuits			
Opening balance	7,292,607	6,723,721	6,897,180
Addition	2,067,177	3,857,889	1,872,625
Reversal of the provision	(143,398)	(177,798)	(631,664)
Write off	(2,379,789)	(3,697,589)	(1,660,655)
Inflation correction and exchange fluctuation	160,847	291,221	246,235
Closing balance	6,997,444	6,997,444	6,723,721
Total labor, tax and civil	9,781,136	9,781,136	9,659,613

e.2) Expected outflows of economic benefits

	Labor	Tax	Civil
Up to 5 years	2,456,701	136,813	5,695,065
Over 5 years	64,267	125,911	1,302,379
Total	2,520,968	262,724	6,997,444

The scenario of unpredictability of the duration of proceedings, and the possibility of changes in the case law of the courts, make values and the expected outflows of economic benefits uncertain.

f) Contingent liabilities – possible loss

The labor, tax and civil lawsuits for which the risk of loss is considered possible do not require provisions when the final outcome of the process is unclear and when the probability of losing is less than probable and higher than the remote.

f.1) The balances of contingent liabilities classified as possible loss

	Dec 31, 2018	Dec 31, 2017
Labor lawsuits	218,985	193,780
Tax lawsuits ⁽¹⁾	13,053,487	12,475,951
Civil lawsuits	2,359,921	2,327,630
Total	15,632,393	14,997,361

(1) The main contingencies originate from (i) notices of labor infraction from the National Social Security Institute (INSS) aiming at the payment of contributions applicable on year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R\$ 3,723,775 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 333,407 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 638,519 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R\$ 1,683,317 thousand.

g) Deposits in guarantee
g.1) Deposits given in guarantee of contingencies

	Dec 31, 2018	Dec 31, 2017
Labor lawsuits	5,684,226	5,579,789
Tax lawsuits	8,397,852	8,193,592
Civil lawsuits	23,562,567	23,309,214
Total	37,644,645	37,082,595

h) Legal liabilities

The Bank has a record in Other liabilities – taxes and social security and Other liabilities – sundry the amount of R\$ 17,667,363 thousand (R\$ 16,468,293 thousand on December 31, 2017) relating to the following action:

In 1998, the Bank requested full compensation of the accumulated tax losses of income tax and the negative calculation bases of social contribution. Since then, the Bank has fully offset tax losses and negative bases with the due amount of income tax and social contribution, making a full deposit of the amount due (70% of the amount offset), which led to the court order, determining the Suspension of the enforceability of said taxes. Currently, the Bank is awaiting the judgment of an extraordinary appeal (RE 591.340-SP) in which there was recognition of the general repercussion of the matter by the STF. As a result, RE 354.322-DF, floated by the Bank, will be overwritten in the TRF 1ª Region, until judgment of the general repercussion.

The offsetting of tax loss carry forward and recoverable social contribution has resulted in the write-off of deferred tax assets, observing the limitation of 30%.

Deferred taxes including corporate income tax and social contribution on the interest / inflation restatements of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in accordance with article 1, item II, paragraph 2 of CMN Resolution 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to this lawsuit, in September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution. Therefore, since October 2005 and February 2009, the amounts of income tax and social contribution are being paid in full. Moreover, there would be a reclassification of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax assets related to judicial deposits (main value) would be written-off against the liabilities of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits amounts to R\$ 11,095,690 thousand.

In the other hand, based on the hypothesis of an unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor to Fazenda Nacional (Federal Tax Authority)), the portions of income tax, tax assets on tax losses and social contribution to offset would be reclassified to the representative asset account income tax recoverable and social contribution recoverable, that could be used since the accrual period starting October 2005 and February 2009, observing the limitation of 30%. The taxes recoverable, which would result from the adjustments to prior year Statements of economic-fiscal information of businesses, corresponds to R\$ 5,979,489 thousand as of December 31, 2018 and updating by the Selic rate results in a further recoverable amount of R\$ 4,462,962 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a loss.

h.1) The amounts related to this matter

	Dec 31, 2018	Dec 31, 2017
Judicial deposits	18,668,426	18,180,644
Amount realized (70%)	7,817,011	7,817,011
Inflation corrections	10,851,415	10,363,633
Legal liability – provision for lawsuit	17,667,363	16,468,293
Tax losses of income tax	3,002,033	3,002,033
Social contribution negative bases/social contribution recoverable	3,569,640	3,569,640
Provision for tax risks (restatement of deposit)	11,095,690	9,896,620

28 - RISK AND CAPITAL MANAGEMENT

a) Risk management process

For Banco do Brasil, risk management is one of the most important elements of the decision-making process.

The Institution has a process of identification of risks that will be part of the Institution's risks inventory, performed by analyzing exploited business segments, direct and indirectly, considering Banco do Brasil related entities.

Once the risk inventory and its respective concepts are defined, the relevance of the risks is determined based on quantitative and qualitative criteria specified in the Corporate Manual. Risks deemed relevant are:

- a) Credit Risk;
- b) Market Risk;
- c) Banking Book Interest Rate Risk;
- d) Liquidity Risk;
- e) Operational Risk;
- f) Legal Risk;
- g) Environmental Risk;
- h) Climate Risk;
- i) Strategic Risk;
- j) Reputational Risk;
- k) Complementary Pension Fund Entities and Private Health Insurance Plan Operators for Employees Risk;
- l) Model Risk;
- m) Cybernetic Risk;
- n) IT Risk;
- o) Contagion Risk;
- p) Compliance Risk; and
- q) Behavioral Risk.

Business Disruption, Residual, Concentration and Frontier risks were deemed of “very low” relevance taxonomy in the risk inventory.

In the Bank, the collegiate risk management is absolutely parted from the business units. Risk management policies are approved by the Board of Directors, advised by the Capital and Risk Committee (Coris). The Assets, Liabilities, Liquidity, Capital and Risk Management Superior Committee (CSGRC), a forum composed of Vice-Presidents, is responsible for implementation and monitoring of these policies. The guidelines issued by the CSGRC are conducted by Risk Management and Internal Controls Executive Committee (CEGRC) and by Asset, Liability, Liquidity and Capital Management Executive Committee (CEGAPC), which are groups composed by Directors.

To learn more about the risk and capital management process in Banco do Brasil, visit the information available in the Risk Management Report and in the Recovery Plan at the website bb.com.br/ir.

Financial instruments - fair value

Financial instruments recorded in balance sheet accounts, compared to fair value:

	Dec 31, 2018		Dec 31, 2017		Unrealized gain/loss, net of tax effects			
	Book value	Fair value	Book value	Fair value	On income		On shareholders' equity	
					Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Assets								
Short-term interbank investments	415,091,597	414,941,710	373,023,328	366,413,274	(149,887)	(6,610,054)	(149,887)	(6,610,054)
Securities	150,413,303	150,122,037	138,267,653	136,858,385	(1,970,524)	(2,414,599)	(291,266)	(1,409,268)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	(1,679,258)	(1,005,331)	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(291,266)	(1,409,268)	(291,266)	(1,409,268)
Derivative financial instruments	683,162	683,162	654,919	654,919	--	--	--	--
Loans	548,988,119	533,098,255	544,289,767	512,789,410	(15,889,864)	(31,500,357)	(15,889,864)	(31,500,357)
Liabilities								
Interbank deposits	33,668,595	33,735,065	24,152,759	24,200,294	(66,470)	(47,535)	(66,470)	(47,535)
Time deposits	209,491,504	209,363,697	195,628,823	195,528,921	127,807	99,902	127,807	99,902
Liabilities related to repurchase agreement	402,901,202	404,409,826	376,242,695	374,699,808	(1,508,624)	1,542,887	(1,508,624)	1,542,887
Borrowings and onlendings	87,718,289	87,945,963	100,457,710	100,595,084	(227,674)	(137,374)	(227,674)	(137,374)
Derivative financial instruments	809,201	809,201	789,887	789,887	--	--	--	--
Other liabilities	209,666,230	209,666,230	206,066,264	206,066,264	--	--	--	--
Unrealized gain/(loss), net of tax effects					(19,685,236)	(39,067,130)	(18,005,978)	(38,061,799)

Determination of fair value of financial instruments

Short-term interbank investments: The fair value was obtained by discounting future cash flows, using interest rates traded by the market in similar operations on the balance sheet date.

Securities: accounted by market value, according to Bacen Circular No. 3,068/2001, except for securities held to maturity. The fair value of the securities, including those held to maturity, was obtained from rates practiced in the market.

Loan operations: For the operations of this group, remunerated at post-fixed rates, the fair value of the book value itself was considered, due to the equivalence between them. The operations remunerated at prepaid interest rates were estimated by discounting future cash flows, adopting the interest rates used by the Bank to contract similar operations at the balance sheet date. Eventually, in the case of shorter-term flows, with stability in the discount rates over the periods, the book value criterion can be adopted.

Interbank deposits: The fair value was calculated by the discount of the future cash flows using rates currently applicable in the market for fixed rate deposits. For post-fixed operations whose maturities were less than 30 days, the book value was deemed approximately equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the fair value.

Liabilities related to repurchase agreement: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applied in contracting similar operations on the last trading day. For post-fixed operations, book values have been deemed approximately equivalent to market value.

Borrowings and onlendings: Such operations are exclusive to the Bank with no similar operations in the market. Given their specific characteristics, the exclusive rates for each fund, the inexistence of an active market or similar traded instruments, the fair values of such operations are considered equivalent to the book value.

Other liabilities: Fair values have been determined by the discounted cash flow method, which takes into account interest rates offered in the market for obligations with similar maturities, risks and terms.

Derivatives financial instruments: Derivatives were booked at market value, according to Bacen Circular No. 3,082/2002. The market value of derivatives was estimated in accordance with internal pricing models, using the interest rates disclosed for transactions with similar terms and indices on the last business day of the period.

Other financial instruments: Included or not in the balance sheet, fair value is approximately equivalent to the corresponding book value.

Source of information regarding assets and liabilities measured at fair value in the balance sheet

The Bank's fair value measurements consider the following input levels:

Level 1 – Price quotations are derived from active markets for identical financial instruments. Financial instruments are considered to be quoted in an active market if prices are readily available and are based on regularly occurring arm's length transactions.

Level 2 – Requires the use of information obtained from the market that is not Level 1. This includes prices quoted in non-active markets for similar assets and liabilities and information that can be corroborated in the market.

Level 3 – Requires the use of information not obtained from the market to measure fair value. When there is not an active market for an instrument, the Bank uses valuation techniques that incorporate internal data. The Bank's methodologies are consistent with commonly used techniques for pricing financial instruments.

Assets and liabilities measured at fair value in the balance sheet

	Balance at Dec 31, 2018	Level 1	Level 2	Level 3
Assets	131,904,945	98,630,263	33,274,682	--
Hedge interbank deposit	664,473	--	664,473	--
Trading securities, measured by market value	6,181,752	5,124,674	1,057,078	--
Derivative financial instruments	683,162	--	683,162	--
Available-for-sale securities, measured by market value	124,375,558	93,505,589	30,869,969	--
Liabilities	(1,359,292)	--	(1,359,292)	--
Hedge funding	(550,091)	--	(550,091)	--
Derivative financial instruments	(809,201)	--	(809,201)	--

	Balance at Dec 31, 2017	Level 1	Level 2	Level 3
Assets	131,912,572	99,640,850	32,148,239	123,483
Trading securities, measured by market value	7,752,533	5,820,756	1,931,777	--
Derivative financial instruments	654,919	--	531,436	123,483
Available-for-sale securities, measured by market value	123,505,120	93,820,094	29,685,026	--
Liabilities	(789,887)	--	(789,887)	--
Derivative financial instruments	(789,887)	--	(789,887)	--

Balances disclosed on Level 3 are CEMIG put options, modelled from the historical volatility of Light share prices.

Sensitivity analysis (CVM Instruction No. 475/2008)

Banco do Brasil manages its risks in a dynamic process, identifying, measuring, assessing, monitoring, reporting, controlling, and mitigating market risk exposure arising on its positions. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and possible scenarios, to act in a timely manner to reverse any adverse results.

In accordance with CMN Resolution No. 4,557/2017 and with Bacen Circular No. 3,354/2007, to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions, including derivative financial instruments, as follows:

1) Trading Book: consisting of own positions held for trading or as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual maturity, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction No. 475/2008 does not adequately reflect the market risk management process or the accounting practices adopted by the Bank.

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility, simulations were performed with three likely scenarios, two of which assume adverse movements for the Bank. The scenarios used are set out below:

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (B3, Anbima, etc.). Assumptions: exchange rate real/dollar of R\$ 3.81 and maintenance the Selic rate to 6.50% per annum based on market conditions observed on December 31, 2018.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.00% in the risk variables, based on market conditions observed on December 31, 2018 considering the worst losses by risk factor and, therefore, ignoring the dynamics of correlation between macroeconomic factors.

Scenario III: Possible situation. Assumptions adopted: parallel shock of 50.00% in the risk variables, based on market conditions observed on December 31, 2018 considering the worst losses by risk factor and thus ignoring the dynamics of correlation between macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), composed of public and private securities, derivative financial instruments and funds obtained through repurchase agreements:

Risk factor	Concept	Scenario I			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	16,667
TMS and CDI indices	Risk of variation of interest rate indices	Decrease	243	Maintenance	--
IPCA index	Risk of variation of inflation indices	Maintenance	--	Decrease	4,081
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(9,784)	Increase	4,006

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(350)	Increase	(143,847)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(71)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(143)	Increase	(18,303)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(157,768)	Decrease	(123,468)

Risk factor	Concept	Scenario III			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(693)	Increase	(271,416)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(142)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(281)	Increase	(35,346)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(315,536)	Decrease	(246,935)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial or accounting impact on the Bank's income as a result of the portfolio composition which is principally: loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are booked by the contracted interest rates. In addition, it should be pointed out that these portfolios, except the securities available for sale, have as their principal characteristic the intention to hold the respective operations to maturity and, hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the impacts of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and of the Banking Book for the financial and non-financial entities controlled by the bank:

Risk factor	Concept	Scenario I			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Increase	(2,215,999)
TR	Risk of variation of interest rate indices	Maintenance	--	Increase	1,228,076
TBF		Decrease	(318)	Increase	5,024
TJLP		Decrease	(6,269)	Increase	(33,417)
TMS and CDI		Decrease	208,086	Increase	837,005
IGP-M	Risk of variation of inflation indices	Maintenance	--	Increase	70,266
INPC		Maintenance	--	Increase	(73,999)
IPCA		Maintenance	--	Increase	(614,995)
Foreign currency rates	Risk of variation of foreign currency indices	Increase	737,258	Increase	824,461
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(44,678)	Increase	20,150

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(9,154,584)	Increase	(9,419,773)
TR	Risk of variation of interest rate indices	Decrease	(4,852,166)	Decrease	(4,171,163)
TBF		Decrease	(469)	Decrease	(2,155)
TJLP		Decrease	(95,595)	Increase	(20,304)
TMS and CDI		Increase	(7,554)	Increase	(999,708)
IGP-M	Risk of variation of inflation indices	Increase	(495,898)	Increase	(403,536)
INPC		Increase	(121,600)	Increase	(154,092)
IPCA index		Increase	(1,000,438)	Increase	(1,443,773)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(832,428)	Decrease	(957,024)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(817,437)	Decrease	(621,006)

Risk factor	Concept	Scenario III			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(17,679,203)	Increase	(18,037,145)
TR	Risk of variation of interest rate indices	Decrease	(9,581,770)	Decrease	(8,183,811)
TBF		Decrease	(940)	Decrease	(4,328)
TJLP		Decrease	(200,331)	Increase	(43,554)
TMS and CDI		Increase	(15,104)	Increase	(2,004,468)
IGP-M	Risk of variation of inflation indices	Increase	(1,075,797)	Increase	(869,226)
INPC		Increase	(240,520)	Increase	(303,694)
IPCA index		Increase	(1,886,635)	Increase	(2,730,917)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(1,714,600)	Decrease	(1,972,911)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(1,440,874)	Decrease	(1,242,012)

The scenarios used for preparing the framework for sensitivity analysis must use situations of deterioration of at least 25% and 50% of the variable risks, on an individualized basis, as determined by CVM Instruction No. 475/2008. Thus, the combined analysis of the results does not reflect real expectations, for example, simultaneous shocks of increase in the prefixed interest rate and reduction of the TR rate are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, do not represent a relevant market risk to Banco do Brasil, as these positions are usually originated with the following objectives:

- Swapping the index of funding and lending transactions performed to meet customer needs;
- Hedging market risk, the purpose and effectiveness of which are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

On December 31, 2018, Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction No. 475/2008 - Attachment II.

b) Capital management

On 2017, Bacen issued CMN Resolution No. 4,557, which defines the scope and requirements of the risk management structure and the capital management structure for financial institutions.

In compliance with the Resolution, the Board of Directors of the Bank created the Capital and Risk Committee (Coris) and named the Vice President of Internal Controls and Risk Management as the Chief Risk Officer (CRO), responsible for risk management, and the Director of Controllershship as responsible for the capital management.

The Bank has mechanisms that allow to identify and evaluate significant risks incurred, including risks not covered by the Minimum Referential Equity Requirements (MRER). The Bank's policies and management strategies, as well as capital planning, enable the proactive vision and maintenance of capital at levels compatible with the risks incurred by the Institution. Periodically, the Bank performs stress tests and their impacts are evaluated by the capital approach.

The corporate units and strategic committees receive capital adequacy management reports. These reports support the decision-making process of the Bank's senior management team.

The Internal Capital Adequacy Assessment Process (Icaap), implemented in the Bank on June 30, 2013, follows the disposed on CMN Resolution No. 4,557/2017. At the Bank, the responsibility for coordinating Icaap was assigned to the Risk Management Directorship. In turn, the Internal Controls Directorship, an independent and segregated area of the capital management structure, is the responsible for validating the Icaap. Finally, Internal Audit is responsible for performing an annual evaluation of the overall capital management process.

To learn more about the capital management at Banco do Brasil, visit the information available in the Risk Management Report and in the Recovery Plan at the website bb.com.br/ir.

Capital adequacy ratio

The Bank calculated the Capital Adequacy Ratio in accordance with criteria established by CMN Resolutions 4,192/2013 and 4,193/2013. This criteria requires the calculation of Referential Equity (RE) and MRER as a percentage of Risk Weighted Assets (RWA).

Basel III became effective on October 01, 2013 in Brazil. Recommend by the Basel Committee on Banking Supervision, Basel III represents a new set of regulations governing the capital structure of financial institutions. The new rules establish the following:

- a new methodology for calculating regulatory capital, which continues to be divided into Tier I and Tier II. Tier I consists of Common Equity Tier I Capital – CET1 (net of regulatory adjustments) and Additional Tier I Capital;
- a new methodology for calculating capital requirements, establishing minimum requirements for RE, Tier I and CET1, and introducing the Additional CET1.

From January 1, 2018, the percentage of deduction of regulatory adjustments listed below reached 100%:

- goodwill;
- intangible assets;
- actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
- non-controlling interests;
- direct or indirect investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds;
- deferred tax assets on temporary differences that rely on the generation of future taxable profits or income to be realized;
- deferred tax assets resulting from tax losses on excess depreciation;
- deferred tax assets resulting from tax losses and negative social contribution base on net income.

In accordance with CMN Resolution No. 4,192/2013, the deductions related to capital instruments issued by financial institutions and the shortfall of the value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution No. 4,277/2013 were not subject to phase-in.

On August 28, 2014, Bacen authorized the R\$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

According to Bacen Resolution No. 4,192/2013 and No. 4,193/2013, from January 2015, the calculation of the RE and the amount of RWA should be elaborated based on Prudential Conglomerate.

	Dec 31, 2018	Dec 31, 2017
RE - Referential equity	134,178,484	135,511,422
Tier I	95,289,701	95,227,960
Common Equity Tier 1 Capital (CET1)	71,169,071	72,320,060
Shareholders' equity	92,016,168	88,067,958
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(28,947,097)	(23,847,898)
Additional Tier 1 Capital (AT1)	24,120,630	22,907,900
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	20,827,050	18,111,300
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013 ⁽¹⁾	3,293,580	4,796,600
Tier II	38,888,783	40,283,462
Subordinated debt qualifying as capital	38,925,975	40,327,803
Subordinated debt authorized in accordance with CMN Resolution No. 4,192/2013 - Financial bills	3,270,036	4,558,860
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	35,655,939	35,768,943
Funds obtained from the FCO ⁽²⁾	29,336,898	27,870,141
Funds raised in financial bills and CD ⁽³⁾	6,319,041	7,898,802
Deduction from tier II	(37,192)	(44,341)
Funding instruments issued by financial institution	(37,192)	(44,341)
Risk Weighted Assets (RWA)	711,490,229	689,856,756
Credit risk (RWA _{CPAD})	624,018,657	616,822,462
Market risk (RWA _{MPAD})	26,390,238	17,296,387
Operational risk (RWA _{OPAD})	61,081,334	55,737,907
Minimum referential equity requirements ⁽⁴⁾	61,366,032	63,811,750
Margin on the minimum referential equity required	72,812,452	71,699,672
Tier I Ratio (Tier I/RWA)	13.39%	13.80%
Common Equity Tier 1 Capital Ratio (CET1/RWA)	10.00%	10.48%
Capital Adequacy Ratio (RE/RWA)	18.86%	19.64%

(1) Based on Bacen's guidance, the balance of the hybrid capital and the debt instrument authorized by Bacen to compose Tier 1 Capital of Reference Equity was considered in accordance with CMN Resolution 3,444/2007 and does not meet the relevant entry criteria, also related to the orientation established in article 28, sections I to X of CMN Resolution 4,192/2013.

(2) According to CMN Resolution No. 4,679/2018, on December 31, 2018, the balance of the FCO is limited to 100% of the amount that composed the Tier II of the RE on June 30, 2018. In previous periods, it was applied CMN Resolution No. 4,192/2013.

(3) It was considered the balance of subordinated debt instruments that composed the RE on December 31, 2012, applying on it the limit of 40% on December 31, 2018 (50% in the 2017), as determined by CMN Resolution No. 4,192/2013.

(4) According to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA, where "F" equals: 11%, from October 1, 2013 to December 31, 2015; 9.875% from January 1, 2016 to December 31, 2016; 9.25%, from January 1, 2017 to December 31, 2017; 8.625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

Regulatory adjustments deducted from CET1:

	Dec 31, 2018	Dec 31, 2017
Significant investments and tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold) ^{(1) (2)}	(11,895,016)	(9,230,578)
Intangible assets ^{(1) (3)}	(5,777,411)	(5,158,510)
Tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 10% threshold) ⁽¹⁾	(4,631,170)	(2,663,196)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities ⁽¹⁾	(3,731,833)	(3,293,873)
Tax credits resulting from tax losses and negative base for social contribution on net income ^{(1) (4)}	(1,878,196)	(790,986)
Superior investments (excess of 10%) ⁽¹⁾	(715,692)	(1,717,569)
Goodwill ^{(1) (5)}	(216,810)	(247,965)
Tax credits resulting from tax loss of excess depreciation ⁽¹⁾	(62,020)	(71,438)
Shortfall of the value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution No. 4,277/2013	(38,923)	--
Non-controlling interests ⁽¹⁾⁽⁶⁾	(26)	(673,783)
Total	(28,947,097)	(23,847,898)

(1) Regulatory Adjustments subject to phase-in, according to the 11th article of the CMN Resolution No. 4,192/2013.

(2) On December 31, 2018, related to the investment in Financial Institutions (Banco Votorantim and CBSS Bank), R\$ 2,576,167 thousand were integrally deducted from the Referential Equity and R\$ 2,312,020 thousand were risk-weighted at 250%.

(3) The intangible assets acquired before October 01, 2013 and not fully amortized until December 31, 2017, compose the regulatory adjustments since January 01, 2018, in accordance with CMN Resolution No. 4,192/2013, in the 1st paragraph of its 5th article.

(4) On December 31, 2018, it was applied the CMN Resolution No. 4,680/2018, which authorized the non-deduction of the tax credits resulting from tax losses, recognized in the period from January 1, 2018 to December 31, 2019, arising from short position in foreign currency for the purpose of providing hedge of investments in foreign operations.

(5) On December 31, 2018, it refers to the balance of the goodwill on acquisition of investments.

(6) On December 31, 2018, the adjustments of non-controlling interests was calculated according to CMN Resolution No. 4,192/2013, 1st paragraph of the article 9. In the previous periods, it was applied the faculty of 4th paragraph of the article 9 of CMN Resolution No. 4,192/2013.

c) Fixed asset ratio and surplus capital

	Dec 31, 2018	Dec 31, 2017
Fixed asset ratio	14.63%	16.02%
Surplus capital in relation to the fixed asset ratio	47,455,103	46,049,655

Bacen defines the fixed asset ratio as the percentage of fixed assets to Referential Equity. The maximum rate allowed is 50%, according to CMN Resolution No. 2,669/1999.

Surplus capital refers to the difference between the 50% limit of Referential Equity and total fixed assets.

29 - STATEMENT OF COMPREHENSIVE INCOME

	2nd half/2018	2018	2017
Net income presented in the statement of income	6,978,206	12,862,025	11,010,776
Other comprehensive income			
Accumulated other comprehensive income (Note 23.i)	(4,795,228)	(4,084,421)	6,194,401
Banco do Brasil	(4,213,563)	(3,386,310)	6,293,816
Subsidiaries abroad	(313,523)	(623,658)	(215,274)
Associates and subsidiaries	(268,142)	(74,453)	115,859
Income and social contribution taxes related to unrealized (gains)/losses (Note 23.i)	1,769,728	1,150,030	(2,484,921)
Other comprehensive income, net of income and social contribution taxes	(3,025,500)	(2,934,391)	3,709,480
Comprehensive income	3,952,706	9,927,634	14,720,256
Comprehensive income - non-controlling interests	630,776	1,395,849	1,650,034

30 - OTHER INFORMATION
a) Distribution of dividends and interest on own capital

The Board of Directors, at a meeting held on May 8, 2018, in the exercise of its attributions as stated in Article 21 of the Bank's By-Laws, approved the revision of the specific policy of remuneration to shareholders, establishing, among other points, the payout dividends and/or interest on shareholders' equity, a percentage range of the net income shall be fixed. For the year 2018, the defined range was 30% to 40% of the net profit to be distributed as payout.

b) Investment funds management

Funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	Numbers of funds/portfolios (in Units)		Balance	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Managed funds	783	740	941,115,807	864,479,913
Investment funds	772	729	922,435,286	847,368,405
Managed portfolios	11	11	18,680,521	17,111,508

c) Details in relation to overseas branches, subsidiaries and associates

	Dec 31, 2018	Dec 31, 2017
Assets		
BB Group	88,409,314	77,629,156
Third parties	85,477,251	77,646,509
TOTAL ASSETS	173,886,565	155,275,665
Liabilities		
BB Group	16,845,235	12,994,022
Third parties	143,451,909	130,088,577
Shareholders' equity	13,589,421	12,193,066
Attributable to parent company	13,215,245	11,350,864
Non-controlling interests	374,176	842,202
TOTAL LIABILITIES	173,886,565	155,275,665

	2nd half/2018	2018	2017
Net income	910,182	1,455,342	664,489
Attributable to parent company	816,254	1,235,009	381,766
Non-controlling interest	93,928	220,333	282,723

d) Consortium funds

	Dec 31, 2018	Dec 31, 2017
Monthly forecast of consortium members receivable funds	328,614	264,199
Obligations of the groups due to contributions	17,132,581	13,133,401
Consortium members - assets to be delivered	15,760,785	11,990,432
(In units)		
Quantity of groups managed	213	294
Quantity of active consortium members	794,505	653,538
Quantity of assets deliverable to contemplated members	69,896	55,366

	2nd half/2018	2018	2017
Quantity of assets (in units) delivered in the period	60,995	118,850	114,062

e) Assignment of employees to outside agencies

Federal government assignments are regulated by Law 10,470/2002 and Decree No. 9,144/2017.

	2nd half/2018		2018		2017	
	Quantity of assigned employees ⁽¹⁾	Cost in the period	Quantity of assigned employees ⁽¹⁾	Cost in the period	Quantity of assigned employees ⁽¹⁾	Cost in the period
With costs for the Bank						
Labor unions	213	19,456	213	37,991	212	37,313
Other organizations/entities	2	514	2	1,000	1	796
Subsidiaries and associates	3	1,312	3	2,608	2	1,575
Without cost to the Bank ⁽²⁾						
Federal, state and municipal governments	196	--	196	--	212	--
External organizations (Cassi, Previ, Economus, Fusesec and PrevBep)	21	--	21	--	550	--
Employee entities	80	--	80	--	74	--
Subsidiaries and associates	565	--	565	--	607	--
Total	1,080	21,279	1,080	41,599	1,658	39,684

(1) Balance on the last day of the period.

(2) In 2018, the Bank was reimbursed in the amount of R\$ 485,527 thousand, referring to the costs of assigned employees.

f) Remuneration of employees and managers

Monthly wages paid to employees and Directors of the Banco do Brasil (in Reais):

	Dec 31, 2018	Dec 31, 2017
Lowest salary	2,854.66	2,718.73
Highest salary	47,763.57	45,489.12
Average salary	6,677.30	7,323.05
Management		
President	68,781.86	68,781.86
Vice-president	61,564.83	61,564.83
Director	52,177.45	52,177.45
Council members		
Fiscal council	5,948.54	5,490.96
Board of Directors	5,948.54	5,490.96
Audit Committee - member	46,959.71	46,959.71
Capital and Risk Committee ⁽¹⁾	46,959.71	46,959.71

(1) Created in September 18, 2017.

g) Insurance policy of assets

Despite the reduced level of risk to which its assets are subject, the Bank insured its assets in amounts rendered enough to hedge any losses.

Insurance contracted by the Bank in force on December 31, 2018

Covered risks	Amounts covered	Value of the premium
Property insurance for the relevant fixed assets	300,000	8,320
Life insurance and collective personal accident insurance for the Executive Board ⁽¹⁾	309,140	637
Other	22,606	100
Total	631,746	9,057

(1) Refers to individual coverage for members of the Executive Board.

31 - SUBSEQUENT EVENTS

On January 18, 2019, the Bank informed that its Board of Directors approved the partial spin-off of BB Banco de Investimento S.A. (BB BI) equity, related to Cielo S.A. (Cielo) and the transfer of the spun-off party to BB Elo Cartões Participações S.A. (BB Elo).

The corporate movement intends to promote the centralization of the stakes in companies of the means of payment segment under a single holding company, BB Elo, in order to be aligned with the strategy of simplification of the corporate organization of BB Conglomerate.

The aforementioned transaction is subject to analysis and approval by regulatory, supervisory and inspectors bodies, in accordance with applicable legislation.



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Independent Auditors' Report in the Consolidated Financial Statements

To
The Board of Directors, Shareholders, and Directors of
Banco do Brasil S.A.
Brasília-DF

Opinion

We have audited the consolidated financial statements of Banco do Brasil S.A. ("Bank"), comprising the balance sheet as of December 31, 2018 and the respective statements of income, changes in shareholders' equity and cash flows for the six month period and year then ended, and notes, comprising the summary of the significant accounting practices and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Banco do Brasil S.A. as of December 31, 2018, the consolidated performance of its operations and its consolidated cash flows for the six month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, under those standards, are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section. We are independent of the Bank and its subsidiaries, in accordance with the ethical requirements established in the Accountant's Professional Ethics Code and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were the most significant in our audit for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on these consolidated financial statements and, therefore, we did not express a separate opinion on these matters.

**Allowance for loan losses**

As disclosed in notes 4g and 10 of the consolidated financial statements, for purpose of measuring the allowance for loan losses, the Bank classifies its credit, lease, and advances on foreign exchange contracts and other receivables with credit characteristics into nine risk levels, taking into consideration factors and assumptions such as late payments, financial-economic situation, indebtedness level, sector of economic activity, characteristics of guarantees and other factors and assumptions provided for in CMN (National Monetary Council) Resolution no. 2.682/1999, being “AA” minimum risk and “H” maximum risk. Initially, the Bank applies loss percentages determined by the Resolution to each risk level for purpose of calculating the allowance for loan losses and, when necessary, supplements its estimates based on internal assessment studies. Classification of credit transactions into risk levels involves the Bank’s assumptions and judgments based on its internal methodologies for risk classification, and the allowance for loan losses represents the Banks’ best estimate of portfolio losses. Due to the relevance of credit operations, leases, advances on foreign exchange contracts, other receivables with credit characteristics and to the degree of judgment related to the estimate of allowance for loan losses, we consider this as a key audit matter.

How our audit conducted this matter

We reviewed the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists we evaluated the general information technology controls and automated key controls related to the processes of classification, approval, recognition and adjustment processes that support internal ratings evaluation methodologies for credit transaction, lease, advance for foreign exchange contracts and other receivables with credit characteristics, as well as main assumptions used to calculate the allowance for loan losses. We also evaluated, on a sample basis, if the Bank complied with minimum requirements established by CMN Resolution No. 2.682/1999 referring to determination of allowance for loan losses. We also analyzed if the disclosures in the consolidated financial statements, described in notes 4g and 10, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Market value of financial instruments

The Bank has relevant balances of derivative financial instruments and securities classified as available for sale and trading, recorded at market value, in accordance with the Brazilian Central Bank Circular Letters 3,068/2001 and 3,082/2002 and information disclosed in notes 4e, 4f and 8 of the consolidated financial statements. For financial instruments that are not actively traded and for which market prices and parameters are not available, determination of market value is subject to a significant judgment of the Bank to estimate those amounts. The use of specific valuation techniques and assumptions may result in significantly different market value estimates. Therefore, we consider the market value measurement of these financial instruments as a key audit matter.



How our audit conducted this matter

We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general information technology controls and automated key controls implemented by the Bank to mitigate the risk of misstatements in the consolidated financial statements deriving from judgment in the financial instruments market value measurement, mainly those that depend on the Bank's internal models. We also analyzed, the Bank's process to approve the assumptions used for mark-to-market, and the calculations made for measurement of market value of the financial instruments. For a sample, with the technical support of our specialists in financial instruments, we evaluated the models developed by the Bank to determine market values and the reasonableness of data, parameters and information included in used pricing models, and we recalculated the amounts of the transactions. We also analyzed if the disclosures of the consolidated financial statements, described in notes 4e, 4f and 8, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the market value measurement of the financial instruments in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Provisions and contingent liabilities - labor, civil and tax

As disclosed in notes 4n and 27 of the consolidated financial statements, the Bank recorded a provision for labor, civil and tax lawsuits deriving from past events, when it is probable that a financial disbursement will be required and the amount may be reliably estimated. Estimates of outcome and financial effect are determined according to the nature of the lawsuit and the Bank's judgment, with the aid of internal legal advisors, based on lawsuit elements supplemented by experience with similar claims. As this evaluation carried out by the Bank involves complex estimates that are relevant for measurement of provisions and determination of disclosures for contingent liabilities, we consider this as a key audit matter.

How our audit conducted this matter

We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general information technology controls and automated key controls related to the processes of registration, evaluation of proceedings risk, calculation of massified provision and conduction of closing processes and stages. Our procedures included analysis, on a sample basis, of the adequacy of measurement and recognition of provision and contingent liabilities regarding recognition, reversals, proceedings risk of lawsuits referring to relevant matters and values, sufficiency of provision, as well as historic data and information. We analyzed changes in estimates comparing to prior periods. We analyzed lawsuits conducted by external lawyers contracted by the Bank based on external confirmation procedures. We also evaluated if the disclosures in consolidated financial statements, described in notes 4n and 27, are in accordance with the applicable rules and provide information on the nature, exposure and amounts provisioned or disclosed related to the main lawsuits to which the Bank is involved.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.



Employee benefits

As disclosed in notes 4l and 26 of consolidated financial statements, the Bank sponsors complementary pension fund entities and supplementary health plans that ensure supplementation of retirement and health care benefits to its employees. A relevant portion of these entities' pension plans is classified as defined benefit plans, and the amounts deriving from the Bank's sponsor to these plans are recorded in accordance with CVM Resolution no. 695/2012. These plans' obligations are calculated based on several actuarial assumptions, including discount rate, inflation and mortality rate. Due to the complexity and judgment involved in the treatment and measurement of these assumptions, and to the material impact that possible changes would have on the consolidated financial statements, we consider this is a key audit matter.

How our audit conducted this matter

We evaluated the design and effectiveness of the Bank's internal controls regarding determination of assumptions used for measurement of actuarial obligations, as well as the Bank's evaluation of adherence to such assumptions. With the assistance of our actuaries, we analyzed the reasonableness and sensitivity of the main assumptions used and informed in actuarial reports of relevant benefit plans, as well as the adequacy of actuarial liability amounts and database used in calculations performed by external actuaries. We analyzed the accounting of transactions involving pension plans and the adequacy of disclosures in the consolidated financial statements, specifically in relation to sensitivity analysis of net defined benefit liability amount in relation to actuarial assumptions used and other applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of actuarial obligations in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Projection of future profitability for realization of assets related to deferred tax assets

Consolidated financial statements include assets related to deferred tax assets (notes 4h, 24 and 24f), whose realization is supported by estimated future profitability based on the business plan and budget prepared by the Bank. To prepare projections of future earnings, the Bank adopts assumptions based on its corporate strategies and on the macroeconomic scenario, considering current and past performances and expected growth in its operation market. Due to the relevance of estimates of future profitability and to the impact that possible changes in these estimates assumptions could have on consolidated financial statements, we consider this area as a key audit matter.

How our audit conducted this matter

We evaluated the design and effectiveness of internal controls related to the Bank's process for determination and approval of assumptions used for projection of profitability, used for realization of assets related to deferred tax assets. We analyzed, with technical support from our valuation specialists, the adequacy of income projections and future earnings assumptions. We evaluated reasonableness of assumptions used by the Bank and whether they were consistent with evaluation methodologies normally used in the market. We evaluated the determination basis to which prevailing tax rates are applied and deferred tax assets realization capacity. We also evaluated if the disclosures in the consolidated financial statements, are in accordance with applicable rules.



Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of the recoverable amounts of the assets mentioned above in the context of the consolidated financial statements taken as a whole, for to the six month period and year ended in December 31, 2018.

Ownership interest

As disclosed in notes 3a, 5 and 14 of the consolidated financial statements, the Bank has shareholding interest in several entities and business segments, with specific investment structures that are controlled through Corporate Governance structures.

These investees record accounting estimates that significantly affect the results of the consolidated financial statements, as follows: (i) measurement of provisions for tax, civil and labor contingencies, which involves significant judgment regarding conclusion of lawsuits and involved amounts; (ii) measurement of technical reserves related to insurance and pension plan contracts, which involves, among others, expectations of sinistrality, mortality, longevity, length of stay and interest rates, and (iii) goodwill in the acquisition of investments whose realization is supported by estimates of future profitability based on the business plan and budget prepared by the Bank. Due to the relevance and judgments involved in measuring these estimates in the investees and the impact that eventual changes in assumptions would have on the consolidated financial statements, we consider this as a significant matter in our audit.

How our audit conducted this matter

Audit procedures performed in investees included our participation in planning procedures carried out by relevant Investees' independent auditors, which included discussion of audit risks and resulted in sending specific instructions to Investees' auditors. We held meetings with auditors in charge of relevant investees to evaluate the audit evidence over the measurement of provisions for contingencies, technical provisions related to insurance and pension plan contracts, and evaluation of the recovery of goodwill on the acquisition of investments. We analyzed communications and reports sent by investees' auditors, as well as procedures performed and conclusions obtained, specifically in relation to determination of materiality, effect of uncorrected deviations, and audit procedures performed to respond to risks, especially those related to provisions for contingencies, technical provisions related to insurance and pension plan contracts and assessment of goodwill recovery.

Based on the evidence obtained from the procedures described above, we considered acceptable, the amounts of ownership interest and the disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

**Other matters - Statement of value added**

The consolidated statements of value added (DVA) for the six month period and year ended in December 31, 2018, prepared under the responsibility of the Bank's management, whose presentation is not required by the accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures performed in conjunction with the auditing of the Bank's financial statements. For the purpose of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in the Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the consolidated financial statements taken as a whole.

Individual financial statements

The Bank prepared a complete set of individual financial statements for the six month period and year ended in December 31, 2018 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, that were presented separately, over which we issued a separate independent audit report, without any modification, dated February 12, 2019.

Other information accompanying the consolidated financial statements and the auditor's report

The Bank's management is responsible for other information included in Management's Report.

Our opinion on consolidated financial statements does not cover Management's Report and we did not issue any assurance conclusion on such report.

In connection with the audit of consolidated financial statements, our responsibility is to read Management's Report and, in doing so, consider if such report is inconsistent with consolidated financial statements or with the knowledge obtained during audit, or otherwise seems to be significantly misstated. If, based on work carried out, we conclude that Management's Report is materially misstated, we must communicate this fact. We have nothing to report in this regard.

Responsibilities of management and those in charge with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil and the internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Banks and its subsidiaries or to cease operations, or there has no realistic alternative but to do so.



Those charged with governance are those responsible for overseeing the Bank and the subsidiaries financial statements preparation.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit and, consequently, for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matters, or when, in extremely rare circumstances, we determine a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Brasília, February 12, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF
Original report in Portuguese signed by
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

SUMMARY OF THE AUDIT COMMITTEE REPORT

I. Introduction

The Audit Committee of Banco do Brasil (Coaud), a statutory advisory body of the Board of Directors, is currently composed of three members, being that one of them is a member of the Board, and all of them are independent and approved by the Board of Directors.

Banco do Brasil chose for the adoption of a single audit committee for the Multiple Bank and the following subsidiaries: BB DTVM Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários SA, BB Banco de Investimento SA, BB Leasing SA - Arrendamento Mercantil, BB Administradora de Consórcios SA, BB Administradora de Cartões de Crédito SA, Besc Distribuidora de Títulos e Valores Mobiliários SA, Ativos SA Securitizadora de Créditos Financeiros, Ativos Gestão SA - Gestão de Cobrança e Recuperação de Crédito, BB Elo Cartões Participações SA, and BB Turismo Viagens e Turismo Ltda.

II. Responsibilities

The Audit Committee has its assignments defined by Law 13,303/2016, Regulatory Decree 8,945/2016, CMN Resolution 3,198/2004, State-Owned Companies Governance Program, bylaws of BB and by its Internal Regulations.

The Administration of Banco do Brasil and its subsidiaries is responsible for preparing and ensuring the integrity of the financial statements, managing risks, keeping an effective internal control system and ensuring compliance with laws and regulations.

The Risk and Capital Committee (Coris) supports the Board of Directors on risk and capital management processes. The Audit Committee evaluates and monitors risk exposures through interaction with Coris.

The Internal Audit is responsible for carrying out periodic activities, focusing on the main risks that the Conglomerate is exposed to, evaluating in an independently way, the actions to manage these risks and also the adequacy of the governance and the internal controls system, through quality, sufficiency, compliance and effectiveness.

KPMG, the independent registered public accounting firm, is responsible for auditing the financial statements of the Multiple Bank and the subsidiaries covered by the Audit Committee, as well as the other companies that are part of the Banco do Brasil Conglomerate. It also evaluates the quality and adequacy of relevant internal controls to the preparation and adequate presentation of the financial statements.

III. Period Activities

The activities developed, in compliance to the Audit Committee Annual Work Plan approved by the Board of Directors and recorded in the minutes of the meetings, covered the set of responsibilities assigned to the Audit Committee.

The Audit Committee held 124 meetings in this period with representatives of the executive and senior management, Board of Directors, Fiscal Council, Internal Audit, independent registered public accounting firm, Banco do Brasil's CEO, representatives of Central Bank of Brazil and also internal activities.

At these meetings, were addressed particularly subjects related to the internal control systems, accounting issues, loan portfolio, provisions, operational losses, combating money laundering and terrorist financing, actuarial result, transactions with related parties, business ethics, ombudsman, branches abroad, related entities, recommendations issued by the internal audit, independent registered public accounting firm and external regulators and control entities. In cases where improvement possibilities were identified the Audit Committee issued recommendations.

The Audit Committee members participated in events of updating and improvement in subjects related to its scope of action.

The Audit Committee did not receive information of the existence and/or evidences of fraud or non-observance of legal and regulatory rules perpetrated by management or by third parties, which could held in risk the continuity of the institution.

IV. Internal Audit

The Audit Committee supervises the activities carried out by the Internal Audit and evaluates, through formal technical instruments, its independence, objectivity, quality and effectiveness.

The Audit Committee evaluated in the meetings with the Internal Audit: planning process, budget proposal, work agreement, result of internal control system evaluation, management and improvement on the quality program, result of risk assessment and internal controls, summaries and main reports and recommendations issued by them and also independent registered public accounting firm and external regulators and control entities.

V. Independent Registered Public Accounting Firm

The Audit Committee oversees the services provided by the independent registered public accounting firm and evaluates through its own technical instruments its independence and the quality and adequacy of such services to the needs of the Institution. In addition, it assesses before contracting the existence of conflicts in the provision of other services to the companies of the Conglomerate.

During the period, the Audit Committee evaluated the work plan, results of the main works, their conclusions and recommendations, critical audit matters (CAM), the compliance with applicable audit standards and monitored the related bidding process for the contract.

VI. Internal Control System (ICS)

The Audit Committee evaluates and monitors the effectiveness of the Internal Control System (ICS) of Banco do Brasil.

The evaluation of the effectiveness of the ICS is based mainly on the results of internal audit and independent registered public accounting reports, by external regulatory and control entities and internal control area (Dicoi) reports, in information and documents requested for others areas of the Bank and subsidiaries and also in their own analyzes.

VII. Related Party Transactions (TPR)

The Audit Committee evaluate and monitors, together with the administration and the internal audit area, the adequacy of Related Party Transactions (TPR), in accordance with the assignments defined by Law 13,303/2016 and Regulatory Decree 8,945/2016.

During the period, the Audit Committee issued opinions on the transactions of the Board of Directors's competency.

VIII. Parameters and actuarial result

The Audit Committee held meetings and discussions with the responsible areas for the actuarial valuation process of the closed private pension funds entities, met and discussed with the internal audit and independent registered public accounting firm about their conclusions and evaluated the results and premises actuarial.

IX. Exposure to risk

The Audit Committee evaluated and monitored together with the Risk and Capital Committee, the main activities related to risk and capital management. During the period, held meetings with the risk and capital management areas and with the strategy and governance areas.

X. Financial Statements

The Audit Committee reviewed the summary of significant accounting practices and analyzed monthly the main changes in the accounting statements and their causes, of Banco do Brasil and the subsidiaries covered by the Audit Committee, based on information provided by the accounting area.

The Audit Committee reviewed the consolidated financial statements of BB, including explanatory notes, the management report and the independent registered public accounting firm's report, with non-qualified opinion, for the period ended on 12/31/2018.

XI. Recommendations of the Audit Committee

The Audit Committee submitted opinions to the Board of Directors about ICS, ombudsman, related party transactions, report of illicit complaints, code of ethics, standards of conduct and work plan, budget and work agreement of the Internal Audit, among others.

XII. Conclusions

Based on the activities developed in the period and considering the duties and scope of its activities, the Audit Committee concluded that:

- a. The internal control system is appropriate to the size and complexity of the BB Conglomerate business and it is subject to permanent attention from the management;
- b. The Internal Audit is effective, has sufficient structure and budget to carry out its functions, and performs with independence, objectivity and quality;
- c. The Independent Registered Public Accounting Firm is effective and there was no occurrence that could compromise its independence;
- d. The related party transactions evaluated and monitored during the period were in compliance with applicable standards and market standards;
- e. The main parameters of actuarial calculations of benefit plans maintained by pension funds are reasonable and adherent with the best market practices;
- f. The main exposures to risks are being adequately managed by management;
- g. The financial statements, ended on December 31, 2018 were prepared in compliance to legal requirements and accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil, and reflect, in all material aspects, the patrimonial and financial situation of the period.

Brasília-DF, February 12, 2019.

Antônio Carlos Correia

Luiz Serafim Spinola Santos

Marcos Tadeu de Siqueira

DECLARATION OF THE BOARD OF DIRECTORS

The Board of Directors of the Banco do Brasil S.A. declares that, in a meeting performed at this date, approved the Report and the summary of the Audit Committee Report and, in compliance with the item V of Art. 142 of Law 6,404, from December 15, 1976, became aware and recommended the approval of the Director's accounts and of the Management's Report related to the fiscal year ended 2018.

February 12, 2019.

Julio Cesar Costa Pinto

Daniel Sigelmann

Beny Parnes

Fabiano Felix do Nascimento

Luiz Serafim Spinola Santos

Rubem de Freitas Novaes

FISCAL COUNCIL REPORT

THE FISCAL COUNCIL OF BANCO DO BRASIL S.A., according to its legal and statutory duties, have reviewed the management report and the financial statements, including the proposal concerning to result distribution related to the fiscal year ended December 31, 2018, which were approved by the Board of Directors at this date.

Based on the exams performed, on information provided throughout the year and on the unqualified Independent Auditor's Report issued by KPMG Auditores Independentes, at this date, the Fiscal Council understand that the aforementioned documents are eligible to be submitted to the appreciation and approval of the Annual Meeting of Stockholder's.

Brasília (DF), February 12, 2019.

Christianne Dias Ferreira
Member

Maurício Graccho de Severiano Cardoso
Member

Giorgio Bampi
Member

Aldo César Martins Braido
President

**DECLARATION OF THE EXECUTIVE BOARD MEMBERS ABOUT THE
FINANCIAL STATEMENTS**

According to the article 25, item VI, of CVM Instruction No. 480 of December 07, 2009, we declare that the Financial Statements of the Banco do Brasil S.A. related to the period ended December 31, 2018 were reviewed and, based on subsequent discussions, we agree that such statement fairly reflects, in all material facts, the financial position for the periods presented.

Brasília (DF), February 11, 2019.

Rubem de Freitas Novaes
Chief Executive Officer (CEO)

Antônio Gustavo Matos do Vale
Chief of Human Resources, Suppliers and Operations

Carlos Hamilton Vasconcelos Araújo
Chief Finance Management and Investors Relations
Officer (CFO)

Carlos Motta dos Santos
Chief Retail Distribution Officer

Carlos Renato Bonetti
Chief Internal Controls and Risk Management Officer
(CRO)

Fabio Augusto Cantizani Barbosa
Chief Technology Officer (CTO)

Ivandrê Montiel da Silva
Chief Agribusiness Officer

João Pinto Rabelo Júnior
Chief Government Affairs Officer

Marcelo Augusto Dutra Labuto
Chief Retail Officer

Marcio Hamilton Ferreira
Chief Wholesale Officer

**DECLARATION OF THE EXECUTIVE BOARD MEMBERS ABOUT THE REPORT OF
INDEPENDENT AUDITORS**

According to article 25, item V, of CVM Instruction No. 480 of December 07, 2009, we affirm based on our knowledge, on auditor's plan and on discussions about the audit results, that we agree, with no dissent, to the opinions expressed in the Report of Independent Auditors for Financial Statements of February 12, 2019.

Brasília (DF), February 12, 2019.

Rubem de Freitas Novaes
Chief Executive Officer (CEO)

Antônio Gustavo Matos do Vale
Chief of Human Resources, Suppliers and Operations

Carlos Hamilton Vasconcelos Araújo
Chief Finance Management and Investors Relations
Officer (CFO)

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Chief Government Affairs Officer

Marcelo Augusto Dutra Labuto
Chief Retail Officer

Marcio Hamilton Ferreira
Chief Wholesale Officer

MEMBERS OF MANAGEMENT**CHIEF EXECUTIVE OFFICER (CEO)**

Rubem de Freitas Novaes

VICE-PRESIDENTS

Antônio Gustavo Matos do Vale
Carlos Hamilton Vasconcelos Araújo
Carlos Motta dos Santos
Carlos Renato Bonetti
Fabio Augusto Cantizani Barbosa
Ivandrê Montiel da Silva
João Pinto Rabelo Júnior
Marcelo Augusto Dutra Labuto
Marcio Hamilton Ferreira

DIRECTORS

Adriano Meira Ricci
Alexandre Alves de Souza
Ana Paula Teixeira de Sousa
Camilo Buzzi
Carla Nesi
Cicero Przendsiuk
Delano Valentim de Andrade
Edson Rogério da Costa
Eduardo Cesar Pasa
Ênio Mathias Ferreira
Fabiano Macanhan Fontes
Fernando Florencio Campos
Gerson Eduardo de Oliveira
Gustavo de Souza Fosse
José Avelar Matias Lopes
José Eduardo Moreira Bergo
José Ricardo Fagonde Forni
Leonardo Silva de Loyola Reis
Lucinéia Possar
Marco Túlio de Oliveira Mendonça
Marco Túlio Moraes da Costa
Marcos Renato Coltri
Marvio Melo Freitas
Paula Luciana Viana da Silva Lima Mazanék
Rogério Magno Panca
Simão Luiz Kovalski
Wagner Aparecido Mardegan

BOARD OF DIRECTORS

Beny Parnes
Daniel Sigelmann
Fabiano Felix do Nascimento
Julio Cesar Costa Pinto
Luiz Serafim Spinola Santos
Rubem de Freitas Novaes

FISCAL COUNCIL

Aldo César Martins Braido
Christianne Dias Ferreira
Giorgio Bampi
Mauricio Graccho de Severiano Cardoso

AUDIT COMMITTEE

Antônio Carlos Correia
Luiz Serafim Spinola Santos
Marcos Tadeu de Siqueira

ACCOUNTING DEPT.

Eduardo Cesar Pasa
General Accountant
Accountant CRC-DF 017601/O-5
CPF 541.035.920-87

Daniel André Stieler
Accountant CRC-DF 013931/O-2
CPF 391.145.110-53

