



**MD&A**  
**2Q19**

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](http://www.bb.com.br/ir)).

## Highlights

Summary, added main material facts of the period.

Chapter 7, two new figures added. The first presents the evolution of disbursement on payroll loans via App BB and the second presents the market share on rural credit.

Chapter 10.1, add new paragraphs about Sensitivity Analysis and EFPP (Closed Private Pension Entities).

## 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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## 2019 Guidance

We present below the 2019 Guidance with the performance of the first half of 2019. The indicators were measured as follows:

- I Adjusted Net Income and Net ALLL Expenses: amount accumulated in the first half of 2019.
- II Net Interest Income, Fee Income and Administrative Expenses: percentage change of the first half of 2019 over the first half of 2018.
- III Loan Portfolio: percentage change in June 2019 over June 2018.

Future results depend on market conditions and the Brazilian and international economic performance, which may result in performance different to that present in our estimates.

By the end of 1H19, the following indicators were different from the expected:

- a) Loan Portfolio: performance influenced by the companies loan portfolio;
- b) Companies Loan Portfolio: performance impacted by the settlement of Large Corporate operations;
- c) Rural Loans: performance influenced by the period seasonality;
- d) Administrative Expenses: as a result of the rigid expenses control.

**Table 1.** 2019 Guidance

	2019 Guidance	1H19 Performance		Revised Guidance
Adjusted Net Income - R\$ billion	14.5 to 17.5	8.7	✓	Unchanged
NII - %	3.0 to 7.0	4.5	✓	Unchanged
Loan Portfolio <sup>(1)</sup> <sup>(2)</sup> - %	3.0 to 6.0	1.1	✗	-2.0 to 1.0
Individuals - %	7.0 to 10.0	9.7	✓	8.0 to 11.0
Companies <sup>(2)</sup> - %	0.0 to 3.0	-6.3	✗	-13.0 to -10.0
Rural Loans - %	3.0 to 6.0	2.4	✗	Unchanged
Net ALLL Expenses - R\$ billion	-14.5 to -11.5	-6.7	✓	Unchanged
Fee Income - %	5.0 to 8.0	6.7	✓	Unchanged
Administrative Expenses - %	2.0 to 5.0	0.3	✓	Unchanged

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

2 - Government operations not included.

## Earnings Summary

### Adjusted Net Income of R\$4.4 billion

Banco do Brasil delivered R\$4.4 billion in 2Q19, an increase of 36.8% to 2Q18. This performance was primarily due to the increase in NII and in fee income in addition to the cost control, which performed below inflation.

The market ROE grew to 17.6%, from 13.2%, strengthening the commitment to increase profitability.

**Table 2.** Net Income – R\$ million

				Chg. %				Chg. %
	2Q18	1Q19	2Q19	On 2Q18	On 1Q19	1H18	1H19	On 1H18
<b>Net Interest Income</b>	<b>12,658</b>	<b>12,739</b>	<b>13,062</b>	<b>3.2</b>	<b>2.5</b>	<b>24,697</b>	<b>25,801</b>	<b>4.5</b>
Net Allowance for Loan Losses	(3,583)	(3,126)	(3,561)	(0.6)	13.9	(7,827)	(6,687)	(14.6)
ALLL Expenses - Credit Risk	(5,134)	(4,851)	(5,055)	(1.5)	4.2	(10,583)	(9,907)	(6.4)
Credit Recovery	1,551	1,725	1,494	(3.7)	(13.4)	2,756	3,219	16.8
<b>Net Financial Margin</b>	<b>9,075</b>	<b>9,613</b>	<b>9,501</b>	<b>4.7</b>	<b>(1.2)</b>	<b>16,870</b>	<b>19,114</b>	<b>13.3</b>
Fee income	6,798	6,795	7,439	9.4	9.5	13,346	14,234	6.7
<b>Contribution Margin</b>	<b>14,715</b>	<b>15,236</b>	<b>15,864</b>	<b>7.8</b>	<b>4.1</b>	<b>27,898</b>	<b>31,100</b>	<b>11.5</b>
Administrative Expenses	(7,732)	(7,566)	(7,649)	(1.1)	1.1	(15,164)	(15,215)	0.3
<b>Commercial Income</b>	<b>6,832</b>	<b>7,543</b>	<b>8,084</b>	<b>18.3</b>	<b>7.2</b>	<b>12,452</b>	<b>15,627</b>	<b>25.5</b>
Other Operating Income	(174)	205	67	0.0	(67.3)	(329)	272	-
<b>Income Before Taxes</b>	<b>5,924</b>	<b>6,034</b>	<b>6,037</b>	<b>1.9</b>	<b>0.1</b>	<b>10,700</b>	<b>12,071</b>	<b>12.8</b>
Income and Social Contribution Taxes	(1,870)	(852)	(571)	(69.5)	(33.0)	(2,874)	(1,422)	(50.5)
Corporate Profit Sharing	(406)	(544)	(604)	48.8	11.0	(794)	(1,149)	44.6
<b>Adjusted Net Income</b>	<b>3,240</b>	<b>4,247</b>	<b>4,432</b>	<b>36.8</b>	<b>4.4</b>	<b>6,266</b>	<b>8,679</b>	<b>38.5</b>
One-Off Items	(105)	(242)	(225)	114.0	(7.1)	(383)	(467)	22.1
<b>Net Income</b>	<b>3,135</b>	<b>4,005</b>	<b>4,207</b>	<b>34.2</b>	<b>5.1</b>	<b>5,884</b>	<b>8,212</b>	<b>39.6</b>
<b>Market ROE - %</b>	<b>13.2</b>	<b>16.8</b>	<b>17.6</b>			<b>12.9</b>	<b>17.4</b>	
<b>Adjusted ROE - %</b>	<b>11.8</b>	<b>14.8</b>	<b>15.0</b>			<b>11.5</b>	<b>14.9</b>	
<b>Shareholders' ROE - %</b>	<b>14.4</b>	<b>18.3</b>	<b>19.1</b>			<b>14.0</b>	<b>19.0</b>	

The annualized ROE calculation was made in the tables above using the annualization on a linear basis, this means the multiplication of quarterly results by four and the first half results by two. This methodology was used as of the 1Q19 MD&A.

### Market Indicators

The increase in the adjusted earnings per share stands out, with an increase from R\$1.16 in 2Q18 to R\$1.59 in 2Q19.

**Table 3.** Market Indicators

	2Q18	2Q19	1H18	1H19	2019 E <sup>1</sup>	2020 E <sup>1</sup>
<b>Earnings per Share - R\$</b>	<b>1.12</b>	<b>1.50</b>	<b>2.10</b>	<b>2.91</b>	<b>6.12</b>	<b>6.99</b>
Adjusted Earnings per Share - R\$	1.16	1.59	2.25	3.12	5.99	6.80
Dividend Yield <sup>2</sup> - %	4.41	4.44	4.41	4.44	4.90	5.58
Price/Earnings 12 months	6.74	9.89	6.74	9.89	8.03	7.08
Price/Book Value	0.78	1.47	0.78	1.47	1.24	1.12

1 – Bloomberg estimate, on August, 07 2019 at 16.00PM, 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 increased by 2.5%

NII's main highlights in the quarter were:

- I Increase in loan operations revenues of R\$278 million, mainly affected by the revenues from loans to individuals and companies, boosted by the balance growth of more profitable credit lines.
- II Funding expenses mainly affected by the increase in judicial deposits and agribusiness letters of credit balance, and higher expenses on Banco Patagonia's time deposits. The growth in institutional funding expenses was mainly influenced by the average exchange rate and the bond issuance at the end of 1Q19.
- III Treasury income was positively influenced by the growth in securities balance, and the increase of treasury revenues from curve revaluation in Brazil and at Banco Patagonia's treasury. Also, the revenue and expenses appropriation model, influenced by the number of business and calendar days, had a positive effect on lines such as repo.

**Table 4.** NII and NIM

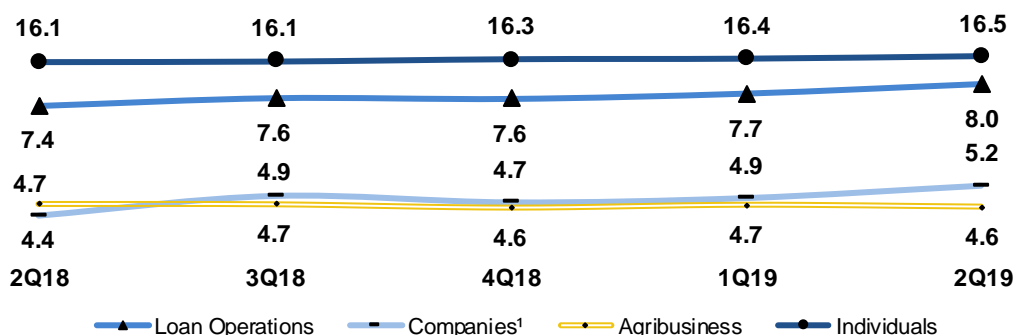
R\$ million	2Q18	1Q19	2Q19	Chg. %		1H18	1H19	Chg. %
				On 2Q18	On 1Q19			On 1H18
<b>Net Interest Income</b>	<b>12,658</b>	<b>12,739</b>	<b>13,062</b>	<b>3.2</b>	<b>2.5</b>	<b>24,697</b>	<b>25,801</b>	<b>4.5</b>
Loan Operations income <sup>1</sup>	18,545	18,377	18,655	0.6	1.5	36,981	37,033	0.1
Funding Expenses	(5,967)	(6,379)	(6,582)	10.3	3.2	(11,967)	(12,961)	8.3
Financial Expense for Institutional Funding <sup>2</sup>	(2,762)	(2,412)	(2,565)	(7.1)	6.4	(5,577)	(4,977)	(10.8)
Treasury Income <sup>3</sup>	2,842	3,152	3,554	25.0	12.7	5,259	6,706	27.5
<b>NIM - %<sup>4</sup></b>	<b>4.0</b>	<b>4.0</b>	<b>3.9</b>					
<b>Risk Adjusted NIM - %</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>					

1 – Series revised in 2Q19.

2 – It includes senior bonds, subordinated debt, and hybrid instruments in Brazil and abroad.

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

4 – NII/Earning Assets average, annualized.

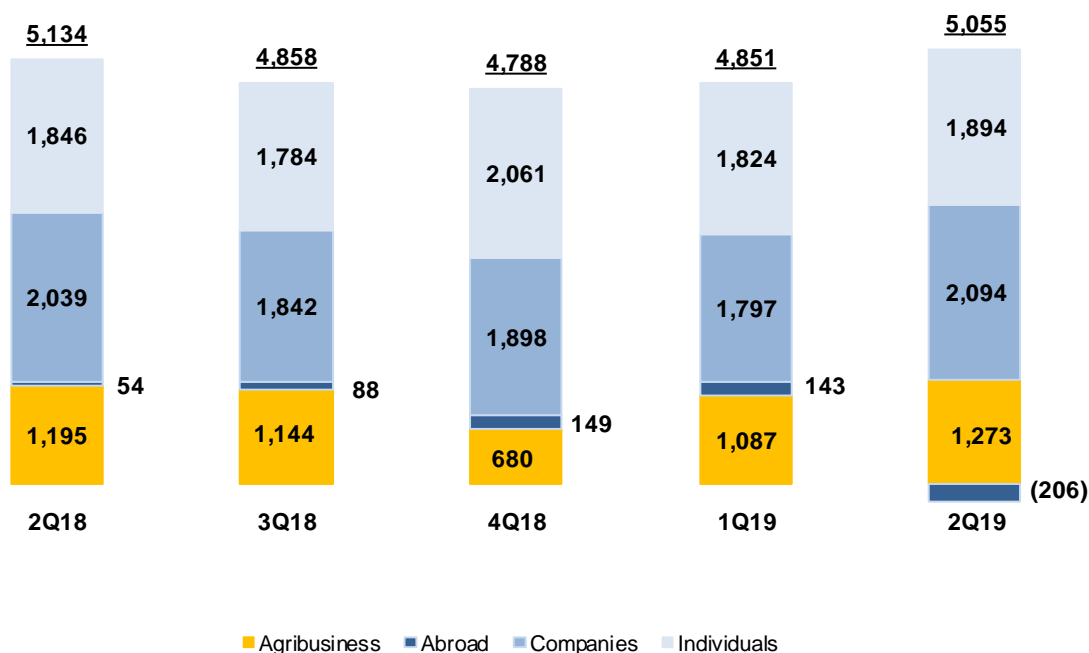
**Figure 1.** Managerial Net Interest Margin by Segment – %

1 – It does not include transactions with the Government.

## ALLL expenses increased by 4.2%

The ALLL expenses – Credit Risk expenses increased 4.2% over 1Q19 at R\$5.1 billion influenced by the ALLL increase (16.5%) in the Companies portfolio.

The ALLL expenses, which considers credit recovery, increased 13.9% if compared to 1Q19, due to the lower credit recovery volume (13.4% reduction).

**Figure 2. ALLL Expenses by Segment – R\$ million<sup>1</sup>**

<sup>1</sup> – It does not consider the credit recovery

## Fee Income increased by 9.5%

The fee income increased 9.5% over 1Q19, demonstrating the success of the relationship strategy and the innovation in financial products offering.

In the 2Q19/1Q19 comparison, highlight for the increase of 106.8% in Capital Market, mainly due to Neoenergia's IPO, in which BB operated as lead coordinator.

Positive performance in Asset Management Fees with an increase of R\$91.8 million compared to the previous quarter, result of a R\$70.7 billion increase in assets under management in Jun/19, which ended the period with a record of R\$1.1 trillion.

The increase of Insurance, Pension and Premium Bonds, compared to 1Q19, was due to highest brokerage income, especially for pension with net funding of R\$2.9 billion in 2Q19, compared to R\$938 million in 1Q19.

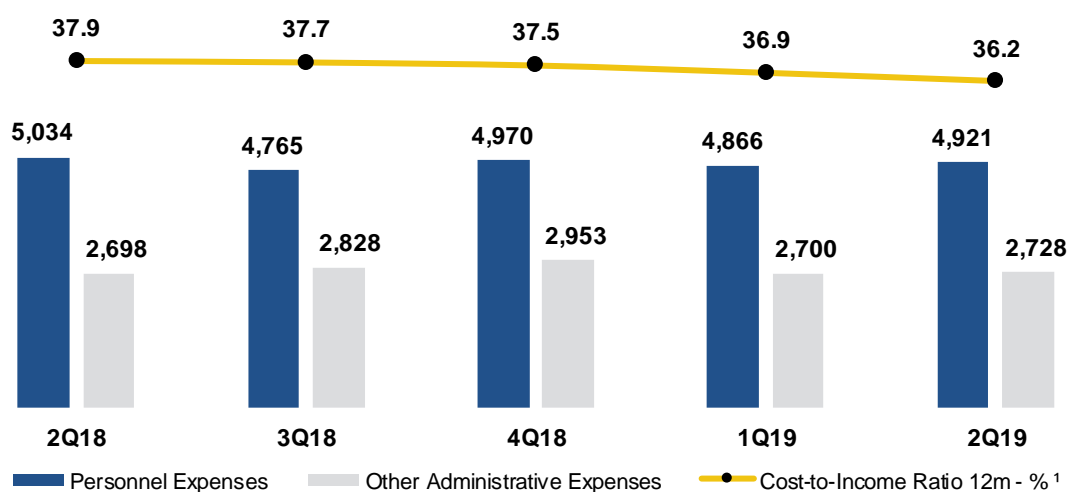


**Table 5. Fee Income – R\$ million**

	2Q18	1Q19	2Q19	Chg. %		1H18	1H19	Chg. %
				On 2Q18	On 1Q19			On 1H18
<b>Fee Income</b>	<b>6,798</b>	<b>6,795</b>	<b>7,439</b>	<b>9.4</b>	<b>9.5</b>	<b>13,346</b>	<b>14,234</b>	<b>6.7</b>
Checking Account	1,819	1,849	1,918	5.5	3.7	3,573	3,767	5.4
Asset Management	1,559	1,520	1,617	3.8	6.4	2,980	3,137	5.3
Insurance, P. Plans and Premium Bonds	697	841	929	33.2	10.5	1,468	1,770	20.5
Credit/Debit Cards	481	521	538	11.8	3.4	944	1,059	12.2
Brazil	409	443	471	15.1	6.2	807	913	13.2
Loan Fees	516	403	496	(3.8)	23.1	979	899	(8.2)
Collections	330	308	326	(1.1)	5.9	663	634	(4.4)
Consortium	225	275	312	39.0	13.6	431	587	36.4
Capital Market	187	151	311	66.3	106.8	415	462	11.2
Billings	286	276	282	(1.5)	2.0	556	558	0.2
Contract Processing	100	133	192	90.9	44.1	179	325	82.1
Subsidiaries Abroad	204	173	158	(22.7)	(9.0)	398	331	(16.9)
Nat. Treasury and Manag. of Official Funds	126	103	100	(20.8)	(2.9)	270	203	(24.9)
Foreign Exchange Services	89	89	97	8.6	8.7	165	186	12.7
Other	178	154	163	(8.7)	5.3	325	317	(2.4)

## Cost-to-Income Ratio of 36.2%

The administrative expenses decreased 1.1% over 2Q18, resulting in a cost-to-income ratio of 36.2% in 2Q19, improvement of 170bps. It's the best Cost-to-income Ratio from the series.

**Figure 3. Administrative Expenses – R\$ million**

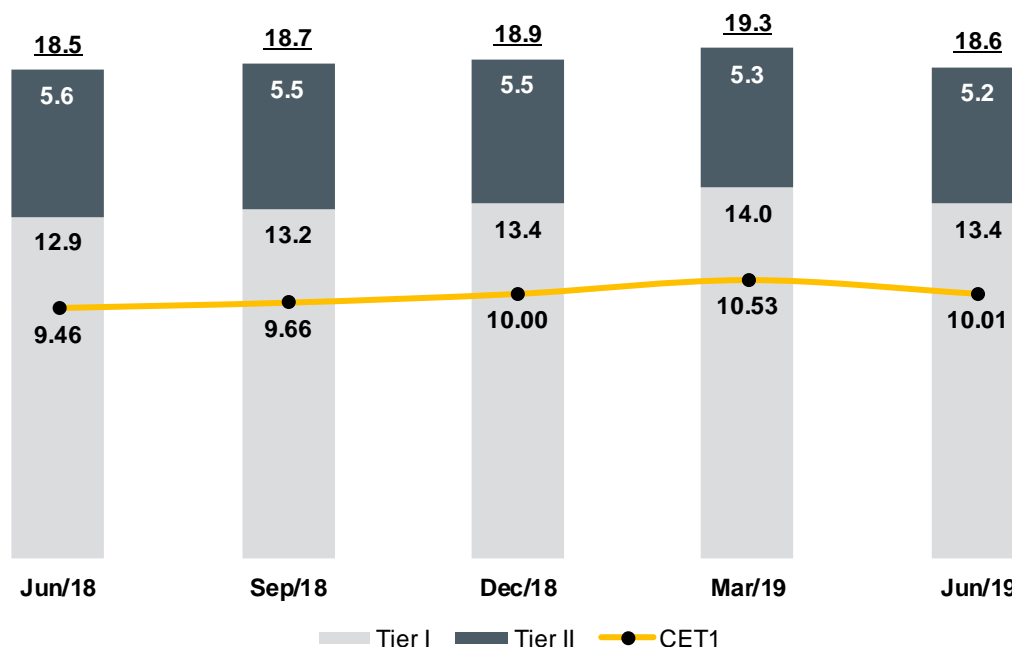
<sup>1</sup> – Cost-to-Income ratio: Administrative Expenses/Operating Revenues. Data from Income Statement with Reallocations.

## BIS Ratio of 18.6%

Banco do Brasil has a three-year prospective Capital Plan and considers (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

In June/19, the BIS Ratio was 18.6% and the Tier I was 13.4%, being 10.01% of Common Equity Tier 1 (CET1).

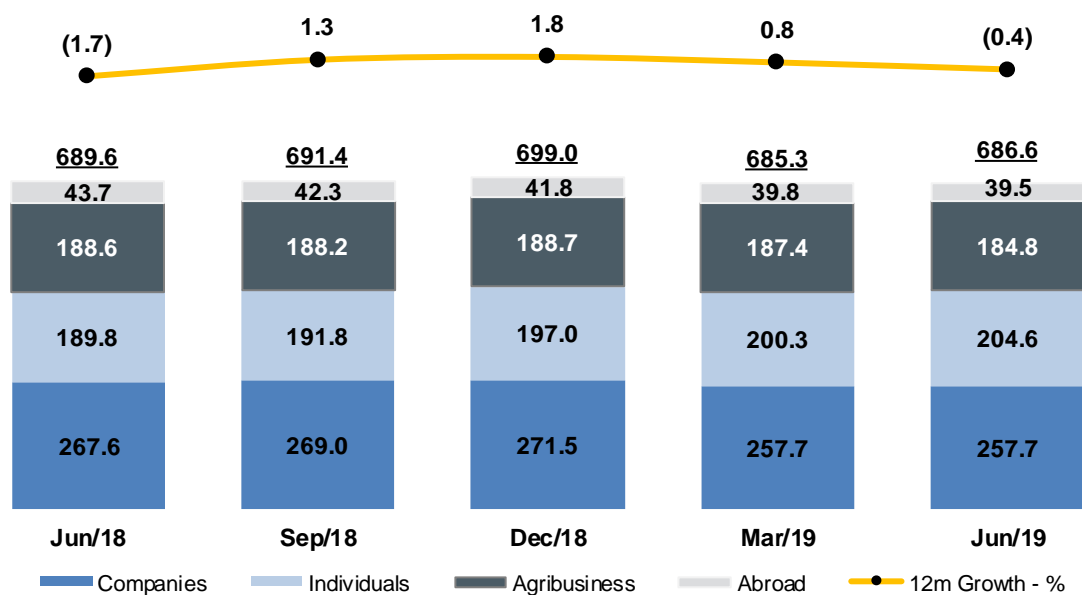
**Figure 4.** Basel – %



## Loan Portfolio

The Expanded View loan portfolio was close to stability if compared to June/18 (-0.4%).

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



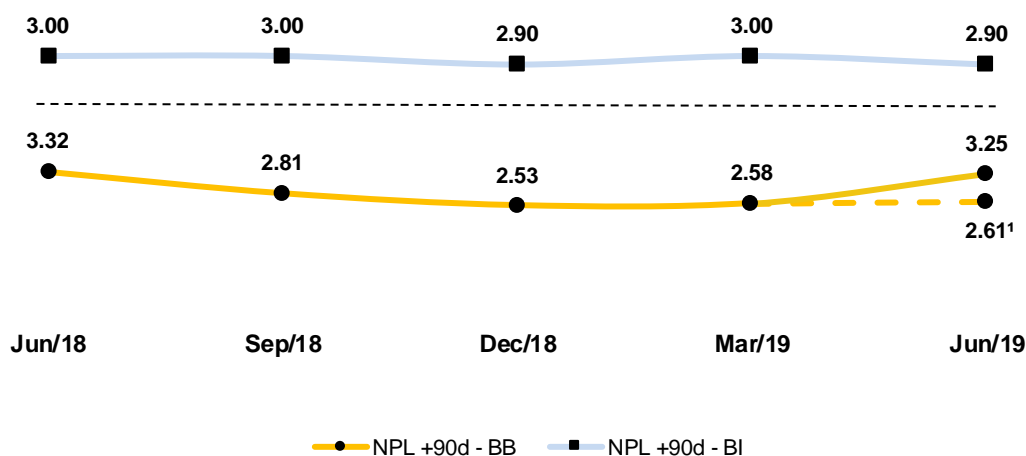
The individuals expanded view portfolio increased 7.8% over June/18 (+R\$14.7 billion), due to the positive performance in payroll loans (+R\$6.0 billion), Consumer Finance (+R\$4.8 billion) and mortgage (+R\$2.5 billion).

The companies classified portfolio decreased by 7.8% over June/18 mainly due to the amortization volume in the large corporate segment (-R\$17.0 billion). Considering the SME clients, those with annual revenues up to R\$200 million, highlight to the growth of 37.1% in the working capital line (+R\$6.9 billion).

The rural credit registered a positive performance of 0.7% over June/18 (R\$1.1 billion), especially on FCO Rural (R\$2.6 billion), Agricultural Investments (R\$2.5 billion) and Pronaf (R\$231 million), which was offset by Pronamp's decrease (R\$1.1 billion). BB's disbursed R\$82.3 billion in the 2018/2019 crop, a growth of 2.4% over the previous crop.

The NPL +90d (ratio between transactions more than 90 days overdue and the classified loan portfolio balance), was 3.25% in June/19. Excluding a specific case the NPL +90d would have been 2.61%.

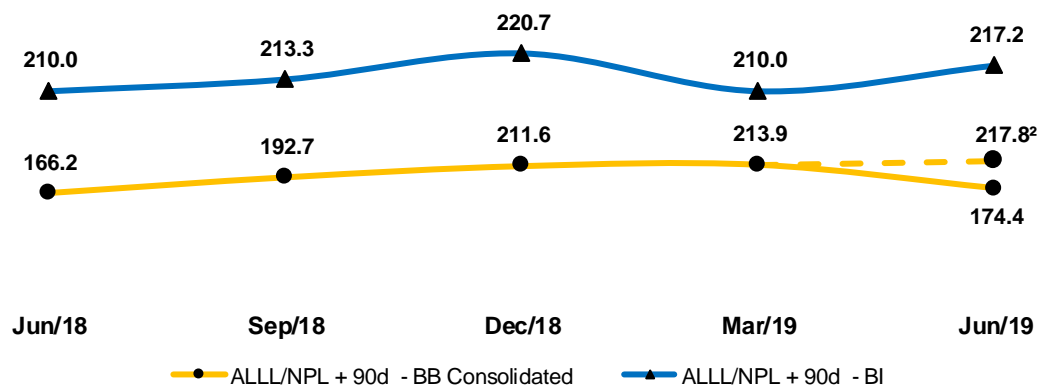
**Figure 6. NPL +90 days – %**



1 – Ex specific case.

The Bank maintains coverage compatible with the risk profile of its portfolio. The coverage index was 174.4 in June/19. Excluding a specific case the index would have been 217.8.

**Figure 7. Coverage<sup>1</sup> – %**



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

2 – Ex specific case.

**Table 6.** Coverage by Segment – %

	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Individuals</b>	175.8	181.1	194.4	186.5	184.2
<b>Companies</b>	151.4	197.6	228.8	247.0	202.3
Companies ex specific case	-	-	-	-	240.4
<b>Agribusiness</b>	184.9	194.5	194.5	192.1	113.6
Agribusiness ex specific case	-	-	-	-	228.0

## Strategic Investments Optimization

In 2019, aiming to optimize BB's Conglomerate strategic investments value there was:

- I A secondary public offering with restricted efforts of shares issued by IRB-Brasil Resseguros S.A. ("IRB") through BB Seguridade Participações S.A.. It is estimated approximately R\$1.6 billion in BB's 3Q19 earnings, net of taxes and residual positive increase in the Common Equity Tier 1 ("CET1"), as material fact released on July 19, 2019.
- II The sale of the Neoenergia S.A.'s shares registered at BB Banco de Investimento S.A. ("BB-BI"). The impacts in earnings and capital are residual and occurred in the 2Q19, as information to the market released on June 28, 2019.
- III The sale of the equity interest in Seguradora Brasileira de Crédito à Exportação ("SBCE"). The impacts in earnings and capital are residual and occurred in the 2Q19, as information to the market released on May 28, 2019.
- IV Dissolution and beginning of liquidation of BB Turismo, as information to the market released on June 10, 2019.
- V The sale of the direct and indirect equity interest in Companhia Brasileira de Securitização ("Cibrasec"). The impacts in earnings and capital are residual and will occur in 3Q19, as information to the market released on July 24, 2019.

## Corporate Reorganization

With the purpose of enhancing competitiveness through digital transformation and the dynamism of the service and relationship model, BB's Board of Directors approved a set of measures to promote an institutional reorganization:

- I Digital Transformation: the Analytical Intelligence Unit will be created, which will be responsible for the development of techniques, tools and innovation using solutions with Analytical and Artificial Intelligence.
- II Providing a better customer experience and increasing operational efficiency: 42 new Empresa branches will be created by October, transforming 333 branches into Advanced Attendance Centers (PAA) and another 49 PAAs into branches.
- III Optimize the distribution of the workforce: Staff Adequacy Program (PAQ), which aims to equalize the situations of vacancies and excesses in the Bank's units

The implementation of the measures will take place in the second half of 2019 and the financial impact of the program will be disclosed by the end of August and does not change the 2019 Guidance, as material fact released on July 29, 2019.

# 1 – Financial Statements Summary

## 1.1. Balance Sheet Summary

**Table 7.** Balance Sheet Summary - Assets

R\$ million	Jun/18	Mar/19	Jun/19	Chg. (%) on	
				Jun/18	Mar/19
<b>ASSETS</b>	<b>1,449,930</b>	<b>1,516,959</b>	<b>1,541,400</b>	<b>6.3</b>	<b>1.6</b>
<b>Current and Long-Term Assets</b>	<b>1,418,203</b>	<b>1,487,083</b>	<b>1,513,057</b>	<b>6.7</b>	<b>1.7</b>
Cash and Cash Equivalents	12,868	17,566	13,129	2.0	(25.3)
Short-Term Interbank Investments	428,740	515,782	521,262	21.6	1.1
Securities and Derivative Financial Instruments	156,003	151,846	174,913	12.1	15.2
Securities Available for Trading	5,081	8,124	7,993	57.3	(1.6)
Securities Available for Sale	138,414	122,104	145,728	5.3	19.3
Securities Held to Maturity	10,764	19,752	19,999	85.8	1.3
Derivative Financial Instruments	1,744	1,868	1,193	(31.6)	(36.1)
Interbank Accounts	81,359	75,767	76,874	(5.5)	1.5
Compulsory Reserves with Central Bank of Brazil	70,244	62,627	62,558	(10.9)	(0.1)
Unremunerated	14,215	13,827	13,672	(3.8)	(1.1)
Remunerated	56,029	48,800	48,886	(12.7)	0.2
Other	11,116	13,140	14,315	28.8	8.9
Interdepartamental Accounts	153	72	28	(82.1)	(61.6)
Loans	548,321	539,010	535,855	(2.3)	(0.6)
(Allow ance for Loan Losses)	(33,813)	(33,251)	(33,947)	0.4	2.1
Leasing	275	207	220	(20.1)	6.4
Leasing and Subleasing Receivables	287	213	226	(21.2)	6.1
(Allow ance for Lease Losses)	(12)	(7)	(6)	(46.6)	(4.4)
Other Receivables	189,834	186,106	190,038	0.1	2.1
Receivable from Guarantees Honored	518	555	718	38.5	29.5
Foreign Exchange Portfolio	22,850	25,064	25,066	9.7	0.0
Accrued Income	2,965	3,336	3,319	11.9	(0.5)
Securities Trading	1,247	1,022	971	(22.2)	(5.0)
Specific Credits	381	393	393	3.1	-
Tax Credits	40,052	39,010	45,344	13.2	16.2
Actuarial Assets (Previ Plano 1)	6,859	3,776	(3,167)	-	-
Fundo Paridade	41	-	-	-	-
Fundos de Destinação Superávit - Previ	9,710	9,643	9,649	(0.6)	0.1
Sundry Debtors from Escrow Deposits	56,762	56,141	55,256	(2.7)	(1.6)
Sundry	51,627	51,178	56,108	8.7	9.6
(Allow ance for Other Credits)	(3,181)	(4,011)	(3,619)	13.8	(9.8)
(With Loan Characteristics)	(1,342)	(1,472)	(1,576)	17.4	7.1
(Without Loan Characteristics)	(1,839)	(2,538)	(2,043)	11.1	(19.5)
Other Assets	649	726	740	14.0	1.9
Assets Not for Own Use and Materials in Stock	517	582	633	22.6	8.9
(Allow ance for Impairment)	(146)	(162)	(159)	8.7	(1.8)
Prepaid Expenses	279	306	266	(4.6)	(13.2)
<b>Permanent Assets</b>	<b>31,727</b>	<b>29,876</b>	<b>28,343</b>	<b>(10.7)</b>	<b>(5.1)</b>
Investments	18,088	16,822	15,294	(15.4)	(9.1)
Property and Equipment	7,346	7,578	7,516	2.3	(0.8)
Intangible	6,294	5,477	5,533	(12.1)	1.0

**Table 8. Balance Sheet Summary - Liabilities**

R\$ million	Jun/18	Mar/19	Jun/19	Chg. (%) on	
				Jun/18	Mar/19
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>1,449,930</b>	<b>1,516,959</b>	<b>1,541,400</b>	<b>6.3</b>	<b>1.6</b>
<b>Current and Long-Term Liabilities</b>	<b>1,346,857</b>	<b>1,411,510</b>	<b>1,439,242</b>	<b>6.9</b>	<b>2.0</b>
Deposits	475,538	500,510	505,515	6.3	1.0
Demand Deposits	66,780	66,426	67,429	1.0	1.5
Savings Deposits	167,089	174,156	174,480	4.4	0.2
Interbank Deposits	30,790	33,760	32,374	5.1	(4.1)
Time Deposits	210,879	226,168	231,232	9.7	2.2
Securities Sold Under Repurchase Agreements	424,112	482,776	496,569	17.1	2.9
Repurchase Agreements with Private Securities	20,436	16,251	12,403	(39.3)	(23.7)
Funds from Acceptance and Securities Issuance	134,282	129,886	131,407	(2.1)	1.2
Agribusiness Letters of Credit	84,005	81,960	83,657	(0.4)	2.1
Mortgage Bonds	16,577	15,836	15,169	(8.5)	(4.2)
Commercial Papers	5,457	5,784	5,725	4.9	(1.0)
Foreign Securities	28,243	26,306	26,857	(4.9)	2.1
Interbank Accounts	2,354	2,525	2,793	18.7	10.6
Interdepartamental Accounts	3,143	2,284	2,357	(25.0)	3.2
Borrowings	23,387	19,247	16,662	(28.8)	(13.4)
Domestic Onlending	77,543	65,238	63,976	(17.5)	(1.9)
National Treasury	159	115	127	(20.1)	10.3
BNDES	24,321	20,507	19,333	(20.5)	(5.7)
Caixa Econômica Federal	28,103	29,780	30,358	8.0	1.9
Finame	17,508	14,535	13,885	(20.7)	(4.5)
Other Institutions	7,453	301	273	(96.3)	(9.3)
Derivative Financial Instruments	1,388	1,573	1,120	(19.3)	(28.8)
Other Liabilities	205,110	207,472	218,841	6.7	5.5
Billing and Collection of Taxes and Contributions	2,781	4,942	5,568	100.2	12.7
Foreign Exchange Portfolio	14,027	21,924	21,726	54.9	(0.9)
Shareholders and Statutory Distributions	2,071	1,738	2,933	41.6	68.8
Taxes and Social Security	11,911	10,467	11,499	(3.5)	9.9
Securities Trading	1,209	1,239	1,144	(5.4)	(7.7)
Financial and Development Funds	15,948	15,433	15,481	(2.9)	0.3
Subordinated Debt	84,809	75,527	74,373	(12.3)	(1.5)
Equity and Debt Hybrid Securities	4,138	4,687	4,176	0.9	(10.9)
Subordinated Instruments	59,946	49,895	49,598	(17.3)	(0.6)
Debt Instruments Qualified as Capital	20,725	20,945	20,598	(0.6)	(1.7)
Actuarial Liabilities (Cassi)	8,090	9,234	12,126	49.9	31.3
Other Liabilities	64,264	66,969	73,992	15.1	10.5
<b>Deferred Income</b>	<b>435</b>	<b>379</b>	<b>228</b>	<b>(47.6)</b>	<b>(39.9)</b>
<b>Shareholders' Equity</b>	<b>102,638</b>	<b>105,070</b>	<b>101,930</b>	<b>(0.7)</b>	<b>(3.0)</b>
Capital	67,000	67,000	67,000	(0.0)	(0.0)
Instruments Qualifying to Common Equity Tier 1 Capital	8,100	8,100	8,100	0.0	-
Capital Reserves	15	15	15	4.9	2.1
Revaluation Reserves	2	2	2	(5.6)	(0.8)
Profit Reserves	39,163	41,049	47,408	21.1	15.5
Other Comprehensive Income	(13,129)	(15,996)	(21,330)	62.5	33.3
Benefit Plans	(10,763)	(14,086)	(20,386)	89.4	44.7
Retained Earnings (Accumulated Losses)	-	3,921	-	-	-
(Treasury Shares)	(1,843)	(1,790)	(1,789)	(2.9)	(0.0)
Non-Controlling Interests	3,329	2,768	2,524	(24.2)	(8.8)



## 1.2. Income Statement with Reallocations

**Table 9.** Income Statement with Reallocations – Quarterly Flow

R\$ million	Quarterly Flow			Chg. (%) on	
	2Q18	1Q19	2Q19	2Q18	1Q19
<b>Net Interest Income (1) (2) (3) (4) (5) (6) (7) (8) (11) (12) (19)</b>	<b>12,658</b>	<b>12,739</b>	<b>13,062</b>	<b>3.2</b>	<b>2.5</b>
Net ALLL Expenses	(3,583)	(3,126)	(3,561)	(0.6)	13.9
ALLL Expenses - Credit Risk (13)	(5,134)	(4,851)	(5,055)	(1.5)	4.2
Recovery of Write-offs (8)	1,551	1,725	1,494	(3.7)	(13.4)
<b>Net Financial Margin</b>	<b>9,075</b>	<b>9,613</b>	<b>9,501</b>	<b>4.7</b>	<b>(1.2)</b>
Fee Income	6,798	6,795	7,439	9.4	9.5
Service Fee Income	4,191	4,160	4,640	10.7	11.5
Banking Fee Income	2,606	2,635	2,798	7.4	6.2
Taxes on Revenues (5) (16)	(1,157)	(1,172)	(1,076)	(7.0)	(8.2)
<b>Contribution Margin</b>	<b>14,715</b>	<b>15,236</b>	<b>15,864</b>	<b>7.8</b>	<b>4.1</b>
Administrative Expenses	(7,732)	(7,566)	(7,649)	(1.1)	1.1
Personnel Expenses (18)	(5,034)	(4,866)	(4,921)	(2.2)	1.1
Other Administrative Expenses (14) (15)	(2,698)	(2,700)	(2,728)	1.1	1.1
Other Tax Expenses (16)	(152)	(128)	(130)	(14.2)	1.8
<b>Commercial Income</b>	<b>6,832</b>	<b>7,542</b>	<b>8,084</b>	<b>18.3</b>	<b>7.2</b>
Legal Risk	(797)	(1,792)	(2,091)	162.3	16.7
Civil Claims (17) (20) (21) (23)	(463)	(1,411)	(1,682)	-	19.1
Labor Law suits (18) (22) (24)	(334)	(381)	(409)	22.3	7.4
Other Operating Income	(174)	205	67	-	(67.4)
Eq. Int. in Results of Associated Companies and Joint Ventures (26)	1,018	1,020	1,020	0.1	(0.0)
Other Operating Income/Expenses Result	(1,193)	(814)	(953)	(20.1)	17.0
Other Operating Income (3) (9) (10)	1,563	1,868	1,429	(8.6)	(23.5)
Previ - Plano de Benefícios 1 (9)	116	86	86	(25.8)	0.0
Previ - Fundo Utilização Restatement (10)	315	276	191	(39.3)	(30.8)
Other Operating Expenses (2) (11) (12) (13) (14) (15) (17)	(3,187)	(3,045)	(2,659)	(16.6)	(12.7)
<b>Operating Income</b>	<b>5,861</b>	<b>5,956</b>	<b>6,061</b>	<b>3.4</b>	<b>1.8</b>
Non-Operating Income (27)	63	78	(23)	-	-
<b>Income Before Taxes</b>	<b>5,924</b>	<b>6,034</b>	<b>6,037</b>	<b>1.9</b>	<b>0.1</b>
Income and Social Contribution Taxes (6) (25) (28)	(1,870)	(852)	(571)	(69.5)	(33.0)
Interest on Own Capital Tax Benefit	431	636	683	58.4	7.3
Statutory Profit Sharing (29)	(406)	(544)	(604)	48.8	11.0
Minority Interest Earnings	(408)	(390)	(430)	5.5	10.2
<b>Adjusted Net Income</b>	<b>3,240</b>	<b>4,247</b>	<b>4,432</b>	<b>36.8</b>	<b>4.4</b>
One-Off Items	(105)	(242)	(225)	114.0	(7.1)
Economic Plans (19) (20)	(503)	(464)	(547)	8.7	18.0
Extraordinary Provision for Law suits (21) (22)	2	20	3	31.2	(84.7)
Provision Legal Law suits – Adjustment of Parameters (23) (24)	-	-	(1,579)	-	-
Tax Credit (25)	-	-	1,034	-	-
BB Seguridade - Premium and Brokerage Adjustments (26)	75	-	-	-	-
Real Estate exchange with the Federal Government (27)	162	-	-	-	-
Tax Eff. and Stat. Prof. on One-Off Items (28) (29)	159	201	864	-	-
<b>Net Income</b>	<b>3,135</b>	<b>4,005</b>	<b>4,207</b>	<b>34.2</b>	<b>5.1</b>

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

**Table 10.** Income Statement with Reallocations – Half-Yearly Flow

R\$ million	Half-Yearly Flow		Chg. (%)
	1H18	1H19	on 1H18
<b>Net Interest Income (1) (2) (3) (4) (5) (6) (7) (8) (11) (12) (19)</b>	<b>24,697</b>	<b>25,801</b>	<b>4.5</b>
Net ALLL Expenses	(7,827)	(6,687)	(14.6)
ALLL Expenses - Credit Risk (13)	(10,583)	(9,907)	(6.4)
Recovery of Write-offs (8)	2,756	3,219	16.8
<b>Net Financial Margin</b>	<b>16,870</b>	<b>19,114</b>	<b>13.3</b>
Fee Income	13,346	14,234	6.7
Service Fee Income	8,252	8,801	6.7
Banking Fee Income	5,094	5,433	6.7
Taxes on Revenues (5) (16)	(2,318)	(2,248)	(3.0)
<b>Contribution Margin</b>	<b>27,898</b>	<b>31,100</b>	<b>11.5</b>
Administrative Expenses	(15,164)	(15,216)	0.3
Personnel Expenses (18)	(9,785)	(9,787)	0.0
Other Administrative Expenses (14) (15)	(5,378)	(5,428)	0.9
Other Tax Expenses (16)	(282)	(258)	(8.6)
<b>Commercial Income</b>	<b>12,452</b>	<b>15,627</b>	<b>25.5</b>
Legal Risk	(1,526)	(3,883)	154.5
Civil Claims (17) (20) (21) (23)	(1,075)	(3,093)	187.7
Labor Law suits (18) (22) (24)	(451)	(790)	75.2
Other Operating Income	(329)	272	-
Eq. Int. in Results of Associated Companies and Joint Ventures (26)	2,017	2,039	1.1
Other Operating Income/Expenses Result	(2,347)	(1,767)	(24.7)
Other Operating Income (3) (9) (10)	3,011	3,297	9.5
Previ - Plano de Benefícios 1 (9)	232	172	(25.8)
Previ - Fundo Utilização Restatement (10)	477	467	(2.0)
Other Operating Expenses (2) (11) (12) (13) (14) (15) (17)	(6,067)	(5,704)	(6.0)
<b>Operating Income</b>	<b>10,597</b>	<b>12,016</b>	<b>13.4</b>
Non-Operating Income (27)	103	55	(47.0)
<b>Income Before Taxes</b>	<b>10,700</b>	<b>12,071</b>	<b>12.8</b>
Income and Social Contribution Taxes (6) (25) (28)	(2,874)	(1,422)	(50.5)
Interest on Own Capital Tax Benefit	802	1,319	64.5
Statutory Profit Sharing (29)	(794)	(1,149)	44.6
Minority Interest Earnings	(765)	(821)	7.3
<b>Adjusted Net Income</b>	<b>6,266</b>	<b>8,679</b>	<b>38.5</b>
One-Off Items	(383)	(467)	22.1
Economic Plans (19) (20)	(1,042)	(1,011)	(3.0)
Extraordinary Provision for Law suits (21) (22)	5	23	-
Provision Legal Law suits – Adjustment of Parameters (23) (24)	-	(1,579)	-
Tax Credit (25)	-	1,034	-
BB Seguridade - Premium and Brokerage Adjustments (26)	75	-	-
Real Estate exchange with the Federal Government (27)	162	-	-
Tax Eff. and Stat. Prof. on One-Off Items (28) (29)	417	1,066	155.3
<b>Net Income</b>	<b>5,884</b>	<b>8,212</b>	<b>39.6</b>

### 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 11. Reallocations and One-Off Items Breakdown

R\$ million				Quarterly Flow		Half-Yearly Flow		
Item	From	To	Event	2Q18	1Q19	2Q19	1H18	1H19
1	Sale or Transference of Financial Assets*	Loan Operations*	Sale or Transference of Financial Assets	194.7	135.1	89.2	461.4	224.3
2	Other Operating Expenses	Loan Operations*	Financial Agent Revenue Compensation	(7.1)	0.7	(5.5)	(12.4)	(4.7)
3	Other Operating Income	Securities*	Financial Investment Income	0.2	0.8	0.9	0.8	1.7
4	Borrowing, Assignments and Onlending*	FX Gain (Loss) on Foreign Equity*	FX Gain (Loss) on Foreign Equity	1,443.1	57.1	(200.9)	1,574.0	(143.8)
5	Taxes on Revenues	Tax Hedge*	Tax Hedge	70.4	2.8	(9.8)	76.8	(7.0)
6	Income and Social Contribution Taxes	Tax Hedge*	Tax Hedge	1,238.3	39.9	(140.5)	1,350.6	(100.5)
7	Money Market Funds*	Borrowing, Assignments and Onlending*	Restatement Expenses - Funds and Programs	(83.9)	(111.8)	(133.1)	(189.9)	(244.8)
8	Loan Operations*	Recovery of Write-offs	Recovery Adjustments	1,551.2	1,725.1	1,494.4	2,756.2	3,219.5
9	Other Operating Income	Previ - Plano de Benefícios 1	Actuarial Assets and Liabilities Valuation Adjustments	116.2	86.2	86.2	232.4	172.5
10	Other Operating Income	Previ - Fundo Utilização Restatement	Actuarial Assets and Liabilities Valuation Adjustments	315.0	276.3	191.2	476.9	467.5
11	Sale or Transference of Financial Assets*	Other Operating Expenses	Discount granted on Sales of Financial Assets	-	-	(270.8)	-	(270.8)
12	Securities*	Other Operating Expenses	Operating Provisions Reversal	21.6	4.0	4.8	29.7	8.8
13	ALLL Expenses - Credit Risk	Other Operating Expenses	Allowance for Loan Losses (Cred. w/o Char. of Fin. Int.)	(124.6)	(114.1)	487.1	(198.3)	373.0
14	Other Administrative Expenses	Other Operating Expenses	Goodwill Amorization	(41.0)	(54.3)	(20.0)	(82.3)	(74.3)
15	Other Administrative Expenses	Other Operating Expenses	Premiums Paid to Costumers	(376.5)	(333.2)	(339.6)	(753.4)	(672.8)
16	Other Tax Expenses	Taxes on Revenues	Taxes on Revenues	(1,086.7)	(1,169.3)	(1,085.7)	(2,240.8)	(2,255.0)
17	Other Operating Expenses	Civil Claims	Expenses with Civil Claims	(577.3)	(1,377.8)	(2,312.9)	(1,377.3)	(3,690.7)
18	Personnel Expenses	Labor Law suits	Provision for Labor Law suits	(333.3)	(378.6)	(1,146.1)	(448.9)	(1,524.7)
19	Money Market Funds*	Economic Plans	Economic Plans	(387.5)	(479.5)	(754.6)	(736.5)	(1,234.0)
20	Civil Claims	Economic Plans	Economic Plans	(115.9)	15.7	207.2	(305.5)	222.9
21	Civil Claims	Extraordinary Provision for Law suits	Extraordinary Provision for Law suits	1.3	18.0	2.4	3.3	20.4
22	Labor Law suits	Extraordinary Provision for Law suits	Extraordinary Provision for Law suits	1.1	2.2	0.7	1.9	2.9
23	Civil Claims	Provision Legal Law suits – Adjustment of Parameters	Provision Legal Law suits – Adjustment of Parameters	-	-	(840.8)	-	(840.8)
24	Labor Law suits	Provision Legal Law suits – Adjustment of Parameters	Provision Legal Law suits – Adjustment of Parameters	-	-	(737.9)	-	(737.9)
25	Income and Social Contribution Taxes	Tax Credit	Tax Credit Activation in Reserves	-	-	1,033.5	-	1,033.5
26	Eq. Int. in Results of Associated Companies and Joint Ventures	BB Seguridade - Premium and Brokerage Adjustments	BB Seguridade - Premium and Brokerage Adjustments	74.8	-	-	-	-
27	Non-Operating Income	Real Estate exchange with the Federal Government	Real Estate exchange with the Federal Government	162.0	-	-	162.0	-
28	Income and Social Contribution Taxes	Tax Eff. and Stat. Prof. on One-Off Items	Tax Eff. and Stat. Prof. on One-Off Items	143.7	173.2	795.5	370.7	968.7
29	Statutory Profit Sharing	Tax Eff. and Stat. Prof. on One-Off Items	Tax Eff. and Stat. Prof. on One-Off Items	15.4	28.0	68.9	46.6	96.9

\* - Net Interest Income's (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) Recovery adjustment/provision of operation with corporate group.
- (9) Revenues (expenses) from Previ's actuarial assets and liabilities review.
- (10) Financial income from restatement of Previ's Fundo Utilização.
- (11) Discount granted on disposal of financial assets.
- (12) Reversal of provision for equity interests reversal losses.
- (13) Allowance for loan losses expenses for credits without financial intermediation characteristics.
- (14) Expenses from amortization of goodwill on investments.
- (15) Payroll acquisition amortization.
- (16) Tax expenses reallocated to compose the contribution margin.
- (17) Reversal or expenses arising from civil claims.
- (18) Provision for expenses arising from labor lawsuits.
- (19) and (20) Expenses with provision arising from lawsuits related to economic plans.
- (21) and (22) Extraordinary provision for lawsuits.
- (23) and (24) Reinforcement (reversal) of provision due to legal demands arising from adjustments in the evaluation parameters.
- (25) Activation of Tax Credit available in reserves referring to prior periods.
- (26) 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.
- (27) 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.
- (28) and (29) 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 12.** Tax Effect and Statutory Profit Sharing on One-Off Items

R\$ million	Quarterly Flow		Half-Yearly Flow		
	2Q18	1Q19	2Q19	1H18	1H19
Economic Plans	243	210	240	502	450
Extraordinary Provision for Law suits	(1)	(9)	(1)	(3)	(10)
Provision Legal Law suits – Adjustment of Parameters	-	-	691	-	691
Tax Credit	-	-	(65)	-	(65)
BB Seguridade - Premium and Brokerage Adjustments	(4)	-	-	(4)	-
Real Estate exchange with the Federal Government	(78)	-	-	(78)	-
<b>Total</b>	<b>159</b>	<b>201</b>	<b>864</b>	<b>417</b>	<b>1,066</b>

## 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 13.** Main Indicators

%	Rate					Chg. (%) on		
	2Q18	1Q19	2Q19	1H18	1H19	2Q18	1Q19	1H18
CDI	1.56	1.51	1.54	3.17	3.07	(1.4)	1.7	(3.1)
TMS	1.56	1.51	1.54	3.18	3.07	(1.6)	1.7	(3.3)
TJLP	1.66	1.77	1.57	3.38	3.37	(5.2)	(11.0)	(0.5)
Exchange Rate (US\$)	3.86	3.90	3.83	-	-	(0.6)	(1.7)	-
Business days	63	61	62					
Number of days in quarter	91	90	91					

The following table sets forth the NII's breakdown.

**Table 14.** Net Interest Income Breakdown

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		(%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Net Interest Income</b>	<b>12,658</b>	<b>12,739</b>	<b>13,062</b>	<b>3.2</b>	<b>2.5</b>	<b>24,697</b>	<b>25,801</b>	<b>4.5</b>
Loan Operations <sup>1</sup>	18,545	18,377	18,655	0.6	1.5	36,981	37,033	0.1
Funding Expenses	(5,967)	(6,379)	(6,582)	10.3	3.2	(11,967)	(12,961)	8.3
Financial Expense for Institutional Funding <sup>2</sup>	(2,762)	(2,412)	(2,565)	(7.1)	6.4	(5,577)	(4,977)	(10.8)
Treasury <sup>3</sup>	2,842	3,152	3,554	25.0	12.7	5,259	6,706	27.5

1 - Series revised in 2Q19.

2 - It includes senior bonds, subordinated debt, and Hybrid Instruments in Brazil and abroad.

3 - 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 in loan operations revenues of R\$278 million, mainly affected by the revenues from loans to individuals and companies, boosted by the balance growth of more profitable credit lines.
- II Funding expenses mainly affected by the increase in judicial deposits and agribusiness letters of credit balance, and higher expenses on Banco Patagonia's time deposits. The growth in institutional funding expenses was mainly influenced by the 2Q19 average exchange rate and the bond issuance at the end of 1Q19.
- III Treasury income was positively influenced by the growth in securities balance, and the increase of treasury revenues from curve revaluation in Brazil and at Banco Patagonia's treasury. In addition, the revenue and expenses appropriation model, influenced by the number of business and calendar days, had a positive effect on lines such as repo.

### 2.2. Financial Income from Loans Operations

**Table 15.** Revenue from Loans

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Revenue from Loans</b>	<b>18,545</b>	<b>18,377</b>	<b>18,655</b>	<b>0.6</b>	<b>1.5</b>	<b>36,981</b>	<b>37,033</b>	<b>0.1</b>
Individuals	9,069	9,377	9,628	6.2	2.7	18,050	19,004	5.3
Companies	4,438	4,197	4,257	(4.1)	1.4	8,987	8,454	(5.9)
Agribusiness	3,879	3,723	3,698	(4.7)	(0.7)	7,655	7,421	(3.1)
Equalization	822	834	764	(7.1)	(8.4)	1,666	1,597	(4.1)
Abroad	836	764	782	(6.5)	2.4	1,565	1,545	(1.3)
Sale or Transference of Financial Assets	195	135	89	(54.2)	(34.0)	461	224	(51.4)
Other	110	170	191	73.4	12.3	224	361	61.1
Leasing	18	12	11	(38.7)	(12.1)	38	23	(38.6)

Revenues from individuals' loan portfolio grew 6.2% in the quarter, driven by the expansion of the portfolio, especially the consumer loans, whose balance rose 14.1%. In 12 months, the consumer loans portfolio grew 97.0%, driving the 5.3% revenue growth in 1H19/1H18 comparison.

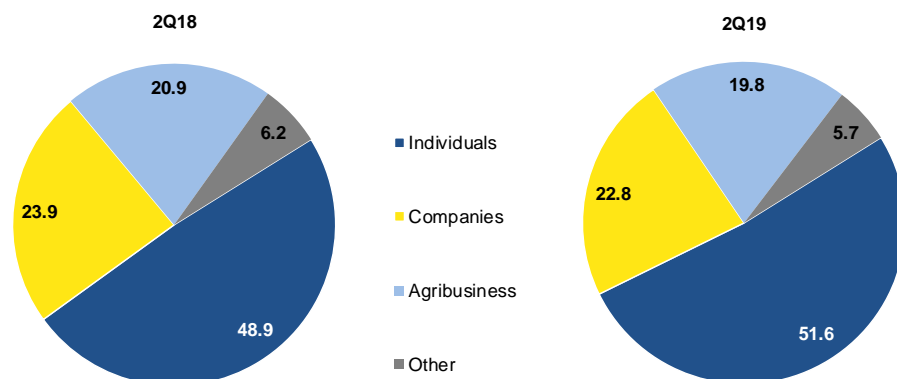


The companies' loan portfolio revenues increased driven by the growth in SME's segment balance, especially in working capital lines.

The share increase of unmarked resources to finance agribusiness loans drove the increase of agribusiness loans revenues. Equalization revenues, however, reduced due to the decrease of equalizable resources balance and lower rates of the 18/19 crop compared to the previous crop.

The table below presents the loan revenues by segment breakdown.

**Figure 8. Loan Revenues Breakdown (%)**



Liquidity assets grew in the quarter due to the increase of securities portfolio and interbank accounts.

The next table sets forth the assets synthetic composition.

**Table 16. Assets Synthetic Composition**

R\$ million	Balance					Chg. (%) on		
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
Classified Loan Portfolio	637,677	44.0	628,884	41.5	626,322	40.6	(1.8)	(0.4)
Liquidity Assets	595,866	41.1	683,327	45.0	708,111	45.9	18.8	3.6
Other	216,386	14.9	204,748	13.5	206,967	13.4	(4.4)	1.1
<b>Total Assets</b>	<b>1,449,930</b>		<b>1,516,959</b>		<b>1,541,400</b>		<b>6.3</b>	<b>1.6</b>

## 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 17. Funding Result**

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on 1H18
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	
<b>Funding Result</b>	<b>(5,967)</b>	<b>(6,379)</b>	<b>(6,582)</b>	<b>10.3</b>	<b>3.2</b>	<b>(11,967)</b>	<b>(12,961)</b>	<b>8.3</b>
<b>Commercial Funding</b>	<b>(5,165)</b>	<b>(5,491)</b>	<b>(5,735)</b>	<b>11.0</b>	<b>4.4</b>	<b>(10,288)</b>	<b>(11,227)</b>	<b>9.1</b>
Judicial Deposits	(2,291)	(2,482)	(2,616)	14.2	5.4	(4,546)	(5,098)	12.1
Savings Deposits	(1,904)	(1,976)	(1,986)	4.3	0.5	(3,854)	(3,962)	2.8
Time Deposits	(970)	(1,034)	(1,133)	16.8	9.6	(1,888)	(2,167)	14.8
<b>Bonds</b>	<b>(1,356)</b>	<b>(1,294)</b>	<b>(1,322)</b>	<b>(2.6)</b>	<b>2.1</b>	<b>(2,794)</b>	<b>(2,616)</b>	<b>(6.4)</b>
Agribusiness Letters of Credit	(1,158)	(1,093)	(1,130)	(2.4)	3.4	(2,391)	(2,223)	(7.0)
Mortgage Bonds	(198)	(201)	(192)	(3.2)	(4.7)	(403)	(393)	(2.4)
<b>Compulsory Deposits</b>	<b>679</b>	<b>519</b>	<b>589</b>	<b>(13.3)</b>	<b>13.4</b>	<b>1,382</b>	<b>1,108</b>	<b>(19.8)</b>
<b>FGC</b>	<b>(124)</b>	<b>(112)</b>	<b>(113)</b>	<b>(9.0)</b>	<b>0.5</b>	<b>(267)</b>	<b>(225)</b>	<b>(15.7)</b>

In 2Q19, funding expenses increased, mainly due to the growth in judicial deposits and agribusiness letters of credit balances, and due to the increase in time deposits from Banco Patagonia, arising mainly from rising interest rates in Argentina.

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

**Table 18.** Funding vs. Selic Rate

R\$ million	2Q18			1Q19			2Q19		
	Average Balance	Cost	as % of Selic	Average Balance	Cost	as % of Selic	Average Balance	Cost	as % of Selic
Savings Deposits	165,335	(1,904)	73.7	173,709	(1,976)	75.2	174,473	(1,986)	74.0
Time Deposits - Judicial Deposits	133,952	(2,291)	109.4	147,167	(2,482)	111.5	160,505	(2,616)	106.0
Agribusiness Letters of Credit	84,000	(1,158)	88.2	81,066	(1,093)	89.1	83,189	(1,130)	88.3
Time Deposits	76,568	(970)	81.1	70,639	(1,034)	96.7	70,552	(1,133)	104.4
Demand Deposits	69,040	-	-	64,345	-	-	65,691	-	-
Interbank Deposits	29,729	(207)	44.5	33,785	(284)	55.6	33,536	(281)	54.5
Mortgage Bonds	16,450	(198)	77.1	16,131	(201)	82.5	15,387	(192)	81.1
<b>Total Funding</b>	<b>575,075</b>	<b>(6,728)</b>	<b>74.9</b>	<b>586,842</b>	<b>(7,070)</b>	<b>79.6</b>	<b>603,333</b>	<b>(7,339)</b>	<b>79.1</b>

The funding cost compared to Selic decreased in all funding lines but time deposits, which were influenced by higher interest rates in Argentina. Excluding Banco Patagonia's effect, the average cost of time deposits would be 55.8% of Selic, compared to 67.5% in the previous quarter. Highlight also to the judicial deposits which had a drop reflecting the renegotiations of ongoing contracts.

## 2.4. Institutional Funding Financial Expenses

The following table sets forth the breakdown of institutional funding expenses, composed by corporate bonds issued by the Bank in Brazil and abroad, whose underwriters are institutional investors.

**Table 19.** Institutional Funding Expenses

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on	
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18	1H18
<b>Institutional Funding</b>	<b>(2,762)</b>	<b>(2,412)</b>	<b>(2,565)</b>	<b>(7.1)</b>	<b>6.4</b>	<b>(5,577)</b>	<b>(4,977)</b>	<b>(10.8)</b>	
Borrowing, Assignments and Onlending	(1,338)	(1,203)	(1,299)	(2.9)	8.0	(2,739)	(2,502)	(8.6)	
Hybrid Capital Instruments	(472)	(486)	(506)	7.3	4.1	(939)	(992)	5.7	
Financial Letters	(488)	(286)	(266)	(45.4)	(6.8)	(1,041)	(552)	(47.0)	
Securities Issued Abroad	(301)	(273)	(323)	7.4	18.3	(554)	(596)	7.6	
Subordinated Debt Abroad	(163)	(164)	(170)	4.7	4.1	(304)	(334)	9.9	

Institutional funding expenses increased in the quarter mainly affected by borrowing, assignments and onlending expenses, which were partially offset by the increase of revenues from loans abroad. The increase in the securities issued abroad average balance and the 2.1% average exchange rate increase also affected institutional funding expenses in the quarter. In annual comparison, the drop in financial letters expenses was driven by the decrease of its balance.

## 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 20.** Treasury Results

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on	
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18	1H18
<b>Treasury</b>	<b>2,842</b>	<b>3,152</b>	<b>3,554</b>	<b>25.0</b>	<b>12.7</b>	<b>5,259</b>	<b>6,706</b>	<b>27.5</b>	
Securities	3,109	2,763	3,388	9.0	22.6	5,647	6,152	8.9	
Interbank Accounts	6,700	6,923	8,219	22.7	18.7	13,638	15,143	11.0	
Open Market	(7,002)	(7,168)	(7,986)	14.1	11.4	(14,210)	(15,154)	6.6	
Financial Derivatives	22	122	(267)	-	-	(263)	(145)	(44.8)	
Other Treasury Components <sup>1</sup>	13	512	199	1,485.9	(61.1)	446	711	59.2	

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

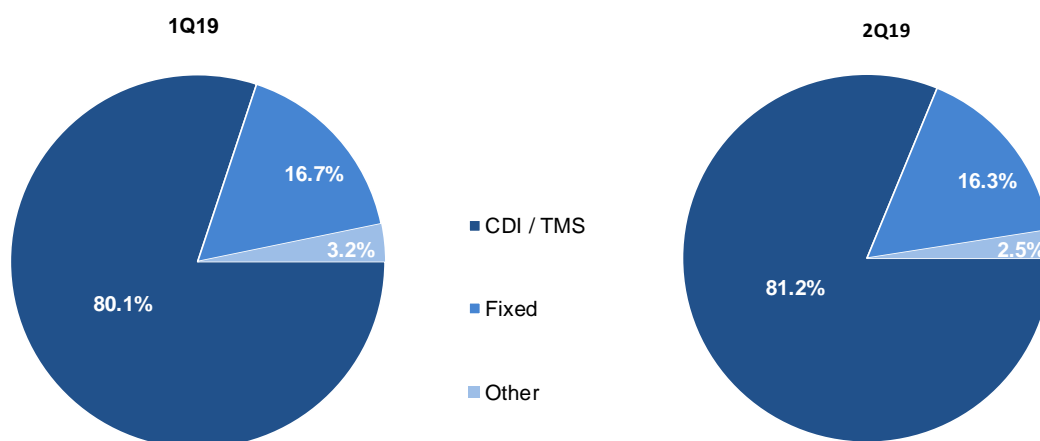
### Result from Securities

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

**Table 21.** Result from Securities

R\$ million	Quarterly Flow			Var. (%)		Half-Yearly Flow		Chg. (%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Securities Income</b>	<b>3,109</b>	<b>2,763</b>	<b>3,388</b>	<b>9.0</b>	<b>22.6</b>	<b>5,647</b>	<b>6,152</b>	<b>8.9</b>
Fixed Income Securities	3,035	2,750	3,312	9.1	20.4	5,566	6,062	8.9
Revaluation – Curve	2,921	2,654	3,292	12.7	24.0	5,374	5,946	10.6
Income/Loss from Negotiation	147	104	0	(99.9)	(99.8)	228	104	(54.4)
Mark to Market	(34)	(8)	20	-	-	(36)	12	-
Other	74	13	77	3.3	484.4	80	90	11.4

The result from fixed-income securities increased quarter-on-quarter, mainly as a result of the growth in securities portfolio, mainly those with longer maturity, and by the positive effect of the rising interest rates in Argentina on Banco Patagonia's portfolio.

**Figure 9.** Securities Portfolio by Index (BB Multiple Bank)

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

**Table 22.** Securities Portfolio by Category – Market Value

R\$ million	Balance				Chg. (%) on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Securities</b>	<b>153,243</b>	<b>100.0</b>	<b>149,367</b>	<b>100.0</b>	<b>172,614</b>	<b>100.0</b>	<b>12.6</b>	<b>15.6</b>
Trading	5,081	3.3	8,124	5.4	7,993	4.6	57.3	(1.6)
Available for Sale	138,414	90.3	122,104	81.7	145,728	84.4	5.3	19.3
Held to Maturity	9,748	6.4	19,140	12.8	18,893	10.9	93.8	(1.3)
Financial Derivatives	1,744	-	1,868	-	1,193	-	(31.6)	(36.1)

**Table 23.** 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 %	
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
Mar/19	25,201	16.9%	81,891	54.8%	30,979	20.7%	11,296	7.6%	149,367
Jun/19	26,827	15.5%	83,019	48.1%	52,201	30.2%	10,568	6.1%	172,614

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

**Table 24. Liquidity Balance**

R\$ million	Balance				Chg. (%) on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Liquidity Assets (A)</b>	<b>595,866</b>	<b>100.0</b>	<b>683,327</b>	<b>100.0</b>	<b>708,111</b>	<b>100.0</b>	<b>18.8</b>	<b>3.6</b>
Interbank Investments	428,740	72.0	515,782	75.5	521,262	73.6	21.6	1.1
Securities (except linked to Bacen)	154,259	25.9	149,979	21.9	173,720	24.5	12.6	15.8
Available Funds	12,868	2.2	17,566	2.6	13,129	1.9	2.0	(25.3)
<b>Liquidity Liabilities (B)</b>	<b>454,902</b>	<b>100.0</b>	<b>516,536</b>	<b>100.0</b>	<b>528,942</b>	<b>100.0</b>	<b>16.3</b>	<b>2.4</b>
Money Market Borrowing	424,112	93.2	482,776	93.5	496,569	93.9	17.1	2.9
Interbank Deposits	30,790	6.8	33,760	6.5	32,374	6.1	5.1	(4.1)
<b>Liquidity Balance (A - B)</b>	<b>140,965</b>		<b>166,791</b>		<b>179,169</b>		<b>27.1</b>	<b>7.4</b>

### 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 quarter, open market funding expenses increased due to the increase in average balance.

The increase in open market funding expenses is offset by interbank accounts shown in table result from securities above.

**Table 25. Open Market Funding Expenses**

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Open Market Funding Expenses</b>	<b>(7,002)</b>	<b>(7,168)</b>	<b>(7,986)</b>	<b>14.1</b>	<b>11.4</b>	<b>(14,210)</b>	<b>(15,154)</b>	<b>6.6</b>
Third Party Portfolio	(6,112)	(6,191)	(6,993)	14.4	13.0	(12,504)	(13,184)	5.4
Own Portfolio	(677)	(684)	(707)	4.4	3.4	(1,328)	(1,390)	4.7
Interbank Deposits	(207)	(284)	(281)	36.2	(1.0)	(365)	(565)	54.8
Other Open Market Operations	(6)	(9)	(5)	(23.1)	(47.3)	(13)	(14)	10.8

### 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 26. Other Treasury Components**

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Other Treasury Components</b>	<b>13</b>	<b>512</b>	<b>199</b>	<b>-</b>	<b>(61.1)</b>	<b>446</b>	<b>711</b>	<b>59.2</b>
Gain (Loss) over Equity Abroad	1,443	57	(201)	-	-	1,574	(144)	-
Tax Hedge	1,309	43	(150)	-	-	1,427	(108)	-
Foreign Exchange Portfolio	195	150	154	(20.9)	2.5	326	304	(6.6)
Other	(2,934)	262	396	-	51.4	(2,881)	658	-

## 2.6. Assets and Liabilities Analysis

### 2.6.1. Assets Analysis

**Table 27. Average Balances and Interest Rate – Earning Assets (Annual)**

R\$ million	2Q18			2Q19		
	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>
<b>Earning Assets</b>	<b>1,283,185</b>	<b>29,137</b>	<b>9.4</b>	<b>1,363,052</b>	<b>30,911</b>	<b>9.5</b>
Loans and Leasing <sup>4</sup>	629,690	18,545	12.3	621,230	18,655	12.8
Securities	588,291	9,809	6.8	685,319	11,608	7.1
Remunerated Compulsory Deposits	56,758	679	4.9	48,873	589	5.0
Other	8,446	105	5.1	7,631	60	3.2

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

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

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

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

**Table 28.** Average Balances and Interest Rate – Earning Assets (Quarterly)

R\$ million	1Q19			2Q19		
	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>
<b>Earning Assets</b>	<b>1,301,882</b>	<b>28,634</b>	<b>9.4</b>	<b>1,363,052</b>	<b>30,911</b>	<b>9.5</b>
Loans and Leasing <sup>4</sup>	623,663	18,377	12.7	621,230	18,655	12.8
Securities	620,580	9,686	6.6	685,319	11,608	7.1
Remunerated Compulsory Deposits	48,933	519	4.5	48,873	589	5.0
Other	8,705	51	2.4	7,631	60	3.2

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

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

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

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

**Table 29.** Average Balances and Interest Rate – Earning Assets (Half-Yearly)

R\$ million	1H18			1H19		
	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>	Average Balance <sup>1</sup>	Revenues <sup>2</sup>	Yearly Rate (%) <sup>3</sup>
<b>Earning Assets</b>	<b>1,274,145</b>	<b>57,802</b>	<b>9.4</b>	<b>1,332,467</b>	<b>59,546</b>	<b>9.4</b>
Loans and Leasing <sup>4</sup>	625,842	36,981	12.4	622,446	37,033	12.6
Securities	583,073	19,285	6.8	652,949	21,294	6.8
Remunerated Compulsory Deposits	57,202	1,382	5.0	48,903	1,108	4.7
Other	8,027	154	3.9	8,168	111	2.8

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

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

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

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

## 2.6.2. Liabilities Analysis

**Table 30.** Average Balances and Interest Rates - Interest Bearing Liabilities (Annual)

R\$ million	2Q18			2Q19		
	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>
<b>Interest Bearing Liabilities</b>	<b>1,176,732</b>	<b>(16,903)</b>	<b>5.9</b>	<b>1,240,688</b>	<b>(18,238)</b>	<b>6.1</b>
Money Market Borrowing	426,839	(6,795)	6.5	488,171	(7,705)	6.6
Time Deposits	210,520	(3,261)	6.3	231,057	(3,749)	6.8
Saving Deposits	165,335	(1,904)	4.7	174,473	(1,986)	4.7
Borrowing and Onlending	101,204	(1,338)	5.4	82,124	(1,299)	6.6
Subordinated Debt	92,785	(1,122)	4.9	83,282	(943)	4.7
Agribusiness Letters of Credit	84,000	(1,158)	5.6	83,189	(1,130)	5.6
Foreign Securities Borrowing	28,428	(301)	4.3	28,261	(323)	4.7
Interbank Deposits	29,729	(207)	2.8	33,536	(281)	3.5
Others Commercial Papers <sup>3</sup>	21,861	(198)	3.7	21,093	(192)	3.8
Financial and Development Funds	16,031	(618)	16.3	15,502	(630)	17.6

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 31.** Average Balances and Interest Rates - Interest Bearing Liabilities (Quarterly)

R\$ million	1Q19			2Q19		
	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>
<b>Interest Bearing Liabilities</b>	<b>1,189,704</b>	<b>(16,975)</b>	<b>6.0</b>	<b>1,240,688</b>	<b>(18,238)</b>	<b>6.1</b>
Money Market Borrowing	455,018	(6,884)	6.4	488,171	(7,705)	6.6
Time Deposits	217,806	(3,516)	6.8	231,057	(3,749)	6.8
Saving Deposits	173,709	(1,976)	4.8	174,473	(1,986)	4.7
Borrowing and Onlending	84,340	(1,203)	6.0	82,124	(1,299)	6.6
Subordinated Debt	82,236	(936)	4.8	83,282	(943)	4.7
Agribusiness Letters of Credit	81,066	(1,093)	5.7	83,189	(1,130)	5.6
Foreign Securities Borrowing	24,702	(273)	4.6	28,261	(323)	4.7
Interbank Deposits	33,785	(284)	3.5	33,536	(281)	3.5
Others Commercial Papers <sup>3</sup>	21,789	(201)	3.9	21,093	(192)	3.8
Financial and Development Funds	15,253	(610)	17.6	15,502	(630)	17.6

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 32.** Average Balances and Interest Rates - Interest Bearing Liabilities (Half-Yearly)

R\$ million	1H18			1H19		
	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>	Average Balance <sup>1</sup>	Expenses <sup>4</sup>	Yearly Rate (%) <sup>2</sup>
<b>Interest Bearing Liabilities</b>	<b>1,167,785</b>	<b>(34,089)</b>	<b>6.0</b>	<b>1,215,196</b>	<b>(35,213)</b>	<b>6.0</b>
Money Market Borrowing	428,967	(13,844)	6.7	471,595	(14,589)	6.4
Time Deposits	204,528	(6,434)	6.5	224,431	(7,265)	6.7
Saving Deposits	163,412	(3,854)	4.9	174,091	(3,962)	4.7
Agribusiness Letters of Credit	85,947	(2,391)	5.7	82,127	(2,223)	5.6
Borrowing and Onlending	100,551	(2,739)	5.6	83,232	(2,502)	6.3
Subordinated Debt	92,807	(2,284)	5.1	82,759	(1,878)	4.7
Foreign Securities Borrowing	26,440	(554)	4.3	26,482	(596)	4.7
Others Commercial Papers <sup>3</sup>	21,868	(403)	3.8	21,441	(393)	3.8
Interbank Deposits	27,209	(365)	2.7	33,661	(565)	3.5
Financial and Development Funds	16,058	(1,222)	16.1	15,377	(1,240)	17.2

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 33.** Analysis of Volume (Earning Assets) – Quarterly Rate

R\$ million	1Q19	2Q19	Abs. Chg.
Assets – Earning Assets (a) <sup>1</sup>	1,301,882	1,363,052	61,171
Net Interest Income (b)	12,739	13,062	323
Spread - % (b/a)	0.979	0.958	(0.020)
Gain/(loss) with Volume <sup>2</sup>			599
Gain/(loss) with Spread <sup>3</sup>			(263)
Gain/(loss) with Volume and Spread			(12)

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 34.** Analysis of Volume (Earning Assets) – Half-Yearly Rate

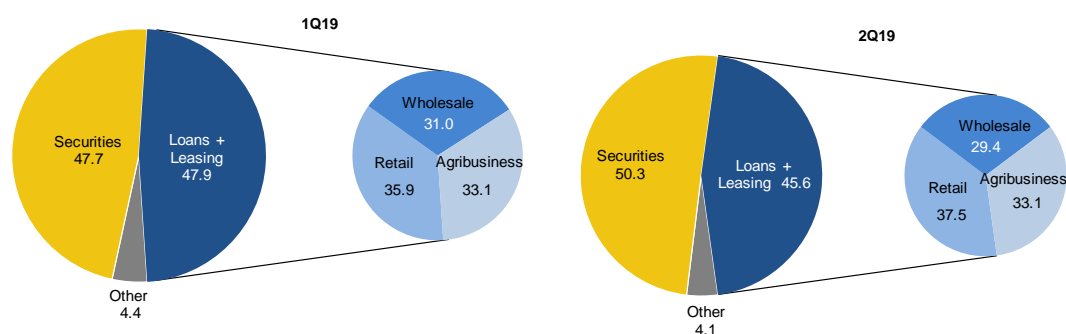
R\$ million	1H18	1H19	Abs. Chg.
Assets – Earning Assets (a) <sup>1</sup>	1,274,145	1,332,467	58,322
Net Interest Income (b)	24,697	25,801	1,105
Spread - % (a/b)	1.938	1.936	(0.002)
Gain/(loss) with Volume <sup>2</sup>			1,130
Gain/(loss) with Spread <sup>3</sup>			(25)
Gain/(loss) with Volume and Spread			(1)

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 increased R\$61.2 billion in the quarter, driven by the increase of securities average balance, which represents an increase of 261 bps. Excluding the securities growth effect, NIM would have grown to 4.1%.

**Figure 10.** Revenues from Loans Breakdown - (%)**Table 35.** NIM

%	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Net Interest Margin (NIM) <sup>1</sup>	4.2	4.2	3.9	4.0	3.9	4.0	4.0	3.9
Risk Adjusted NIM <sup>2</sup>	2.5	2.9	2.5	2.9	2.9	3.0	3.0	2.8

1 - NII/Earning Assets average, annualized;

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

**Table 36.** Adjusted NIM and Net Interest Income

R\$ million	2Q18	1Q19	2Q19	1H18	1H19
Average Interest Earning Assets (AIEA) (a)	1,283,185	1,301,882	1,363,052	1,274,145	1,332,467
Average Interest Bearing Liabilities (AIBL) (b)	1,176,732	1,189,704	1,240,688	1,167,785	1,215,196
<b>NII (c)</b>	<b>12,658</b>	<b>12,739</b>	<b>13,062</b>	<b>24,697</b>	<b>25,801</b>
Net Interest Gain (d)	12,235	11,659	12,673	23,713	24,332
Interest Income (1.d)	29,137	28,634	30,911	57,802	59,546
Interest Expense(2.d)	(16,903)	(16,975)	(18,238)	(34,089)	(35,213)
Net Interest Income Other Items <sup>1</sup> (e)	423	1,081	389	984	1,469
AIBL / AIEA – % (b/a)	91.7	91.4	91.0	91.7	91.2
Yield Average Assets <sup>2 4</sup> - % (1.d/a)	9.4	9.1	9.4	9.3	9.1
Liabilities Average Cost <sup>2 4</sup> - % (2.d/b)	5.9	5.8	6.0	5.9	5.9
Net Interest Rate <sup>2 3</sup> - %	3.5	3.3	3.4	3.4	3.3
Adjusted NIM <sup>2</sup> - % (d/a)	3.9	3.6	3.8	3.8	3.7
NIM <sup>2</sup> – % (c/a)	4.0	4.0	3.9	3.9	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 37.** Change in Revenues and Expenses and Change Volume / Rate (Quarterly)

R\$ million	2Q19 / 1Q19			2Q19 / 2Q18		
	Average Volume <sup>1</sup>	Average Rate <sup>2</sup>	Net Change <sup>3</sup>	Average Volume <sup>1</sup>	Average Rate <sup>2</sup>	Net Change <sup>3</sup>
<b>Earning Assets<sup>4</sup></b>	<b>1,387</b>	<b>890</b>	<b>2,277</b>	<b>1,811</b>	<b>(37)</b>	<b>1,774</b>
Secur. + Interbank Invest. w/o Hedge	1,097	825	1,921	1,643	156	1,799
Loans and Leasing	(73)	351	278	(254)	365	110
Remunerated Compulsory Deposits	(1)	70	69	(95)	4	(91)
Other	(8)	18	9	(6)	(38)	(45)
<b>Interest Bearing Liabilities<sup>4</sup></b>	<b>(749)</b>	<b>(513)</b>	<b>(1,263)</b>	<b>(940)</b>	<b>(395)</b>	<b>(1,335)</b>
Saving Deposits	(9)	(2)	(10)	(104)	22	(82)
Interbank Deposits	2	1	3	(32)	(43)	(75)
Time Deposits	(215)	(19)	(234)	(333)	(155)	(488)
Open Market Borrowing	(523)	(298)	(821)	(968)	59	(909)
Borrowing and Onlending	35	(131)	(96)	302	(263)	39
Financial and Development Funds	(10)	(9)	(19)	21	(33)	(12)
Subordinated Debt	(12)	4	(7)	108	72	179
Foreign Securities Borrowing	(41)	(9)	(50)	2	(24)	(22)
Agribusiness Letters of Credit	(29)	(8)	(37)	11	17	28
Others Commercial Papers <sup>5</sup>	6	3	9	7	(1)	6

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 38.** Change in Revenues and Expenses and Change Volume / Rate (Half-Yearly)

R\$ million	1H19 / 1H18		
	Average Volume <sup>1</sup>	Average Rate <sup>2</sup>	Net Change <sup>3</sup>
<b>Earning Assets<sup>4</sup></b>	<b>2,606</b>	<b>(863)</b>	<b>1,743</b>
Secur. + Interbank Invest. w/o Hedge	2,279	(270)	2,009
Loans and Leasing	(202)	254	52
Remunerated Compulsory Deposits	(188)	(86)	(274)
Other	2	(45)	(43)
<b>Interest Bearing Liabilities<sup>4</sup></b>	<b>(1,374)</b>	<b>250</b>	<b>(1,124)</b>
Saving Deposits	(243)	135	(108)
Interbank Deposits	(108)	(92)	(200)
Time Deposits	(644)	(187)	(831)
Money Market Borrowing	(1,319)	574	(744)
Domestic Borrowing and Onlending	521	(284)	236
Financial and Development Funds	55	(73)	(18)
Subordinated Debt	228	177	405
Foreign Securities Borrowing	(1)	(41)	(42)
Agribusiness Letters of Credit	103	65	168
Others Commercial Papers <sup>5</sup>	8	2	10

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 (*Taxa Média Selic*) 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 39.** Managerial Margin

R\$ million	Quarterly Flow			Chg. (%) on		Half-Yearly Flow		Chg. (%) on
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Loan Operations</b>	<b>10,056</b>	<b>10,507</b>	<b>10,715</b>	<b>6.5</b>	<b>2.0</b>	<b>20,116</b>	<b>21,222</b>	<b>5.5</b>
Individuals	5,624	6,046	6,285	11.7	3.9	11,194	12,331	10.2
Companies	2,300	2,338	2,357	2.5	0.8	4,691	4,694	0.1
Agribusiness	2,132	2,123	2,074	(2.7)	(2.3)	4,231	4,197	(0.8)

### Spread

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

**Table 40.** Spread by Portfolio

%	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Loan Operations</b>	<b>7.5</b>	<b>7.6</b>	<b>7.5</b>	<b>7.4</b>	<b>7.6</b>	<b>7.6</b>	<b>7.7</b>	<b>8.0</b>
Individuals	16.2	16.3	16.2	16.1	16.1	16.3	16.4	16.5
Companies <sup>1</sup>	5.1	5.0	4.7	4.4	4.9	4.7	4.9	5.2
Agribusiness	4.7	4.8	4.7	4.7	4.7	4.6	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 June 30, 2019, net foreign exchange exposure totaled an expense of US\$1,471 million.

**Table 41.** Balance in Foreign Currencies

R\$ million		<b>Balance Sheet</b>	
<b>Currency</b>		<b>Assets</b>	<b>Liabilities</b>
U.S. Dollar		168,476	195,637
Euro		14,228	7,332
Yen		2,690	1,774
Pound Sterling		212	629
Swiss Franc		13	10
Gold		15	-
Canadian Dollar		15	13
Other		11,632	10,689
<b>Total</b>		<b>197,281</b>	<b>216,084</b>
<b>Net Position - Balance Sheet Items</b>			<b>18,803</b>

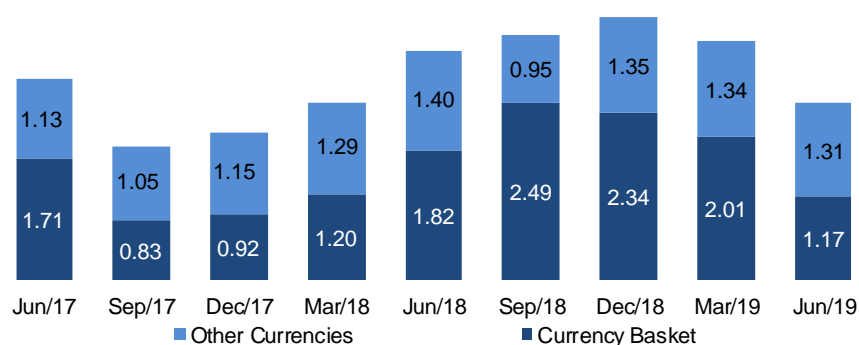
R\$ million		<b>Derivatives</b>	
<b>Currency</b>		<b>Long</b>	<b>Short</b>
U.S. Dollar		36,555	15,337
Euro		1,750	8,997
Yen		1	1,365
Pound Sterling		249	500
Swiss Franc		-	1
Canadian Dollar		4	-
Other		805	-
<b>Total</b>		<b>39,364</b>	<b>26,200</b>
<b>Net Position - Derivatives</b>		<b>13,164</b>	

<b>Total of Derivatives and Balance Sheet</b>	<b>236,645</b>	<b>242,284</b>
<b>Total Net Position</b>		<b>(5,639)</b>
<b>Total Net Position in US\$ million</b>		<b>(1,471)</b>

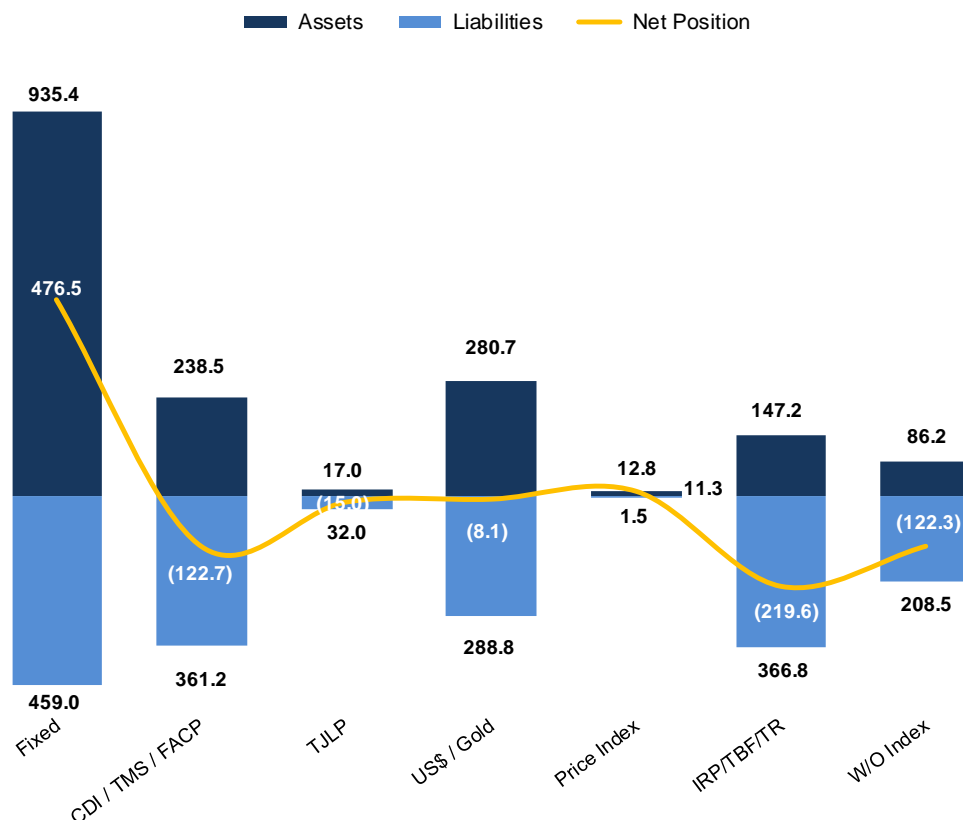
BB's Consolidated regulatory foreign exchange exposure, calculated pursuant to the Central Bank Circular Letter No. 3,641, dated March 4, 2013, including the tax hedging strategy, totaled R\$3,307 million at June 30, 2019. The purpose of tax hedging is to reduce the result's volatility, after tax effects, 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 June, 2017.

**Figure 11.** 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 June 30, 2019.

**Figure 12. 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 42. Maturity Mismatch**

R\$ million	< 1 Mo	1 > 3 Mo	3 > 6 Mo	6 > 12 Mo	1 > 3 Yrs	> 3 Yrs	Total
<b>Assets</b>	<b>197,214</b>	<b>553,041</b>	<b>90,743</b>	<b>118,397</b>	<b>243,011</b>	<b>429,288</b>	<b>1,631,695</b>
Fixed	88,122	522,370	53,067	47,922	113,642	110,285	935,408
CDI / TMS	34,340	(592)	8,721	26,530	66,561	102,982	238,542
TR/TBF/IRP	8,506	5,665	2,062	15,596	24,964	90,404	147,196
Price Index	16	45	85	3,134	7,687	1,841	12,809
TJLP	403	759	1,056	1,170	3,146	10,459	16,992
US\$/ME	65,827	24,794	25,752	24,044	27,011	113,317	280,747
<b>Liabilities</b>	<b>431,250</b>	<b>249,478</b>	<b>61,872</b>	<b>97,067</b>	<b>248,932</b>	<b>420,748</b>	<b>1,509,348</b>
Fixed <sup>1</sup>	307,592	47,513	12,359	13,693	30,911	46,884	458,951
CDI / TMS	23,326	175,829	22,880	40,656	93,373	5,180	361,243
TR/TBF/IRP	43,987	5,541	5,128	10,458	79,493	222,209	366,817
Price Index	24	0	0	265	1,169	84	1,544
TJLP	324	628	1,021	1,446	4,039	24,529	31,987
US\$/ME	55,997	19,967	20,484	30,548	39,947	121,862	288,806
<b>Gap</b>	<b>(234,036)</b>	<b>303,563</b>	<b>28,871</b>	<b>21,330</b>	<b>(5,921)</b>	<b>8,540</b>	<b>122,347</b>
<b>Cumulative Gap</b>	<b>(234,036)</b>	<b>69,527</b>	<b>98,398</b>	<b>119,728</b>	<b>113,807</b>	<b>122,347</b>	<b>-</b>
<b>Cumul. Gap as % Assets</b>	<b>(118.7)</b>	<b>12.6</b>	<b>108.4</b>	<b>101.1</b>	<b>46.8</b>	<b>28.5</b>	<b>-</b>

1 - Fixed liabilities include all deposits in current accounts (R\$45.8 billion).

### 3 - Fee Income

BB prioritizes the quality of the service, through the specialization of its network, and the digital model expansion to improve the relationship with its customers, adding value and convenience to the services provided.

The analysis of the fee performance should consider the effects of seasonality's (volume of products and services traded and number of working days). More information on the key services provided by BB on Chapter 9 of this report is available.

**Table 43.** Fee Income

R\$ million	Quarterly Flow			Chg. (%)		Annual Flow		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Fee Income</b>	<b>6,798</b>	<b>6,795</b>	<b>7,439</b>	<b>9.4</b>	<b>9.5</b>	<b>13,346</b>	<b>14,234</b>	<b>6.7</b>
Checking Account Fees <sup>1</sup>	1,819	1,849	1,918	5.5	3.7	3,573	3,767	5.4
Asset Management Fees	1,559	1,520	1,617	3.8	6.4	2,980	3,137	5.3
Insurance, Pension and Premium Bonds	697	841	929	33.2	10.5	1,468	1,770	20.5
Credit / Debit Cards	481	521	538	11.8	3.4	944	1,059	12.2
Brazil <sup>1</sup>	409	443	471	15.1	6.2	807	913	13.2
Loan Fees	516	403	496	(3.8)	23.1	979	899	(8.2)
Collections	330	308	326	(1.1)	5.9	663	634	(4.4)
Consortium	225	275	312	39.0	13.6	431	587	36.4
Capital Market	187	151	311	66.3	106.8	415	462	11.2
Billings	286	276	282	(1.5)	2.0	556	558	0.2
Contract Processing	100	133	192	90.9	44.1	179	325	82.1
Subsidiaries Abroad	204	173	158	(22.7)	(9.0)	398	331	(16.9)
National Treasury and Manag. of Official Funds	126	103	100	(20.8)	(2.9)	270	203	(24.9)
Foreign Exchange Services	89	89	97	8.6	8.7	165	186	12.7
Other	178	154	163	(8.7)	5.3	325	317	(2.4)

1 - Fee Income earned in the country.

In the 2Q19/1Q19 comparison, highlight for the increase of 106.8% in Capital Market, mainly due to Neoenergia's IPO, in which BB operated as lead coordinator.

Positive performance in Asset Management Fees with an increase of R\$91.8 million compared to the previous quarter, result of the increase assets under management in Jun/19, reached R\$1.05 trillion to R\$981.7 billion in Mar/19; increase of R\$70.7 billion in the quarter.

The increase of Insurance, Pension and Premium Bonds, compared to 1Q19, was due to highest brokerage income, especially for pension with net funding of R\$2.9 billion in 2Q19, compared to R\$938 million in 1Q19.

The increase in Checking Account Fees was 5.4% compared to 1H18, as a result of the increase in the customer base and growth in service packages revenue in the period.

Income from Loan Fees grew by R\$25.4 million compared to 1Q19, influenced by the advisory services to Micro, Small and Medium Enterprises (SME) credit operations.

In Consortium, growth of 39,190 active quotas in the comparison 2Q19/1Q19. The contracts for digital channels (Mobile, Internet and TAA) total R\$746.1 million in 1H19.

Fees from National Treasury and Administration of Official Funds maintained the reduction observed in recent quarters, as a result of BB not acting as financial agent of FIES for new disbursements since 2018.

## 4 - Administrative Expenses

Banco do Brasil seeks to improve its operating efficiency and productivity by maintaining control of its administrative and personnel 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 administrative personnel provisions line, in the comparison the 2Q19/2Q18 comparison, the reduction of 53.8%, mainly due to the reversal to the payment of the first installment of the Christmas bonus.

Personnel Expenses, in the half-yearly comparison, remained stable. In the 1H19/1H18 comparison, the increase of 4.2% on the Salaries line occurred by the 2018 Collective Agreement, with readjustment of 5% in Sep/18.

**Table 44.** Personnel Expenses

R\$ million	Quarterly Flow			Chg. (%)		Half-Yearly Flow		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	
<b>Personnel Expenses</b>	<b>(5,034)</b>	<b>(4,866)</b>	<b>(4,921)</b>	<b>(2.2)</b>	<b>1.1</b>	<b>(9,785)</b>	<b>(9,787)</b>	<b>0.0</b>
Salaries	(2,626)	(2,302)	(2,719)	3.5	18.1	(4,820)	(5,021)	4.2
Social Charges	(800)	(748)	(807)	0.8	7.8	(1,553)	(1,555)	0.2
Benefits	(746)	(773)	(777)	4.1	0.5	(1,520)	(1,550)	2.0
Administrative Personnel Provisions	(624)	(827)	(382)	(38.8)	(53.8)	(1,433)	(1,209)	(15.6)
Pension Fund	(207)	(196)	(203)	(2.0)	3.4	(409)	(399)	(2.2)
Training	(17)	(9)	(21)	28.6	149.5	(27)	(30)	12.5
Remunerat. for Directors and Officers	(13)	(11)	(12)	(10.7)	7.3	(24)	(22)	(7.2)

In Jun/19, there was a reduction of 1,507 employees compared to the same period of the previous year.

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

**Table 45.** BB's Staff Profile

	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Gender</b>	<b>97,675</b>	<b>97,232</b>	<b>96,889</b>	<b>96,567</b>	<b>96,168</b>
Female	40,475	40,324	40,243	40,158	40,054
Male	57,200	56,908	56,646	56,409	56,114
<b>Educational Level</b>					
High School	15,901	15,274	14,846	14,360	13,928
College	39,957	39,450	38,703	38,102	37,288
Specialization, Master's and Doctorate	41,627	42,318	43,150	43,909	44,760
Others	190	190	190	196	192
<b>Position</b>					
Management	32,655	32,677	32,635	32,592	32,565
Technical	4,105	4,215	4,221	4,220	4,219
Advisor	7,710	7,692	7,717	7,621	7,668
Operational	53,205	52,648	52,316	52,134	51,716
<b>Turnover - Quarterly Index (%)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>
<b>Interns</b>	<b>1,911</b>	<b>2,021</b>	<b>1,781</b>	<b>2,165</b>	<b>2,231</b>

### 4.2. Other Administrative Expenses

In the rent and property maintenance line, the growth of 6.6% in the 2Q19/2Q18 comparison is mainly due to the return of real estate expenses (contractual termination and indemnity for restoration of the property) and the adjustments for electricity and water tariffs.

In the half-yearly comparison, a reduction 8.5% in security and transport services resulted from efficiency actions, such as the reduction in the number of remittances and the volume of cash transported, as well as the increase in the installed base of recycling ATM, which use the funds deposited for withdraw.

**Table 46.** Other Administrative Expenses

R\$ million	Quarterly Flow			Chg. (%)		Half-Yearly Flow		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Other Administrative Expenses</b>	<b>(2,698)</b>	<b>(2,700)</b>	<b>(2,728)</b>	<b>1.1</b>	<b>1.1</b>	<b>(5,378)</b>	<b>(5,428)</b>	<b>0.9</b>
Rent and Property Maintenance <sup>1</sup>	(634)	(664)	(676)	6.6	1.8	(1,279)	(1,340)	4.8
Security and Transport Services	(514)	(483)	(485)	(5.5)	0.5	(1,058)	(968)	(8.5)
Amortization and Depreciation	(370)	(390)	(397)	7.5	1.9	(736)	(787)	6.9
Expenses with Outsourced Services	(339)	(302)	(321)	(5.3)	6.4	(656)	(622)	(5.2)
Telecommunications and Data Processing	(315)	(304)	(285)	(9.6)	(6.4)	(640)	(589)	(8.0)
Advertising and Public Affairs	(143)	(116)	(108)	(24.7)	(7.0)	(242)	(224)	(7.4)
Other Administrative Expenses	(384)	(442)	(457)	19.0	3.4	(767)	(899)	17.2

1 - Includes expenses with property insurance.

### 4.3. Indicators

The personnel expenses, administrative expenses and cost-to-income ratio coverage rates (administrative expenses / total operating income) improvement in 2Q19, in the annual comparison, due to positive fees performance and expenses control.

**Table 47.** Cost-to-Income and Coverage Ratios – Adjusted<sup>1</sup>

%	2Q18	3Q18	4Q18	1Q19	2Q19	1H18	1H19
Personnel Expenses Coverage - Quarterly	135.0	144.2	145.6	139.7	151.2	136.4	145.4
<b>Personnel Expenses Coverage - 12 months</b>	<b>138.3</b>	<b>139.2</b>	<b>140.6</b>	<b>141.1</b>	<b>145.2</b>	-	-
Administrative Expenses Coverage - Quarterly	87.9	90.5	91.3	89.8	97.2	88.0	93.6
<b>Administrative Expenses Coverage - 12 months</b>	<b>87.0</b>	<b>87.9</b>	<b>89.5</b>	<b>89.9</b>	<b>92.2</b>	-	-
<b>Cost-to-Income Ratio - 12 months</b>	<b>37.9</b>	<b>37.7</b>	<b>37.5</b>	<b>36.9</b>	<b>36.2</b>	-	-

1 - Data refers to the income statement with reallocations.

The following table sets forth other productivity and efficiency indicators.

**Table 48.** Other Productivity and Efficiency Indicators

	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
Checking Accounts/Own Service Network	2,447	2,527	2,626	2,657	2,714
Checking Accounts/Employees in Branches	569	573	586	598	608
Fee Income/Own Service Network - R\$ thousand	460	481	523	494	546
Loan Portf. (Expanded View)/Own Service Network - R\$ million	46.6	48.4	50.6	49.8	50.4
Commercial Funding/Employees in Branches - R\$ million	9.4	9.7	9.7	10.1	10.2
Inv. Funding/Employees in Branches - R\$ million	14.5	14.8	15.2	16.1	17.3
Personnel Expenses per Employee (quarter average) - R\$ thousand	51.5	48.9	51.2	50.3	51.1
Employees in Branches/(Branches+Services Posts)	9.4	9.3	9.4	9.3	9.3

The following table shows the Pre-Tax and Pre-Provision Earnings and is mainly composed of banking product and total operating expenses.

In the 1H19/1H18 comparison, the increase is attributable to the higher Net Interest Income and Fee Income which offset the increase in expenses, mainly legal risk. Excluding the legal risk line, the 2Q19 Pre-Tax and Pre-Provision Earnings would have been R\$11.7 billion, a growth of 13.4% compared to 2Q18.



**Table 49. Pre-Tax and Pre-Provision Earnings**

R\$ million	Quarterly Flow			Chg. (%)		Half-Yearly Flow Chg. (%)		
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
<b>Total Operating Income (Banking Product)</b>	<b>22,468</b>	<b>22,785</b>	<b>23,226</b>	<b>3.4</b>	<b>1.9</b>	<b>43,780</b>	<b>46,012</b>	<b>5.1</b>
Operating Income	22,037	22,423	22,949	4.1	2.3	43,070	45,372	5.3
Net Interest Income	12,658	12,739	13,062	3.2	2.5	24,697	25,801	4.5
Fee Income	6,798	6,795	7,439	9.4	9.5	13,346	14,234	6.7
Eq. Interest of Subsidiaries and Affiliates	1,018	1,020	1,020	0.1	(0.0)	2,017	2,039	1.1
Other Operating Income	1,563	1,868	1,429	(8.6)	(23.5)	3,011	3,297	9.5
Previ - Plano de Benefícios 1	116	86	86	(25.8)	0.0	232	172	(25.8)
Previ - Fundo de Utilização Restatement	315	276	191	(39.3)	(30.8)	477	467	(2.0)
<b>Total Operating Expenses</b>	<b>(13,025)</b>	<b>(13,703)</b>	<b>(13,605)</b>	<b>4.5</b>	<b>(0.7)</b>	<b>(25,356)</b>	<b>(27,308)</b>	<b>7.7</b>
Administrative Expenses	(7,732)	(7,566)	(7,649)	(1.1)	1.1	(15,164)	(15,215)	0.3
Personnel Expenses	(5,034)	(4,866)	(4,921)	(2.2)	1.1	(9,785)	(9,787)	0.0
Other Administrative Expenses	(2,698)	(2,700)	(2,728)	1.1	1.1	(5,378)	(5,428)	0.9
Legal Risk	(797)	(1,792)	(2,091)	162.3	16.7	(1,526)	(3,883)	154.5
Other Tax Expenses	(152)	(128)	(130)	(14.2)	1.8	(282)	(258)	(8.6)
Taxes on Revenues	(1,157)	(1,172)	(1,076)	(7.0)	(8.2)	(2,318)	(2,248)	(3.0)
Other Operating Expenses	(3,187)	(3,046)	(2,659)	(16.6)	(12.7)	(6,067)	(5,704)	(6.0)
<b>Non-Operating Income</b>	<b>63</b>	<b>78</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>55</b>	<b>(47.0)</b>
<b>Pre-Tax and Pre-Provision Earnings</b>	<b>9,507</b>	<b>9,160</b>	<b>9,598</b>	<b>1.0</b>	<b>4.8</b>	<b>18,527</b>	<b>18,758</b>	<b>1.2</b>

## 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 50.** Interest in the Capital of Subsidiaries and Affiliates

Equity Interest	Activity		Share (%)	Book Value		Equity Income
R\$ thousand			Jun/19	Jun/18	Jun/19	2Q19
Banco do Brasil - AG. Viena	Holding	(I)	100.00	903,343	886,354	10,520
Banco Patagonia S.A.	Multiple Bank	(I)	80.39	938,029	1,443,092	314,865
Banco Votorantim S.A.	Multiple Bank	(II)	50.00	4,674,172	4,872,518	175,993
BB Adm. de Cartões de Crédito S.A.	Service Rendering	(I)	100.00	29,674	36,651	7,622
BB Administradora de Consórcios S.A.	Consortiums	(I)	100.00	226,210	280,583	157,603
BB Americas	Multiple Bank	(I)	100.00	185,487	208,464	2,907
BB Banco de Investimento S.A.	Investment Bank	(I)	100.00	3,150,807	456,142	251,523
Ativos S.A. Securitizadora de Créd. Financ. <sup>1</sup>	Credit Acquisition	(I)	100.00	952,140	984,473	41,690
Companhia Brasileira de Securit. – Cibrasec <sup>2</sup>	Credit Acquisition	(II)	12.12	9,186	9,079	71
Kepler Weber S.A.	Industry	(II)	17.45	71,697	77,078	(162)
Neoenergia S.A.	Energy	(II)	--	1,693,484	-	46,967
Seg. Brasileira de Créd. à Exportação – SBCE	Insurance Company	(II)	--	2,479	-	(2)
Tecnologia Bancária S.A. – Tecban <sup>3</sup>	Service Rendering	(II)	12.52	52,488	57,520	1,280
BB DTV M S.A.	Asset Management	(I)	100.00	131,654	132,588	344,763
BB Elo Cartões Participações S.A.	Holding	(I)	100.00	5,364,638	8,883,167	166,410
Elo Participações S.A.	Holding	(II)	49.99	1,098,761	1,312,700	85,120
CBSS - Alelo	Service Rendering	(II)	49.99	765,029	368,881	43,157
Elo Serviços	Service Rendering	(II)	33.33	67,483	129,504	(7,210)
Cateno Gestão de Contas de Pagamento S.A. <sup>4</sup>	Service Rendering	(II)	50.08	3,676,033	3,656,276	48,571
Cielo S.A.	Service Rendering	(II)	28.68	3,310,073	3,001,662	84,985
BB Leasing S.A. – Arrendamento Mercantil	Leasing	(I)	100.00	4,613,284	4,728,016	41,375
Banco do Brasil Securities LLC.	Brokerage	(I)	100.00	288,785	293,449	2,332
BB Seguridade Participações S.A.	Holding	(I)	66.36	5,281,087	4,284,836	693,347
BB Corretora de Seg. e Adm. de Bens S.A.	Brokerage	(I)	66.36	47,074	47,074	465,182
BB Seguros Participações S.A.	Holding	(I)	66.36	6,650,690	5,220,104	560,314
BB Mapfre SH1 Participações S.A.	Holding	(II)	49.76	1,847,499	1,275,858	295,719
Brasilcap Capitalização S.A.	Capitalization	(II)	44.24	243,180	303,435	15,293
Brasil dental Operadora de Planos Odontológicos S.A.	Service Rendering	(II)	49.77	13,014	17,762	2,758
Brasilprev Seguros e Previdência S.A.	Insurance/Pension	(II)	49.77	2,087,598	2,240,287	209,993
IRB - Brasil Resseguros	Reinsurance	(II)	10.11	425,713	572,871	32,083
Mapfre BB SH2 Participações S.A. <sup>6</sup>	Holding	(II)	--	1,330,537	-	-
BB Tecnologia e Serviços S.A.	IT	(I)	99.99	261,615	281,848	7,993
BB USA Holding Company, Inc.	Holding	(I)	100.00	737	716	(20)
Besc DTV M S.A.	Asset Management	(I)	99.62	6,951	6,637	(106)
BB Cayman Islands Holding	Holding	(I)	100.00	1,644,415	1,678,427	16,416
BB Securities Asia Pte. Ltd.	Brokerage	(I)	100.00	31,195	30,569	215
BB Securities Ltd.	Brokerage	(I)	100.00	241,380	262,561	2,485

(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 50.07%.

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 - In Nov/18, the operational and corporate restructuring of the partnership between BB Seguros Participações S.A. and MAPFRE Brasil Participações S.A. was completed. Following these corporate acts, all common and preferred shares issued by SH2, owned by BB Seguros to Mapfre Brasil, were sold in the amount of R\$2.4 billion.

### 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 51. Other Operating Income/Expenses**

R\$ million	Quarterly Flow			Chg. (%)		Half-Yearly Flow		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	
<b>Other Operating Income</b>	<b>1,563</b>	<b>1,868</b>	<b>1,429</b>	<b>(8.6)</b>	<b>(23.5)</b>	<b>3,011</b>	<b>3,297</b>	<b>9.5</b>
Recovery of Charges and Expenses	516	509	543	5.3	6.7	1,086	1,053	(3.0)
Income from Guarantee Deposits	515	557	452	(12.3)	(18.8)	1,030	1,009	(2.1)
Card Transactions	219	352	81	(62.9)	(76.9)	267	433	61.8
Income from non-financial Associated Companies	65	45	63	(3.4)	41.1	113	108	(4.5)
Receivables Income	43	33	44	2.8	32.2	68	77	12.5
<b>Other Operating Expenses</b>	<b>(3,187)</b>	<b>(3,045)</b>	<b>(2,659)</b>	<b>(16.6)</b>	<b>(12.7)</b>	<b>(6,067)</b>	<b>(5,704)</b>	<b>(6.0)</b>
Negotiation Relationship Bonus	(250)	(329)	(520)	108.3	57.9	(495)	(849)	71.5
Card Transactions	(394)	(414)	(410)	4.1	(1.0)	(835)	(825)	(1.2)
Negotiation Relationship Allowance	(377)	(333)	(340)	(9.8)	1.9	(753)	(673)	(10.7)
Actuarial Liabilities	(313)	(303)	(303)	(3.3)	(0.0)	(627)	(606)	(3.3)
Guarantee Deposits Expenses	(171)	(230)	(231)	35.3	0.6	(344)	(461)	34.3
Discounts Granted on Renegotiations	(291)	(260)	(213)	(26.5)	(18.0)	(572)	(474)	(17.1)
Other Oper. Exp. from Non-Financ. Comp.	(93)	(109)	(103)	10.9	(5.5)	(189)	(212)	12.2
INSS Agreement	(49)	(56)	(57)	14.8	1.8	(96)	(113)	16.8
Self-Service Terminals	(119)	(48)	(51)	(57.2)	6.6	(190)	(99)	(48.0)
Remuneration for Transactions of Banco Postal	(52)	(35)	(39)	(25.0)	9.9	(121)	(74)	(38.8)
Payment Bonus	(57)	(48)	(37)	(35.3)	(22.9)	(109)	(84)	(22.9)
Life Insurance Premium - Consumer Credit	(31)	(35)	(37)	17.5	4.7	(62)	(72)	16.4
Operating losses	(53)	(37)	(28)	(46.8)	(23.7)	(115)	(66)	(42.8)
Goodwill Amortization	(41)	(54)	(20)	(51.3)	(63.1)	(82)	(74)	(9.8)
<b>Other<sup>1</sup></b>	<b>(691)</b>	<b>(380)</b>	<b>(24)</b>	<b>(96.5)</b>	<b>(93.7)</b>	<b>(1,030)</b>	<b>(404)</b>	<b>(60.8)</b>

1 - 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](http://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<sub>OPAD</sub>: related to capital requirement for operational risk exposures under the standardized approach;
  - RWA<sub>MPAD</sub>: related to market risk exposures, subject to the calculation of capital requirements under the standardized approach;
  - RWA<sub>CPAD</sub>: 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.

#### Performance

BIS ratio reached 18.57% in June, 2019. The Tier I capital ratio was 13.41%, with 10.01% of CET 1 and reference equity reached R\$ 130.2 billion.

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

Table 52. Basel Ratio

Quarterly Flow	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Reference Equity (RE)</b>	<b>130,078</b>	<b>131,940</b>	<b>134,178</b>	<b>134,937</b>	<b>130,173</b>
<b>Tier I</b>	<b>90,679</b>	<b>93,107</b>	<b>95,290</b>	<b>98,039</b>	<b>94,032</b>
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>66,676</b>	<b>68,182</b>	<b>71,169</b>	<b>73,782</b>	<b>70,177</b>
Shareholders Equity	91,861	92,746	92,016	94,580	91,659
Instruments Eligible to Capital	8,100	8,100	8,100	8,100	8,100
Prudential Adjustments	(33,285)	(32,664)	(28,947)	(28,898)	(29,582)
Investments and Tax credits (temporary differences) exceeding more than 15% of the CET1	(11,875)	(12,036)	(11,895)	(12,166)	(12,817)
Intangible Assets	(6,281)	(5,923)	(5,777)	(5,473)	(5,531)
Tax credits (temporary differences) exceeding more than 10% of the CET1	(3,980)	(3,777)	(4,631)	(3,800)	(7,962)
Investments exceeding more than 10% of the CET1 <sup>2</sup>	(2,500)	(2,582)	(716)	(959)	(432)
Actuarial Assets related to Defined Benefit Pension Funds net of deferred tax liability associated	(5,817)	(6,114)	(3,732)	(3,927)	(115)
Tax credits arising from tax losses and negative basis of Social Contribution <sup>1</sup>	(2,519)	(1,419)	(1,878)	(2,345)	(2,612)
Goodwill paid on acquisition of investment on the basis of expected future profitability	(237)	(745)	(217)	(168)	(24)
Non-controlling interest <sup>3</sup>	(0)	(0)	(0)	(3)	(36)
Tax credits arising from tax loss of excess depreciation	(75)	(68)	(62)	(56)	(51)
Difference between provision and adjustment resulting from evaluation pursuant 4,277/2013 resolution	-	-	(39)	(3)	(3)
<b>Additional Tier I Capital</b>	<b>24,002</b>	<b>24,924</b>	<b>24,121</b>	<b>24,257</b>	<b>23,855</b>
HCDI authorized by CMN n.º 4,192/2013 resolution	20,725	21,521	20,827	20,945	20,598
HCDI authorized by previous rules to the CMN n.º 4,192/2013 resolution <sup>4</sup>	3,277	3,403	3,294	3,312	3,257
<b>Tier II</b>	<b>39,400</b>	<b>38,834</b>	<b>38,889</b>	<b>36,898</b>	<b>36,141</b>
Eligible to Capital Subordinated Debts	39,433	38,878	38,926	36,935	36,183
Subordinated Debts authorized by CMN n.º 4,192/2013 resolution - Financial Letters	3,777	3,222	3,270	2,976	2,362
Subordinated Debts authorized by previous rules to the CMN n.º 4,192/2013 resolution	35,656	35,656	35,656	33,959	33,821
FCO Funding <sup>5</sup>	29,337	29,337	29,337	29,337	29,337
Financial Letters and Certificates of Deposits <sup>6</sup>	6,319	6,319	6,319	4,622	4,484
Tier II deductions	(34)	(45)	(37)	(36)	(42)
Funding instruments issued by financial institutions	(34)	(45)	(37)	(36)	(42)
<b>Risk-Weighted Assets (RWA)</b>	<b>704,880</b>	<b>705,466</b>	<b>711,490</b>	<b>700,465</b>	<b>701,124</b>
Credit Risk (RWACPAD)	611,008	614,373	624,019	606,099	610,315
Market Risk (RWAMPAD)	29,686	30,012	26,390	24,260	20,704
Operational Risk (RWAOPAD)	64,186	61,081	61,081	70,105	70,105
<b>Minimum Required Referential Equity (MRRE)<sup>7</sup></b>	<b>60,796</b>	<b>60,846</b>	<b>61,366</b>	<b>56,037</b>	<b>56,090</b>
<b>MRRE Margin (RE-MRRE)<sup>8</sup></b>	<b>69,282</b>	<b>71,094</b>	<b>72,812</b>	<b>78,900</b>	<b>74,083</b>
<b>Tier I Capital Ratio (Tier I/RWA) - (%)<sup>a</sup></b>	<b>12.86</b>	<b>13.20</b>	<b>13.39</b>	<b>14.00</b>	<b>13.41</b>
CET1 Ratio (CET1/RWA) - (%) <sup>a</sup>	9.46	9.66	10.00	10.53	10.01
<b>BIS Ratio (RE/RWA) - (%)<sup>a</sup></b>	<b>18.45</b>	<b>18.70</b>	<b>18.86</b>	<b>19.26</b>	<b>18.57</b>

1 – On 06/30/2019 and 12/31/2019, applies CMN Resolutin No. 4,680/2018, who authorized the no deduction of tax credits from tax losses, on period 01/01/2018 and 12/31/2019, due to position sold in foreign currency with the objective of providing hedge for participation in investments abroad.

2 – Investments in similar financial institutions, unconsolidated, and in insurance companies, reinsurers, capitalization companies and open supplementary pension entities.

3 – The deduction of non-controlling interest corresponds to the application of Paragraph 1, Article 9 of CMN Resolution No. 4,192/2013.

4 – 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.

5 – Pursuant to CMN Resolution No.4,679/2018, FCO balances correspond to the application of the limit of 100% to the amount computed in Tier II on 06/30/2018.

6 – On 06/30/2019, the Bank included the balance of the Subordinated Debt instruments applying the reducers, pursuant in Article 29, CMN Resolution No. 4,192/2013.

7 – 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: 8% from 01/01/2019 (8.625% on 2018).

8 - Values from DLO (Operational Threshold Statement).

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 53.** 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\$130,173 million and MRRE totaled R\$56,090 million at 06/30/2019.

### Full Application of Basel III

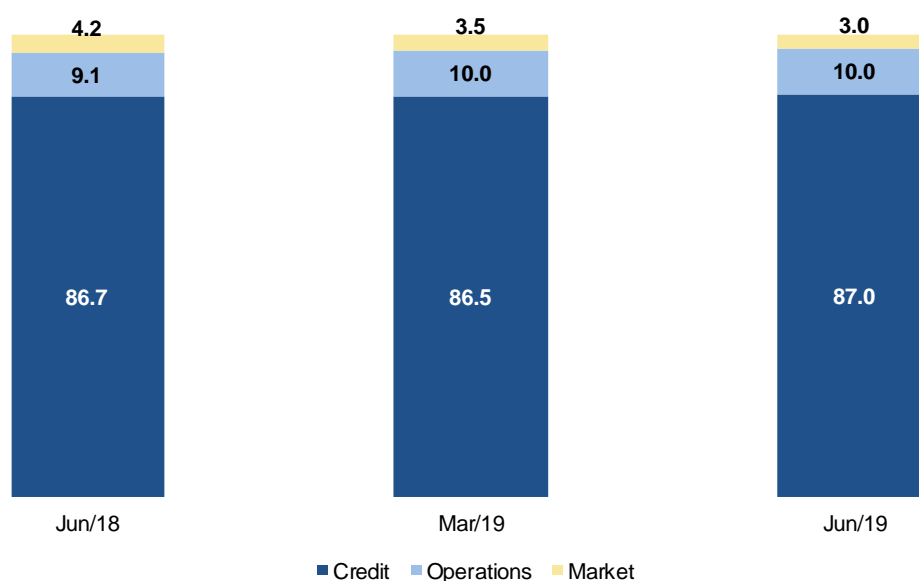
From the Basel III transition schedule, only the increase in the multiplier of the market and operational risk will come into effect, from 11.6 to 12.5 in 2019.

Banco do Brasil has a three-year prospective Capital Plan 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.

In addition, following the RAS and Capital Plan, for January 2022, the goal is to maintain at least 11% of CET1.

The following image presents RWA composition by risk type.

**Figure 13.** 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 2019 is 8.0%.

**Table 54.** MRRE in relation to  $RWA_{OPAD}$ 

R\$ million	Jun/18			Mar/19			Jun/19		
	$RWA_{OPAD}$	MRRE	%	$RWA_{OPAD}$	MRRE	%	$RWA_{OPAD}$	MRRE	%
Commercial	28,001	2,415	43.6%	30,595	2,448	43.6%	30,595	2,448	43.6%
Retail	15,694	1,354	24.5%	16,197	1,296	23.1%	16,197	1,296	23.1%
Trading and Sales	12,795	1,104	19.9%	4,018	321	5.7%	4,018	321	5.7%
Payments and Settlements	4,092	353	6.4%	12,272	982	17.5%	12,272	982	17.5%
Asset Management	2,139	184	3.3%	3,327	266	4.7%	3,327	266	4.7%
Financial Agent Services	1,845	159	2.9%	2,164	173	3.1%	2,164	173	3.1%
Corporate Finance	(430)	(37)	-0.7%	1,480	118	2.1%	1,480	118	2.1%
Retail Brokerage	50	4	0.1%	51	4	0.1%	51	4	0.1%
<b>TOTAL</b>	<b>64,186</b>	<b>5,536</b>		<b>70,105</b>	<b>5,608</b>		<b>70,105</b>	<b>5,608</b>	

**Table 55.** MRRE in relation to  $RWA_{MPAD}$ 

R\$ million	Jun/18			Mar/19			Jun/19		
	$RWA_{MPAD}$	MRRE	%	$RWA_{MPAD}$	MRRE	%	$RWA_{MPAD}$	MRRE	%
FX	20,658	1,782	69.6%	19,243	1,539	79.3%	16,056	1,284	77.6%
Interest Rate	9,023	778	30.4%	5,016	401	20.7%	4,249	340	20.5%
Commodities	5	0	0.0%	1	-	0.0%	399	32	1.9%
<b>TOTAL</b>	<b>29,686</b>	<b>2,560</b>		<b>24,260</b>	<b>1,941</b>		<b>20,704</b>	<b>1,656</b>	

**Table 56.** MRRE in relation to  $RWA_{CPAD}$ 

R\$ million	Jun/18			Mar/19			Jun/19		
	$RWA_{CPAD}$	MRRE	%	$RWA_{CPAD}$	MRRE	%	$RWA_{CPAD}$	MRRE	%
Loan Operations	393,662	33,953	64.4	387,262	30,981	63.9	383,987	30,719	62.9
Other Credits	55,267	4,767	9.0	47,786	3,823	7.9	49,272	3,942	8.1
Tax Credits	33,041	2,850	5.4	33,063	2,645	5.5	35,945	2,876	5.9
Permanent Assets	27,707	2,390	4.5	30,143	2,411	5.0	28,076	2,246	4.6
Securities and Derivatives	28,001	2,415	4.6	34,004	2,720	5.6	41,888	3,351	6.9
Loans to release	17,919	1,546	2.9	18,959	1,517	3.1	19,945	1,596	3.3
Guarantees Provided	3,786	327	0.6	5,647	452	0.9	5,060	405	0.8
Investments in Clearings Guarantee									
Funds	37	3	0.0	54	4	0.0	63	5	0.0
Other	51,588	4,450	8.4	49,181	3,934	8.1	46,079	3,686	7.5
<b>TOTAL</b>	<b>611,008</b>	<b>52,699</b>		<b>606,099</b>	<b>48,488</b>		<b>610,315</b>	<b>48,825</b>	

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

**Table 57.** RWA<sub>CPAD</sub> Segregated by Risk Weighting Factor (RWF)

R\$ million	Jun/19		
	RWF (%)	RWA <sub>CPAD</sub> <sup>1</sup>	MRRE <sup>2</sup>
Available Funds	20	351	28
	100	2,743	219
Short-Term Interbank Investments	20	1,435	115
	50	1,902	152
	85	1,289	103
	100	17,405	1,392
	150	164	13
Securities and Financial Derivatives	2	3	0
	20	34	3
	50	496	40
	85	9,431	755
	100	31,395	2,512
	150	0	0
Investments in Clearings Guarantee Funds	1,250	529	42
	2	51	4
Interbank Accounts	100	12	1
	20	519	41
	50	265	21
	85	1,633	131
Loans	100	56	5
	20	195	16
	35	15,719	1,258
	50	1,033	83
	70	8,152	652
	75	155,682	12,455
	85	54,325	4,346
Leasing	100	148,881	11,910
	75	58	5
	85	4	0
Other Receivables	100	139	11
	50	8,494	680
	75	18,727	1,498
	85	517	41
Other Assets	100	21,534	1,723
	100	948	76
Permanent Assets	100	12,063	965
	250	16,014	1,281
Credit Commitment non-cancellable unconditionally and unilaterally by the Institution	50	505	40
	75	9,158	733
	85	4,054	324
	100	1,282	103
Loans to Concede	50	246	20
	75	574	46
	85	1,630	130
	100	2,496	200
Advance payment granted by the Institution	75	234	19
	85	5,790	463
	100	9,984	799
Guarantees provided	20	3	0
	50	2	0
	75	103	8
	85	1,649	132
	100	3,303	264
Tax Credits	100	21,805	1,744
	250	10,302	824
	300	3,837	307
Operations for settlement of purchase of foreign currency, gold or securities on the spot market			
	100	0	0
Operations for settlement of sale of foreign currency, gold or securities on the spot market			
	85	6	0
	100	5	0
Derivatives adjustment due to variation of credit quality from counterparty			
	-	1,150	92
<b>Total</b>		<b>610,315</b>	<b>48,825</b>

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 8.0%.



## 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.

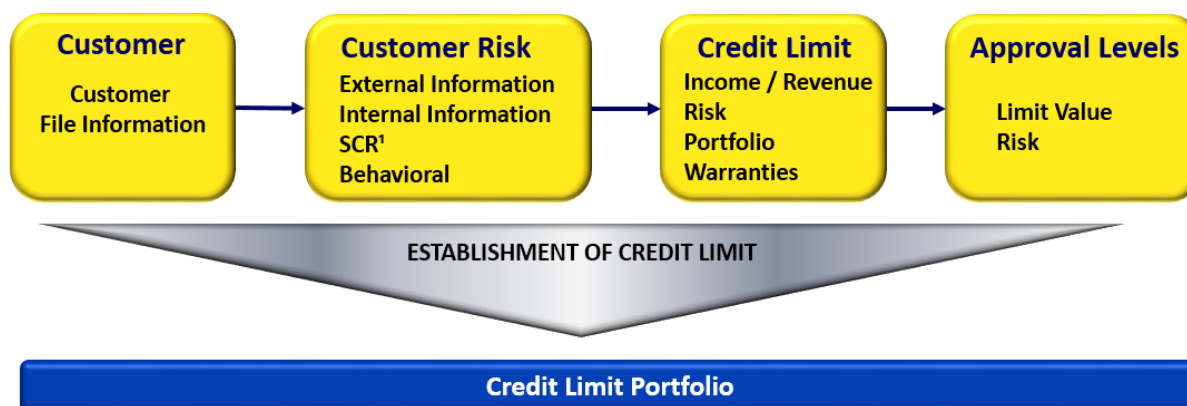
- I. Customer File Information: analysis of client information obtained from internal and external sources, including restrictive client information;
- II. Behavior within BB: indebtedness analysis, use of credit products, timely payments and data on relationships with the Bank;
- III. Behavior within 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 14.** 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.

Since 1Q19, the Companies portfolio has been reported showing the Government segment, Large Corporate and Micro, Small and Medium Enterprises (SME). The SME segment brings together companies with annual revenues of up to R\$200 million.

**Table 58.** Loan Portfolio – Classified and Expanded View

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio (a)</b>	<b>637,677</b>	<b>100.0</b>	<b>628,884</b>	<b>100.0</b>	<b>626,322</b>	<b>100.0</b>	<b>(1.8)</b>	<b>(0.4)</b>
<b>Brazil</b>	<b>601,431</b>	<b>94.3</b>	<b>594,248</b>	<b>94.5</b>	<b>591,750</b>	<b>94.5</b>	<b>(1.6)</b>	<b>(0.4)</b>
<b>Individuals</b>	<b>189,628</b>	<b>29.7</b>	<b>199,921</b>	<b>31.8</b>	<b>204,046</b>	<b>32.6</b>	<b>7.6</b>	<b>2.1</b>
Payroll Loan	69,183	10.8	72,706	11.6	75,194	12.0	8.7	3.4
Mortgage	46,856	7.3	48,763	7.8	49,318	7.9	5.3	1.1
Credit Card	25,052	3.9	27,257	4.3	27,610	4.4	10.2	1.3
Salary Loans	19,173	3.0	19,421	3.1	19,918	3.2	3.9	2.6
Auto Loans	12,816	2.0	11,023	1.8	9,764	1.6	(23.8)	(11.4)
Renegotiated Loan	8,549	1.3	9,527	1.5	9,824	1.6	14.9	3.1
Consumer Finance	4,932	0.8	8,519	1.4	9,717	1.6	97.0	14.1
Overdraft Account	2,119	0.3	1,851	0.3	1,884	0.3	(11.1)	1.8
Other	947	0.1	854	0.1	817	0.1	(13.7)	(4.3)
<b>Companies<sup>1</sup></b>	<b>223,863</b>	<b>35.1</b>	<b>209,587</b>	<b>33.3</b>	<b>206,498</b>	<b>33.0</b>	<b>(7.8)</b>	<b>(1.5)</b>
Corporate	119,827	18.8	106,264	16.9	102,824	16.4	(14.2)	(3.2)
SME	58,846	9.2	58,910	9.4	60,736	9.7	3.2	3.1
Government	45,189	7.1	44,413	7.1	42,937	6.9	(5.0)	(3.3)
<b>Agribusiness</b>	<b>187,941</b>	<b>29.5</b>	<b>184,739</b>	<b>29.4</b>	<b>181,206</b>	<b>28.9</b>	<b>(3.6)</b>	<b>(1.9)</b>
Individuals	144,086	22.6	148,673	23.6	151,675	24.2	5.3	2.0
Companies	43,855	6.9	36,066	5.7	29,530	4.7	(32.7)	(18.1)
<b>Abroad</b>	<b>36,246</b>	<b>5.7</b>	<b>34,637</b>	<b>5.5</b>	<b>34,573</b>	<b>5.5</b>	<b>(4.6)</b>	<b>(0.2)</b>
<b>Private Securities and Guarantees (b)</b>	<b>51,970</b>		<b>56,415</b>		<b>60,242</b>		<b>15.9</b>	<b>6.8</b>
<b>Loan Portfolio - Expanded View (a + b)</b>	<b>689,647</b>	<b>100.0</b>	<b>685,299</b>	<b>100.0</b>	<b>686,564</b>	<b>100.0</b>	<b>(0.4)</b>	<b>0.2</b>
<b>Brazil</b>	<b>645,975</b>	<b>93.7</b>	<b>645,459</b>	<b>94.2</b>	<b>647,079</b>	<b>94.2</b>	<b>0.2</b>	<b>0.3</b>
Individuals	189,827	27.5	200,286	29.2	204,572	29.8	7.8	2.1
Companies	267,568	38.8	257,749	37.6	257,684	37.5	(3.7)	(0.0)
Agribusiness	188,580	27.3	187,424	27.3	184,822	26.9	(2.0)	(1.4)
<b>Abroad</b>	<b>43,672</b>	<b>6.3</b>	<b>39,840</b>	<b>5.8</b>	<b>39,486</b>	<b>5.8</b>	<b>(9.6)</b>	<b>(0.9)</b>

1 – Historical data revised

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. This, in turn, as of 2019, does not considers the Government portfolio for guidance purposes.

**Table 59.** Loan Portfolio – Guidance

R\$ million	Balance			Chg. % on	
	Jun/18	Mar/19	Jun/19	Jun/18	Mar/19
<b>Organic Domestic Loan Portfolio - Expanded View</b>	<b>592,184</b>	<b>594,149</b>	<b>598,459</b>	<b>1.1</b>	<b>0.7</b>
Individuals	181,226	193,389	198,890	9.7	2.8
Companies w/o Government	244,642	231,724	229,189	(6.3)	(1.1)
Rural	166,317	169,036	170,380	2.4	0.8

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

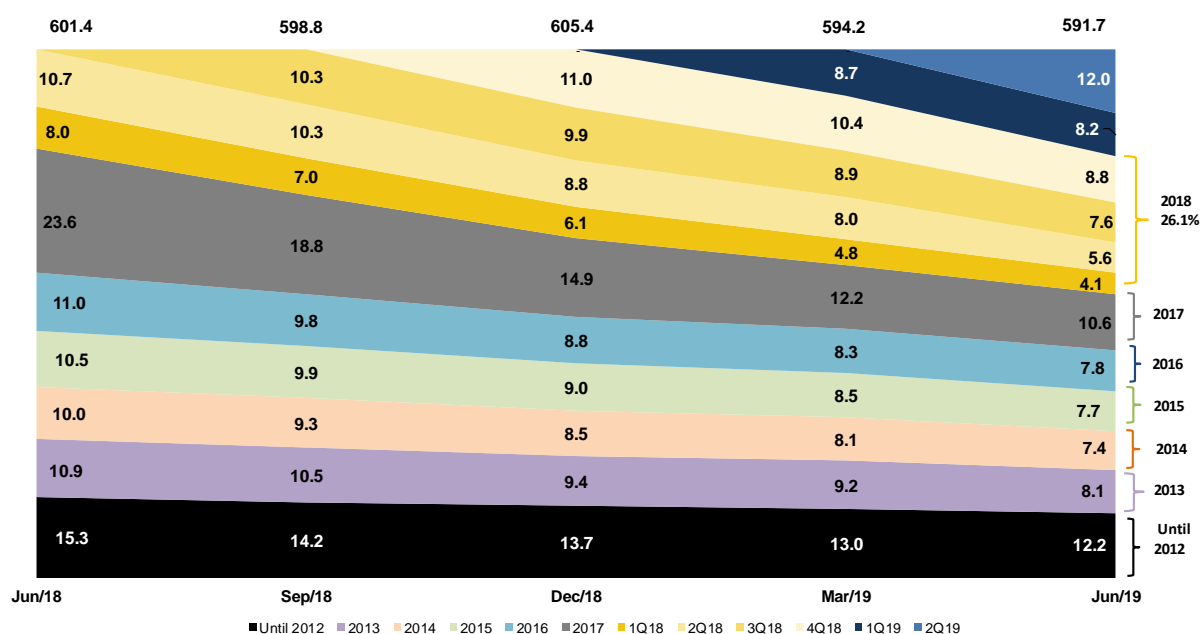
**Table 60.** Loans in the Brazilian Banking Industry

	Balance				Chg. % on		
R\$ billion	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19	Jun/18	Mar/19
BI	3,135	3,178	3,258	3,269	3,296	5.1	0.9
Individuals	1,701	1,735	1,793	1,829	1,874	10.1	2.4
Companies	1,434	1,443	1,465	1,440	1,423	(0.8)	(1.2)
BB Market Share - %	19.2	18.8	18.6	18.2	18.0		

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.

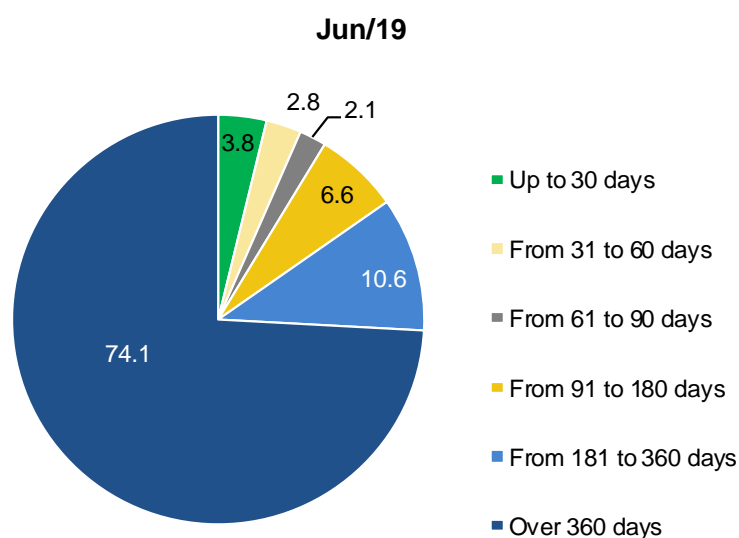
Considering the portfolio of June 2019, 56.9% of the assets were contracted since 2017. Assets contracted before 2014 correspond to 20.3%.

**Figure 15.** 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. 74.1% of the portfolio has a maturity period of over 360 days, in line with the investment, mortgage and payroll loans trend, while 8.7% of the portfolio has a maturity of less than 90 days, notably working capital operations with companies.

**Figure 16.** 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 61.** Individuals Loan Portfolio

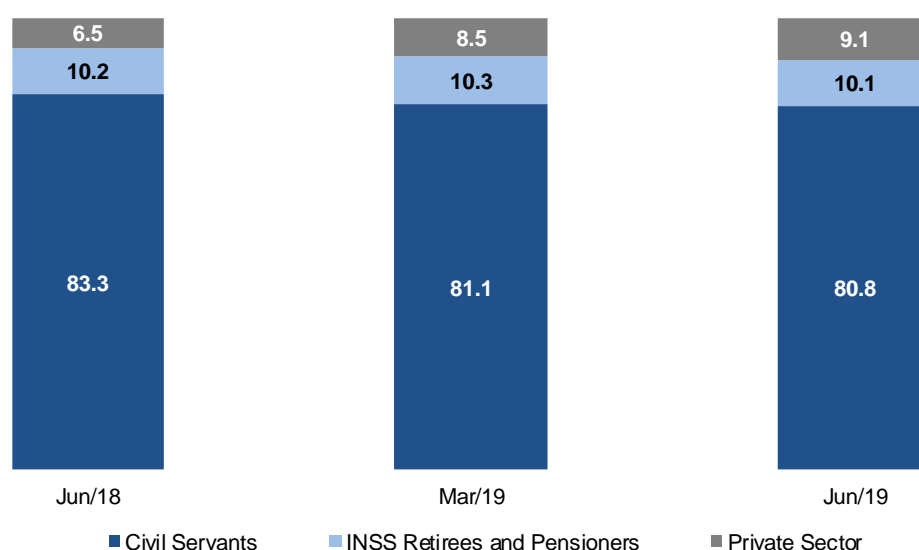
R\$ million	Balance						Chg. % on	
	Jun/18 Share %	Mar/19 Share %	Jun/19 Share %	Jun/18	Mar/19			
Organic Classified Loan Portfolio	181,026	95.4	193,024	96.4	198,364	97.0	9.6	2.8
Direct Consumer Credit	93,088	49.0	100,529	50.2	104,723	51.2	12.5	4.2
Payroll Loan	68,983	36.3	72,588	36.2	75,089	36.7	8.9	3.4
Salary Loan	19,173	10.1	19,421	9.7	19,918	9.7	3.9	2.6
Consumer Finance	4,932	2.6	8,519	4.3	9,717	4.7	97.0	14.1
Mortgage	46,856	24.7	48,763	24.3	49,318	24.1	5.3	1.1
Credit Card	25,052	13.2	27,257	13.6	27,610	13.5	10.2	1.3
Renegotiated Loan	8,549	4.5	9,527	4.8	9,824	4.8	14.9	3.1
Auto Loan	4,415	2.3	4,244	2.1	4,187	2.0	(5.2)	(1.4)
Overdraft Account	2,119	1.1	1,851	0.9	1,884	0.9	(11.1)	1.8
Microcredit	366	0.2	317	0.2	309	0.2	(15.6)	(2.4)
Other	581	0.3	537	0.3	508	0.2	(12.6)	(5.4)
Acquired Loan Portfolio	8,602	4.5	6,897	3.4	5,683	2.8	(33.9)	(17.6)
Auto Loan	8,401	4.4	6,779	3.4	5,577	2.7	(33.6)	(17.7)
Payroll Loan	201	0.1	118	0.1	106	0.1	(47.4)	(10.5)
Classified Loan Portfolio (a)	189,628	99.9	199,921	99.8	204,046	99.7	7.6	2.1
Private Securities and Guarantees (b)	200	0.1	365	0.2	526	0.3	163.3	44.1
Expanded View Loan Portfolio (a+b)	189,827	100.0	200,286	100.0	204,572	100.0	7.8	2.1

BB's knowledge of its customers is an important component of the credit methodology. Of those with credit transactions at BB, 93.4% have an account for at least five years.

**Table 62.** Account Time – Customers with Credit Transactions

%	Jun/18	Mar/19	Jun/19
<b>Account Time</b>			
Up to 1 year	0.6	0.6	0.6
From 1 to 2 years	1.0	1.1	1.1
From 2 to 5 years	6.9	5.5	5.0
From 5 to 10 years	17.6	17.2	17.1
Over 10 years	73.9	75.6	76.2

Civil servants and pensioners contracted the majority of direct consumer credit (Payroll, Salary and Mortgage), which totaled R\$105 billion in June 2019. The disbursement to businesspersons and other professionals influenced the rise on private sector share from 6.5% to 9.1%.

**Figure 17.** Organic Individuals Loan Portfolio – Direct Consumer Credit - %

BB offers complete credit lines and loans solutions to its clients, with the possibility of contracting it in the mobile, internet, ATM, branches, among others.

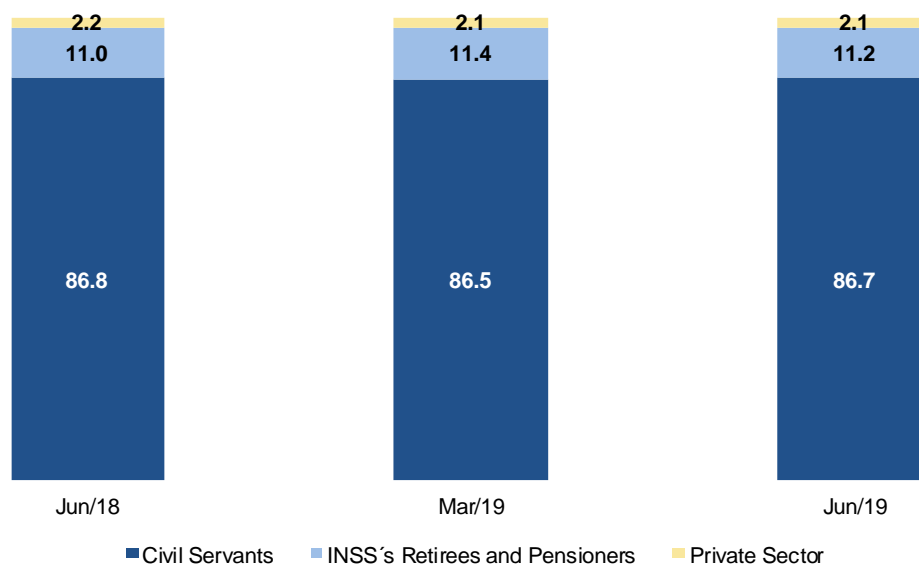
The main portfolios for individuals are presented below:

## Payroll Loan

The payroll loan portfolio was R\$75.1 billion in June 2019 (Growth of 8.9% in 12 months). It is mainly composed of operations with civil servants and INSS retirees/pensioners.

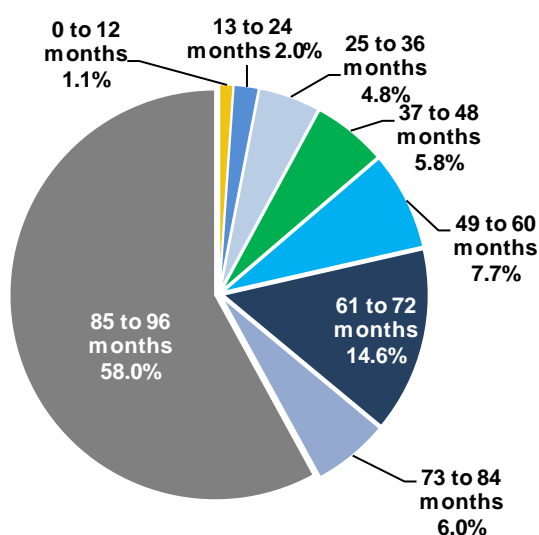
The table below shows the portfolio breakdown.

**Figure 18.** Organic Payroll Loan Breakdown - %

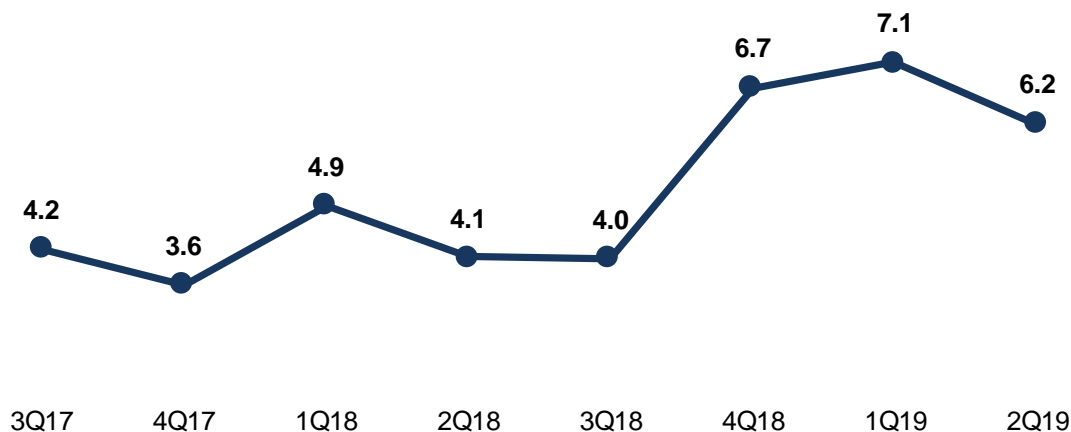


Most of the payroll loan granted by BB in this quarter had a maturity period of over 60 months. The profile of this portfolio allows customers to extend the term, generating loyalty and opportunity to offer other products during this time.

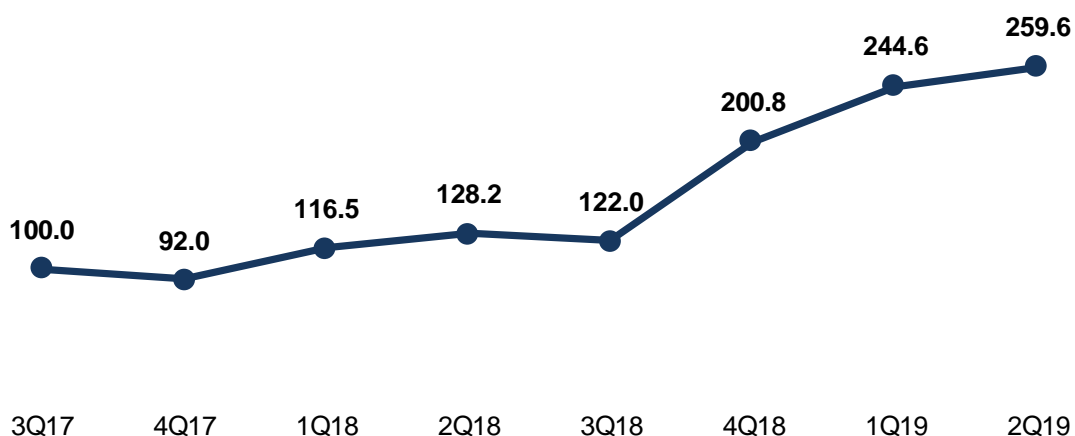
**Figure 19.** Maturity of Transactions Contracted in the Quarter – Payroll Loan



Part of the payroll loans agreements allow the product quotation and contracting through BB's App. This line has the convenience of "Duplo Sim", when the clients account manager in the branch formalizes the operation and the client, via password or biometrics directly in the app, confirms it, without having to attend the branch. In the quarter, the total disbursed through BB's App reached 6.2%.

**Figure 20.** Payroll Loan App disbursement -%

The following figure shows the evolution of the payroll loan app disbursement.

**Figure 21.** Payroll Loan App disbursement evolution – Base 100

BB maintains a market share close to 20.9% in this line.

**Table 63.** Payroll Loans information

	Sep/17	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Payroll Loan</b>								
Average Rate - % p.m.	1.91	1.89	1.88	1.86	1.83	1.80	1.77	1.74
Average Maturity - months	61	61	61	62	63	63	64	65
Market Share - %	20.0	21.7	21.4	21.4	21.2	21.3	20.9	20.9

The average maturity of the portfolio is calculated by weighting the remaining period by the outstanding balance. The average rate considers the portfolio.

### Mortgage

In the last 12 months the balance increased R\$2.5 billion or 5.3%.

We emphasize the measures implemented to increase the efficiency in the credit granting process.

BB had 8.0% market share in June 2019, stable in the last 12 months.

**Table 64.** Mortgage information

	Sep/17	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Mortgage</b>								
Average Contract Amount - R\$ thousand	160.2	172.2	173.4	158.8	151.4	147.3	149.0	143.1
Average Rate - % p.y.	7.15	7.17	7.21	7.26	7.28	7.29	7.29	7.29
Average Maturity - months	329	328	325	333	336	337	334	336
LTV	60.7	60.7	60.9	58.0	61.2	61.3	61.3	61.4
Market Share - %	7.4	7.8	7.9	8.0	8.1	8.1	8.1	8.0

The average maturity of the portfolio is calculated by weighting the remaining period by the outstanding balance. The average rate considers the portfolio.

### Consumer Finance

BB's Consumer Finance portfolio consists of non-payroll loans and does not necessarily depend on the clients receiving its salaries through the Bank.

In mid-2018, Banco do Brasil started a strategy of offering loans to clients who did not have the profile of Payroll Salary loan borrowers. In this process, more than 3 million customers were initially assessed and approaches begun. In addition to expanding financial solutions offering, the strategy aims to contribute to the portfolio mix change, increasing the share of non-payroll and salary loans.

In the annual comparison, the Consumer Finance portfolio grew 97.0% and reached R\$9.7 billion, an increase of R\$4.8 billion in the period.

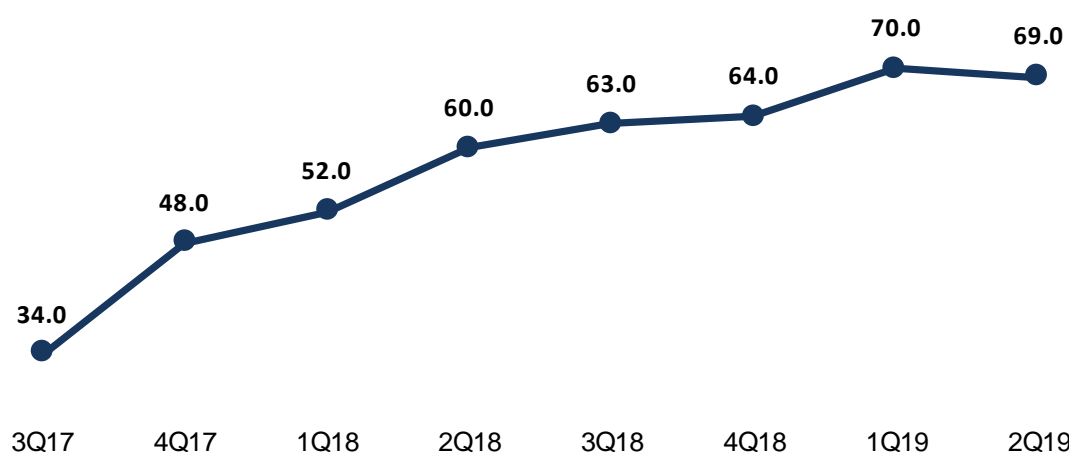
**Table 65.** Consumer Finance information

	Sep/17	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Consumer Finance</b>								
Average Rate - % p.m.	4.21	4.17	4.13	4.06	4.03	4.02	3.96	3.94
Average Maturity - months	43	45	44	44	45	47	47	47

The average maturity of the portfolio is calculated by weighting the remaining period by the outstanding balance. The average rate considers the portfolio.

### Auto Loan

BB's organic auto portfolio consists of operations carried out with Bank account holders. In digital credit granting, the client has the possibility of contracting the loan through the App, including the weekends and without the need to go to the branch. Approximately 50% of the operations are carried out on non-working days. In the quarter, 69.0% of disbursements were made through the application.

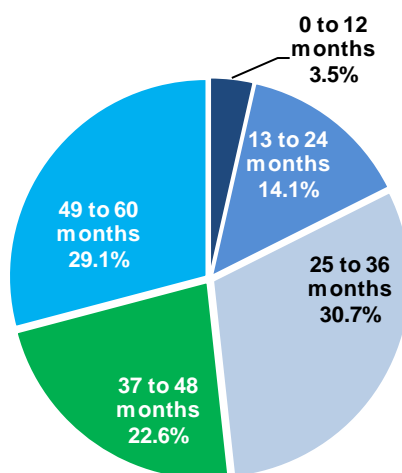
**Figure 22.** Auto Loan App disbursement -%

The following table shows the main characteristics of the clients of Banco do Brasil's organic auto loan portfolio. It can be seen that most of the clients have been account holders for more than 10 years and their salary is paid through the Bank.

**Table 66.** BB's Organic Auto Loan Portfolio - Customers Characteristics

%	Jun/18	Mar/19	Jun/19
<b>Account Time</b>			
Up to 5 years	6.3	4.8	4.5
From 5 to 10 years	17.7	16.8	16.7
Over 10 years	76.0	78.4	78.8
<b>Salary</b>			
Paid through Banco do Brasil	64.9	66.5	66.8
Paid through other banks	35.1	33.5	33.2

The next figure shows maturity of auto loan transactions contracted at Banco do Brasil in the quarter. Approximately 70.9% of the disbursement matures within 48 months.

**Figure 23.** Maturity of Transactions Contracted in the quarter – Auto Loan

The next table presents other information on the auto loans portfolio, with the LTV of 67.5% in June 2019. In this case, the clients commit with 32.5% of the property value.

**Table 67.** Auto Loans information

	Sep/17	Dec/17	Mar/18	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Auto Financing</b>								
Average Rate - % p.m.	1.84	1.84	1.83	1.80	1.77	1.73	1.70	1.68
Average Maturity - months	29	30	30	30	31	32	32	32
LTV	66.1	67.4	66.3	66.7	66.4	66.8	66.9	67.5
Market Share <sup>1</sup> - %	9.9	9.2	7.6	7.5	6.3	5.6	5.7	4.9

The average maturity of the portfolio is calculated by weighting the remaining period by the outstanding balance. The average rate considers the portfolio.  
 1 – Includes only unmarked resources.

### 7.1.2. Companies Loan Portfolio

The companies' loan portfolio decrease, mainly on the working capital line, is due the early payment of operations by clients in the Large Corporate segment.



**Table 68.** Companies Loan Portfolio

R\$ million	Balance				Chg. % on	
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %
<b>Classified Loan Portfolio (a)</b>	<b>223,863</b>	<b>83.7</b>	<b>209,587</b>	<b>81.3</b>	<b>206,498</b>	<b>80.1</b>
Broad Working Capital	125,145	46.8	117,853	45.7	116,684	45.3
Working Capital	112,151	41.9	102,589	39.8	102,131	39.6
Receivables	11,252	4.2	12,923	5.0	12,390	4.8
Pre-Approved-Credit	1,414	0.5	2,004	0.8	1,803	0.7
Overdraft Account	328	0.1	337	0.1	360	0.1
Investments	53,435	20.0	50,515	19.6	49,194	19.1
ACC/ACE	17,199	6.4	17,133	6.6	17,658	6.9
Renegotiated Loan	14,325	5.4	13,161	5.1	12,814	5.0
Mortgage	7,639	2.9	5,839	2.3	4,674	1.8
Credit Card	4,237	1.6	2,974	1.2	2,954	1.1
Other	1,885	0.7	2,112	0.8	2,520	1.0
<b>Private Sec. and Guarantees (b)</b>	<b>43,705</b>	<b>16.3</b>	<b>48,162</b>	<b>18.7</b>	<b>51,186</b>	<b>19.9</b>
<b>Loan Portfolio - Expanded View (a+b)</b>	<b>267,568</b>	<b>100.0</b>	<b>257,749</b>	<b>100.0</b>	<b>257,684</b>	<b>100.0</b>

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

**Table 69.** Companies Portfolio Breakdown

R\$ million	Balance				Chg. % on	
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %
<b>Classified Loan Portfolio (a)</b>	<b>223,863</b>	<b>83.7</b>	<b>209,587</b>	<b>81.3</b>	<b>206,498</b>	<b>80.1</b>
Corporate	119,827	44.8	106,264	41.2	102,824	39.9
SME	58,846	22.0	58,910	22.9	60,736	23.6
Government	45,189	16.9	44,413	17.2	42,937	16.7
<b>Private Sec. and Guarantees (b)</b>	<b>43,705</b>	<b>16.3</b>	<b>48,162</b>	<b>18.7</b>	<b>51,186</b>	<b>19.9</b>
<b>Loan Portfolio - Expanded View (a+b)</b>	<b>267,568</b>	<b>100.0</b>	<b>257,749</b>	<b>100.0</b>	<b>257,684</b>	<b>100.0</b>

### Loans to SME

Micro, Small and Medium-sized Enterprises are included in the segment with annual revenues of up to R\$200 million.

The following table shows that 97.3% of this portfolio was concentrated by account holders who have accounts over two years.

**Table 70.** Account Time - SME Portfolio Balance

%	Jun/18	Mar/19	Jun/19
<b>Account Time</b>			
Up to 1 year	0.4	0.8	1.0
From 1 to 2 years	0.9	1.5	1.7
From 2 to 5 years	7.6	6.1	6.2
From 5 to 10 years	25.1	23.1	22.4
Over 10 years	66.1	68.5	68.7

The following tables show the main details of loan to SME. Highlight to the growth of R\$7.0 billion in Working Capital line (12 months comparison).

**Table 71.** SME Loan Portfolio

R\$ million	Balance				Chg. % on	
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %
<b>SME Classified Loan Portfolio</b>	<b>58,846</b>	<b>100.0</b>	<b>58,910</b>	<b>100.0</b>	<b>60,736</b>	<b>100.0</b>
Broad Working Capital	24,346	41.4	29,716	50.4	32,256	53.1
Working Capital	18,710	31.8	23,375	39.7	25,644	42.2
Receivables	4,295	7.3	4,448	7.5	4,612	7.6
Pre-Approved-Credit	1,014	1.7	1,558	2.6	1,643	2.7
Overdraft Account	326	0.6	335	0.6	358	0.6
Investments	14,195	24.1	12,830	21.8	12,825	21.1
Renegotiated Loan	9,917	16.9	7,932	13.5	7,731	12.7
ACC/ACE	2,746	4.7	3,310	5.6	3,405	5.6
Credit Card	3,378	5.7	2,180	3.7	1,975	3.3
Mortgage	2,978	5.1	2,107	3.6	1,750	2.9
Other	1,287	2.2	834	1.4	794	1.3

## Foreign Trade Finance

BB is one of the main partners in Brazilian foreign trade with a market share of 18.7% and 17.4% in foreign exchange for export and import operations, respectively in the quarter. The market share in operations of Forward Exchange Contracts (ACC) and Advance against Draft Presentation (ACE) was 18.6% in the quarter.

**Table 72.** Foreign Exchange for Export and Import Operations

	Balance					Chg. % on	
	2Q18	3Q18	4Q18	1Q19	2Q19	2Q18	1Q19
<b>Export Exchange</b>							
Contracted Amount (US\$ thousand)	14,376	11,451	11,745	8,187	9,241	(35.7)	12.9
Market Share - %	23.8	19.4	20.0	18.8	18.7		
<b>Import Exchange</b>							
Contracted Amount (US\$ thousand)	5,795	8,211	7,383	5,501	7,257	25.2	31.9
Market Share - %	13.9	16.2	15.4	14.4	17.4		

**Table 73.** Forward Exchange Contracts (ACC) and Advance against Draft Presentation (ACE)

	Balance					Chg. % on	
	2Q18	3Q18	4Q18	1Q19	2Q19	2Q18	1Q19
Contracted Amount (US\$ million)	2,769	2,122	2,523	1,903	2,312	(16.5)	21.5
Quantity of Contracts	2,823	2,815	3,204	2,790	2,973	5.3	6.6
Average Vol. per Contract (US\$ thousand)	981	754	787	682	778	(20.7)	14.0

## 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\$185 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.

### 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 74.** Brazil's Share in World Agribusiness in June 2019

Item	Production	Export	% World Trade
Orange Juice	1st	1st	76.5%
Soybean and Related Products	2nd	1st	49.7%
Sugarcane	2nd	1st	36.1%
Poultry	2nd	1st	32.6%
Coffee	1st	1st	26.9%
Cattle	2nd	1st	20.4%
Corn	1st	2nd	20.4%
Cotton	4th	2nd	18.3%

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.

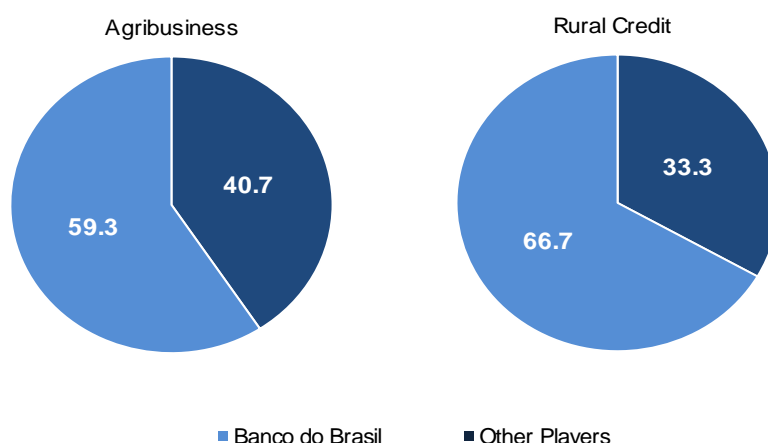
## Agribusiness at BB

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 59.3% of all financings granted to the agribusiness sector in June 2019.

**Figure 24.** BB's Market Share in Brazilian – %



Considering only rural credit operations, BB's market share would be 66.7%.

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

**Table 75.** Classified Agribusiness Loan Portfolio by Region

Region	Rural Credit - %	Agroindustry - %	Total - %
Southeast	30.0	87.3	34.6
South	28.9	10.6	27.4
Midw est	27.1	1.2	25.0
Northeast	7.5	0.4	6.9
North	6.6	0.5	6.1

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

**Table 76.** Agribusiness Loan Portfolio by Credit Line/Program

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>99.7</b>	<b>184,739</b>	<b>98.6</b>	<b>181,206</b>	<b>98.0</b>	<b>(3.6)</b>	<b>(1.9)</b>
<b>Rural Credit</b>	<b>165,677</b>	<b>87.9</b>	<b>166,351</b>	<b>88.8</b>	<b>166,764</b>	<b>90.2</b>	<b>0.7</b>	<b>0.2</b>
Pronaf	43,351	23.0	44,075	23.5	43,582	23.6	0.5	(1.1)
Work. Capital for Input Purchase	38,414	20.4	37,686	20.1	38,130	20.6	(0.7)	1.2
Pronamp	23,987	12.7	22,621	12.1	22,877	12.4	(4.6)	1.1
FCO Rural	15,969	8.5	18,365	9.8	18,613	10.1	16.6	1.3
Agricultural Investment	13,042	6.9	15,005	8.0	15,547	8.4	19.2	3.6
Agricultural Selling	12,192	6.5	10,230	5.5	9,601	5.2	(21.3)	(6.1)
Low Carbon Agriculture Program	8,718	4.6	8,596	4.6	8,295	4.5	(4.9)	(3.5)
BNDES/Finame Rural	7,211	3.8	6,605	3.5	6,621	3.6	(8.2)	0.3
Other	2,794	1.5	3,170	1.7	3,497	1.9	25.2	10.3
<b>Loans to Companies</b>	<b>22,263</b>	<b>11.8</b>	<b>18,388</b>	<b>9.8</b>	<b>14,442</b>	<b>7.8</b>	<b>(35.1)</b>	<b>(21.5)</b>
Rural Product Bills and Guarantees	640	0.3	2,685	1.4	3,617	2.0	465.4	34.7
Rural Loans - Broad Definition	166,317	88.2	169,036	90.2	170,380	92.2	2.4	0.8
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>	<b>(2.0)</b>	<b>(1.4)</b>

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 77.** Agribusiness Loan Portfolio by Purpose

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>99.7</b>	<b>184,739</b>	<b>98.6</b>	<b>181,206</b>	<b>98.0</b>	<b>(3.6)</b>	<b>(1.9)</b>
Investment	90,279	47.9	94,139	50.2	93,787	50.7	3.9	(0.4)
Working Capital for Input Purchase	58,838	31.2	57,105	30.5	58,617	31.7	(0.4)	2.6
Agroindustry	22,263	11.8	18,388	9.8	14,442	7.8	(35.1)	(21.5)
Crop Trading	12,463	6.6	10,550	5.6	9,867	5.3	(20.8)	(6.5)
Industrial	1,605	0.9	1,811	1.0	1,230	0.7	(23.4)	(32.1)
Other	2,492	1.3	2,746	1.5	3,263	1.8	30.9	18.8
Rural Product Bills and Guarantees	640	0.3	2,685	1.4	3,617	2.0	465.4	34.7
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>	<b>(2.0)</b>	<b>(1.4)</b>

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

**Table 78.** Agribusiness Loan Portfolio by Financed Item

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>99.7</b>	<b>184,739</b>	<b>98.6</b>	<b>181,206</b>	<b>98.0</b>	<b>(3.6)</b>	<b>(1.9)</b>
Livestock	41,335	21.9	42,245	22.5	42,215	22.8	2.1	(0.1)
Meat	27,112	14.4	28,048	15.0	28,254	15.3	4.2	0.7
Milk	14,223	7.5	14,196	7.6	13,960	7.6	(1.9)	(1.7)
Machinery and Equipment	24,089	12.8	26,150	14.0	26,433	14.3	9.7	1.1
Soybean	21,427	11.4	20,794	11.1	21,772	11.8	1.6	4.7
Corn	9,571	5.1	8,990	4.8	8,853	4.8	(7.5)	(1.5)
Agricultural Storage	6,333	3.4	6,912	3.7	7,028	3.8	11.0	1.7
Soil Improvement	5,068	2.7	5,622	3.0	5,629	3.0	11.1	0.1
Coffee	4,691	2.5	4,664	2.5	4,974	2.7	6.0	6.6
Pasture	3,944	2.1	4,152	2.2	4,087	2.2	3.6	(1.6)
Sugarcane	5,244	2.8	3,861	2.1	3,295	1.8	(37.2)	(14.7)
Aviculture	3,532	1.9	3,201	1.7	2,994	1.6	(15.2)	(6.5)
Trucks/vehicles	3,293	1.7	3,135	1.7	3,033	1.6	(7.9)	(3.3)
Rice	2,751	1.5	2,212	1.2	2,389	1.3	(13.2)	8.0
Eucalyptus / Pinus / Forests	2,065	1.1	1,932	1.0	1,877	1.0	(9.1)	(2.8)
Swine Production	2,261	1.2	1,849	1.0	1,788	1.0	(20.9)	(3.3)
Cotton	919	0.5	968	0.5	948	0.5	3.1	(2.1)
Wheat	1,163	0.6	811	0.4	924	0.5	(20.6)	13.8
Other	27,991	14.8	28,854	15.4	28,525	15.4	1.9	(1.1)
Loans to Companies	22,263	11.8	18,388	9.8	14,442	7.8	(35.1)	(21.5)
Rural Product Bills and Guarantees	640	0.3	2,685	1.4	3,617	2.0	465.4	34.7
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>	<b>(2.0)</b>	<b>(1.4)</b>

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

**Table 79.** Agribusiness Loan Portfolio by Customer Size

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>99.7</b>	<b>184,739</b>	<b>98.6</b>	<b>181,206</b>	<b>98.0</b>	<b>(3.6)</b>	<b>(1.9)</b>
Medium and Large Sized	97,420	51.7	100,931	53.9	104,182	56.4	6.9	3.2
Small	46,666	24.7	47,742	25.5	47,493	25.7	1.8	(0.5)
Companies	35,350	18.7	29,070	15.5	22,732	12.3	(35.7)	(21.8)
Agroindustrial Cooperatives	8,505	4.5	6,997	3.7	6,798	3.7	(20.1)	(2.8)
Rural Product Bills and Guarantees	640	0.3	2,685	1.4	3,617	2.0	465.4	34.7
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>	<b>(2.0)</b>	<b>(1.4)</b>

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

**Table 80.** Agribusiness Loan Portfolio by Customer Type

R\$ million	Balance				Chg. % on			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>99.7</b>	<b>184,739</b>	<b>98.6</b>	<b>181,206</b>	<b>98.0</b>	<b>(3.6)</b>	<b>(1.9)</b>
Individuals	144,086	76.4	148,673	79.3	151,675	82.1	5.3	2.0
Companies	43,855	23.3	36,066	19.2	29,530	16.0	(32.7)	(18.1)
Rural Product Bills and Guarantees	640	0.3	2,685	1.4	3,617	2.0	465.4	34.7
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>	<b>(2.0)</b>	<b>(1.4)</b>

BB uses 76.1% 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 81.** Agribusiness Loan Portfolio Expanded View by Funding Sources

R\$ million	Balance					
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %
Agricultural Savings	91,096	48.3	83,231	44.4	87,597	47.4
Agribusiness Letters of Credit	30,078	15.9	40,122	21.4	33,988	18.4
Demand Deposits	26,768	14.2	20,948	11.2	19,129	10.4
FCO	21,561	11.4	23,328	12.4	23,497	12.7
BNDES/FINAME	9,774	5.2	8,930	4.8	8,855	4.8
Other <sup>1</sup>	9,303	4.9	10,865	5.8	11,757	6.4
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>100.0</b>	<b>187,424</b>	<b>100.0</b>	<b>184,822</b>	<b>100.0</b>

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 82.** Equalization Revenues and Weighting Factor

R\$ million	Quarterly Flow				
	2Q18	3Q18	4Q18	1Q19	2Q19
Equalization Revenues	822	745	842	834	764
Weighting Factor	37	37	26	22	21
<b>Total</b>	<b>859</b>	<b>781</b>	<b>868</b>	<b>856</b>	<b>785</b>

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

**Table 83.** Equalizable resources in the Agribusiness Portfolio

R\$ million	Balance		
	Jun/18	Mar/19	Jun/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>184,739</b>	<b>181,206</b>
Equalizable Resources	86,249	84,256	81,363
Investments	50,025	52,413	51,953
Working Capital for Input Purchase	33,748	30,295	26,965
Crop Trading	816	80	796
Other	1,660	1,469	1,649
Non-Equalizable Resources	101,692	100,483	99,842
Rural Product Bills and Guarantees	640	2,685	3,617
<b>Loan Portfolio - Expanded View</b>	<b>188,580</b>	<b>187,424</b>	<b>184,822</b>

In the 2018/2019 crop, BB disbursed R\$82.3 billion in agricultural loans.

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

**Table 84.** Disbursements by Purpose – Rural Credit

R\$ million	Crop 17/18	Crop 18/19	Change (%)
<b>Family - Pronaf</b>	<b>12,448</b>	<b>12,139</b>	<b>(2.5)</b>
Working Capital for Input Purchase	7,130	6,685	(6.2)
Investment	5,318	5,454	2.6
<b>Medium - Pronamp</b>	<b>11,970</b>	<b>11,459</b>	<b>(4.3)</b>
Working Capital for Input Purchase	9,628	10,816	12.3
Investment	2,342	643	(72.5)
<b>Companies</b>	<b>55,973</b>	<b>58,733</b>	<b>4.9</b>
Working Cap. for Input Purch./Crop Trading	44,263	44,603	0.8
Investment	10,555	11,097	5.1
Industrialization	1,155	3,033	162.6
<b>Total</b>	<b>80,391</b>	<b>82,331</b>	<b>2.4</b>

### 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).

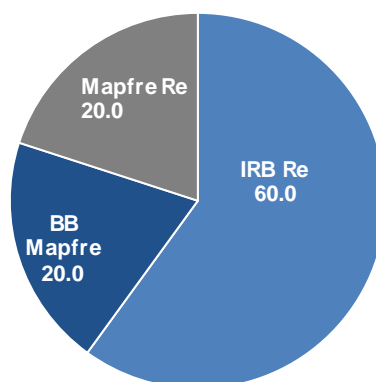
The risk mitigation strategy takes into account several types of information on the customers' requested transactions, such as activity risk, type of crop to be financed and financing location. Those types of information allow the use of protective devices (agricultural insurance/Proagro or options) 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 85.** 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	32,404	100.0	31,180	100.0	32,783	100.0
<b>Total Insured</b>	<b>20,175</b>	<b>62.3</b>	<b>20,178</b>	<b>64.7</b>	<b>20,629</b>	<b>62.9</b>
Proagro	5,876	18.1	5,276	16.9	5,004	15.3
Crop Insurance	14,010	43.2	14,536	46.6	15,365	46.9
Hedge Price	289	0.9	366	1.2	260	0.8
<b>Without Insurance</b>	<b>12,229</b>	<b>37.7</b>	<b>11,003</b>	<b>35.3</b>	<b>12,154</b>	<b>37.1</b>

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

**Figure 25.** 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 86.** 100 Largest Customers in Relation to the Classified Loan Portfolio

R\$ million

Period	1st. Customer (%)	Balance	2nd. to 20th. (%)	Balance	21st. to 100th (%)	Balance	Top 100 Largest (%)	Balance
Sep/17	4.0	25,616	12.3	78,329	9.2	58,478	25.6	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	3.7	23,894	11.9	75,643	9.7	61,723	25.3	161,260
Sep/18	3.8	23,917	11.7	74,629	9.4	59,613	24.9	158,159
Dec/18	3.4	21,860	11.4	73,442	9.1	58,179	23.9	153,481
Mar/19	2.4	14,828	11.4	71,546	8.9	56,205	22.7	142,579
Jun/19	2.0	12,228	10.9	68,265	8.3	51,965	21.1	132,458

**Table 87.** 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
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
Mar/19	11.0	14,828	53.0	71,546	41.7	56,205	105.7	142,579
Jun/19	9.4	12,228	52.4	68,265	39.9	51,965	101.8	132,458

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.



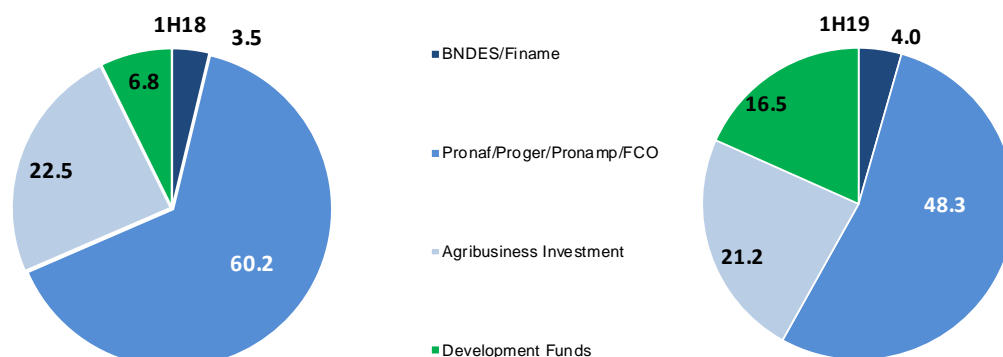
**Table 88.** Concentration of Companies and Agro Companies Loan Portfolio by Macro-Sector

R\$ million	Balance				Chg. % on			
Macrosector	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
Public Administration	45,875	13.4	45,192	13.9	43,689	13.8	(4.8)	(3.3)
Food products of Vegetable Origin	36,341	10.6	32,561	10.0	33,547	10.6	(7.7)	3.0
Oil and Gas	35,931	10.5	27,404	8.5	23,531	7.4	(34.5)	(14.1)
Electric Utilities	25,078	7.3	23,841	7.4	26,389	8.3	5.2	10.7
Metalworking and Steel	24,682	7.2	22,968	7.1	21,524	6.8	(12.8)	(6.3)
Transportation	24,473	7.1	22,886	7.1	22,458	7.1	(8.2)	(1.9)
Services	19,756	5.8	21,587	6.7	21,588	6.8	9.3	0.0
Automobiles and Components	16,896	4.9	15,899	4.9	14,147	4.5	(16.3)	(11.0)
Food products of Animal Origin	14,499	4.2	15,341	4.7	14,735	4.7	1.6	(3.9)
Housing	13,577	4.0	11,740	3.6	10,290	3.2	(24.2)	(12.4)
Retail	10,280	3.0	10,646	3.3	10,988	3.5	6.9	3.2
Financials	10,624	3.1	9,514	2.9	9,231	2.9	(13.1)	(3.0)
Agricultural Inputs	8,001	2.3	8,809	2.7	8,589	2.7	7.3	(2.5)
Construction Materials	8,992	2.6	8,512	2.6	8,623	2.7	(4.1)	1.3
Chemicals	6,130	1.8	6,338	2.0	6,565	2.1	7.1	3.6
Electrical and Electronic Goods	6,083	1.8	6,347	2.0	6,448	2.0	6.0	1.6
Textiles	5,961	1.7	6,259	1.9	6,383	2.0	7.1	2.0
Telecommunication Services	7,950	2.3	6,183	1.9	6,425	2.0	(19.2)	3.9
Wholesale and Industries	5,252	1.5	5,891	1.8	6,025	1.9	14.7	2.3
Pulp and Paper	5,126	1.5	4,566	1.4	4,281	1.4	(16.5)	(6.3)
Heavy Construction	4,526	1.3	4,202	1.3	3,975	1.3	(12.2)	(5.4)
Furniture and Forest Products	4,247	1.2	3,914	1.2	4,008	1.3	(5.6)	2.4
Leather and Shoes	1,701	0.5	1,710	0.5	1,601	0.5	(5.9)	(6.4)
Beverages	1,364	0.4	1,479	0.5	1,524	0.5	11.7	3.0
Other Activities	37	0.0	287	0.1	278	0.1	641.4	(3.1)
<b>Total</b>	<b>343,386</b>	<b>100.0</b>	<b>324,073</b>	<b>100.0</b>	<b>316,840</b>	<b>100.0</b>	<b>(7.7)</b>	<b>(2.2)</b>
Domestic Loan Portfolio	267,662		245,686		236,054			
Abroad Loan Portfolio	24,729		25,054		24,706			
Guarantees	15,941		15,010		14,378			
Securities	35,054		38,324		41,701			
<b>Total</b>	<b>343,386</b>		<b>324,073</b>		<b>316,840</b>			

### Investment Loan

Banco do Brasil's disbursements for investment loan, which contain companies and agribusiness operations, were R\$10 billion in 1H19. Pronaf and FCO products stand out, accounting for more than half of disbursements in period.

The next chart shows the onlending funds share in disbursements.

**Figure 26.** Disbursements by Onlending Fund - %

## 7.2. Credit Risk

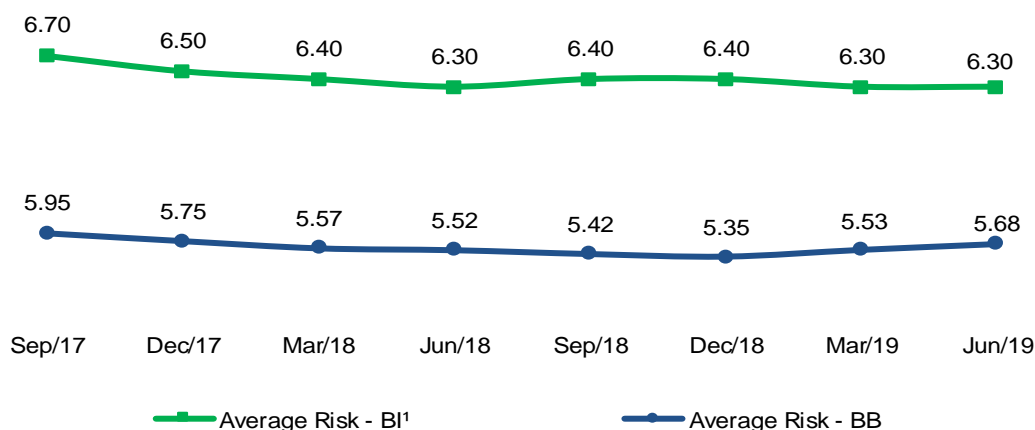
All risk segmentations of the loan portfolio in this section refer to the Classified Portfolio, in compliance with CMN Resolution 2,682/99, unless otherwise indicated.

In 2Q19, a large corporate segment group filed for chapter 11. Thus, the portfolio coverage ratio was affected, which explains the fluctuation to the previous period.

To demonstrate how indices are behaving structurally, the graphs were adjusted to simulate (dashed line) this specific case exclusion.

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.

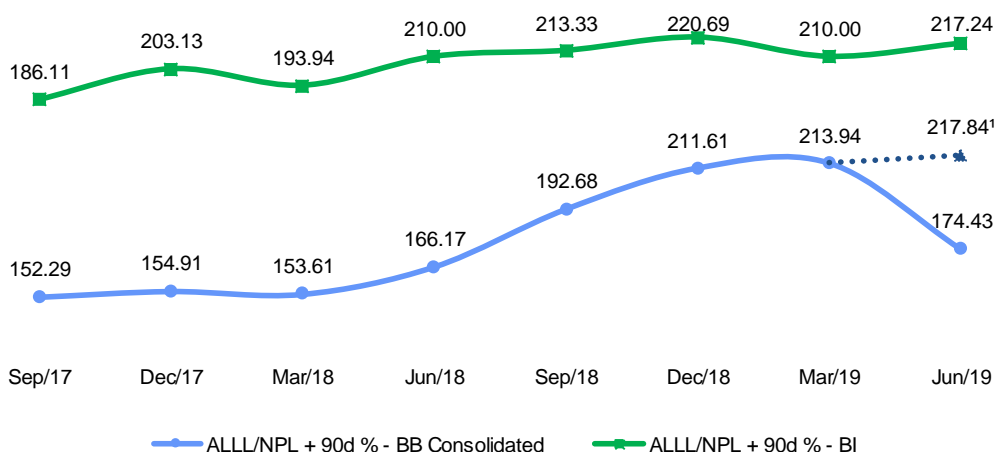
**Figure 27.** Classified Loan Portfolio Average Risk



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 28.** Classified Loan Portfolio Coverage Index

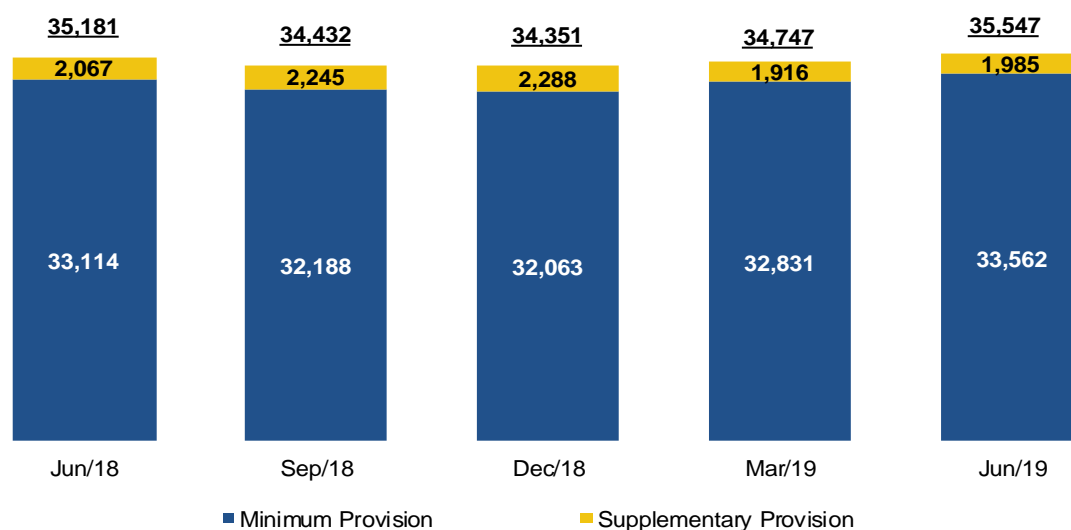


1 – Simulation excluding specific case effect

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.

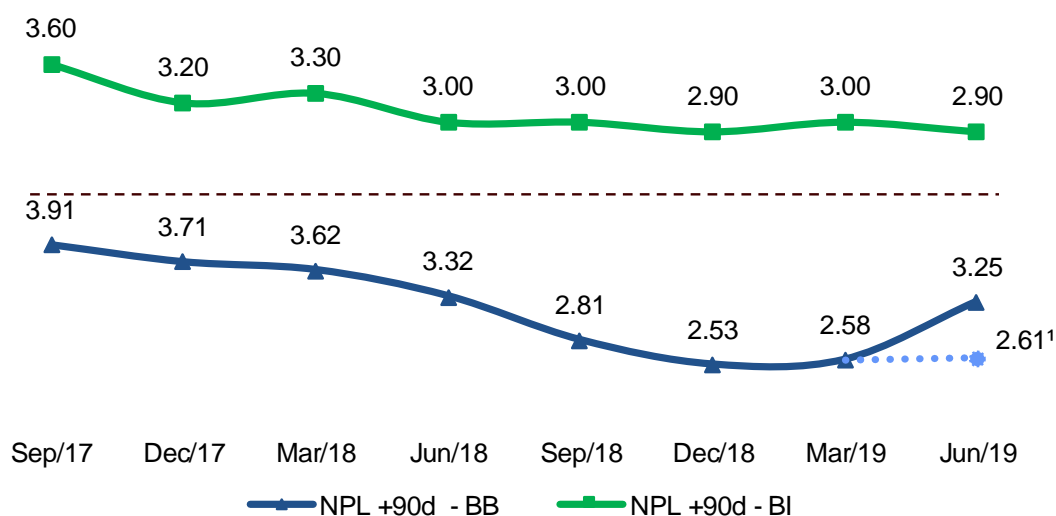
**Figure 29. ALLL – Classified Loan Portfolio<sup>1</sup>**

R\$ million



1 – Revised series

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

**Figure 30. 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.

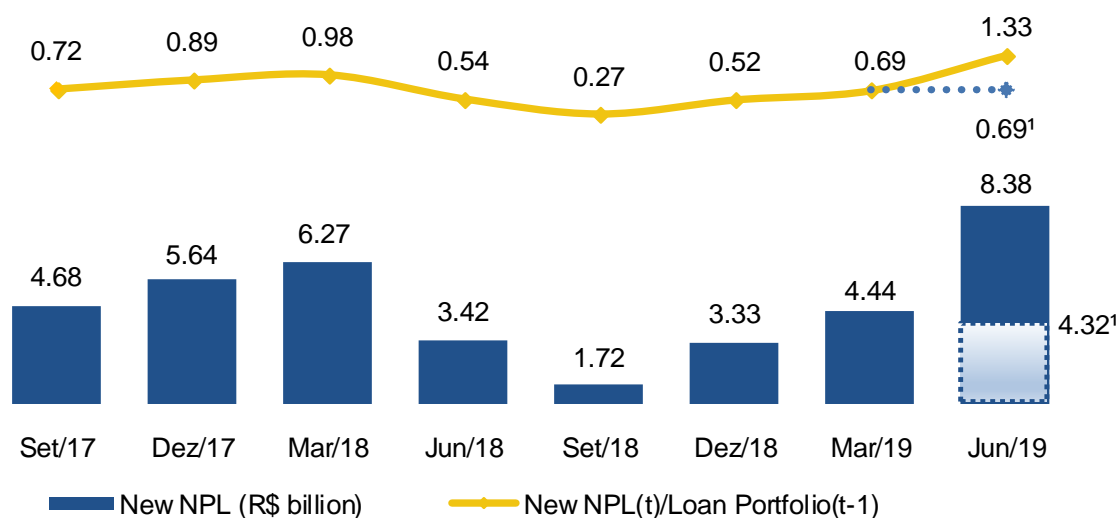
**Table 89. NPL +90d per segment – As a Percentage of the Domestic Classified Loan Portfolio**

NPL by Segment - %	Set/17	Dez/17	Mar/18	Jun/18	Set/18	Dez/18	Mar/19	Jun/19
Individuals	3.49	3.36	3.49	3.33	3.27	3.08	3.25	3.31
Companies	6.55	6.13	5.66	5.10	3.68	3.15	3.02	3.84
Companies - Ex specific case	-	-	-	-	-	-	-	3.23
Agribusiness	1.61	1.67	1.85	1.61	1.62	1.53	1.68	3.08
Agribusiness - Ex specific case	-	-	-	-	-	-	-	1.54

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.

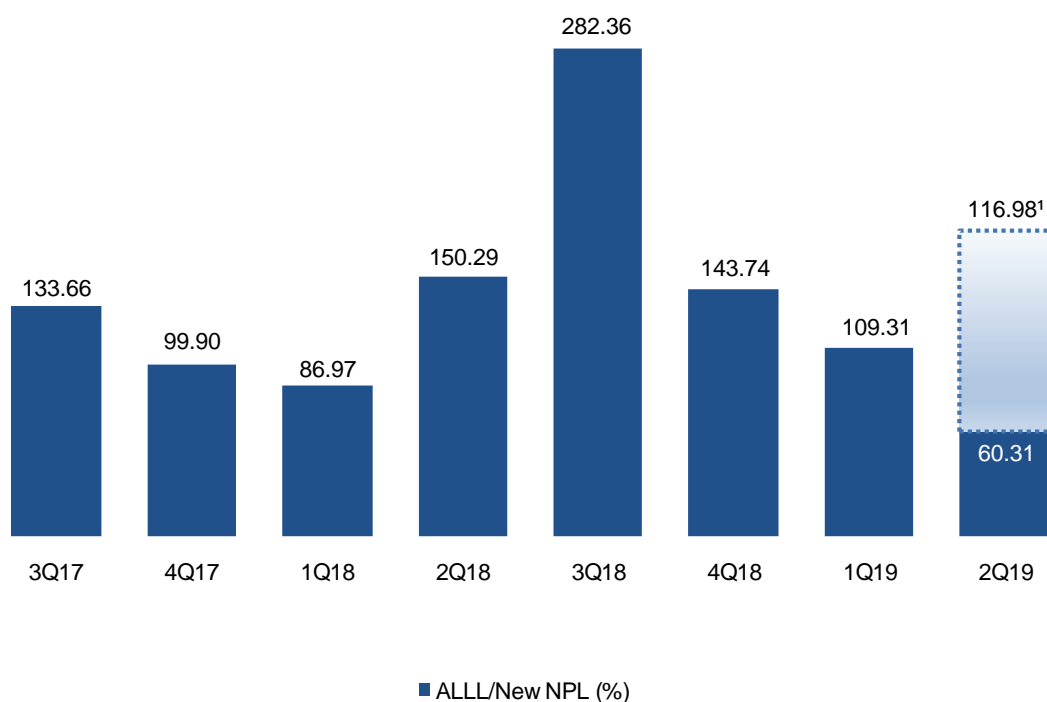
**Figure 31.** New NPL and Write-Off – As a Percentage on the Classified Loan Portfolio



1 - Simulation excluding specific case effect.

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

**Figure 32.** ALLL Expenses / New NPL (%)



1 - Simulation excluding specific case effect.

**Table 90.** Classified Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	328,642	-	-	-	51.5	305,770	-	-	-	48.8
A	69,289	346	42	389	10.9	71,219	356	43	399	11.4
B	132,268	1,323	484	1,807	20.7	141,931	1,419	490	1,909	22.7
C	53,899	1,617	1,045	2,662	8.5	56,875	1,706	1,239	2,945	9.1
D	11,882	1,188	106	1,295	1.9	10,196	1,020	171	1,191	1.6
E	12,695	3,808	328	4,136	2.0	8,078	2,424	7	2,430	1.3
F	4,764	2,382	58	2,440	0.7	9,198	4,599	33	4,632	1.5
G	5,967	4,177	3	4,180	0.9	3,390	2,373	2	2,375	0.5
H	18,273	18,273	-	18,273	2.9	19,665	19,665	-	19,665	3.1
<b>Total</b>	<b>637,677</b>	<b>33,114</b>	<b>2,067</b>	<b>35,181</b>	<b>100.0</b>	<b>626,322</b>	<b>33,562</b>	<b>1,985</b>	<b>35,547</b>	<b>100.0</b>
AA-C	584,097	3,286	1,572	4,858	91.6	575,795	3,482	1,772	5,254	91.9
D-H	53,580	29,828	496	30,323	8.4	50,527	30,080	213	30,293	8.1
<b>Mar/19</b>						<b>Jun/19</b>				
AA	313,618	-	-	-	49.9	305,770	-	-	-	48.8
A	70,282	351	48	399	11.2	71,219	356	43	399	11.4
B	138,768	1,388	480	1,868	22.1	141,931	1,419	490	1,909	22.7
C	55,093	1,653	1,169	2,821	8.8	56,875	1,706	1,239	2,945	9.1
D	10,252	1,025	163	1,188	1.6	10,196	1,020	171	1,191	1.6
E	12,947	3,884	7	3,891	2.1	8,078	2,424	7	2,430	1.3
F	4,608	2,304	46	2,349	0.7	9,198	4,599	33	4,632	1.5
G	3,637	2,546	5	2,551	0.6	3,390	2,373	2	2,375	0.5
H	19,680	19,680	-	19,680	3.1	19,665	19,665	-	19,665	3.1
<b>Total</b>	<b>628,884</b>	<b>32,831</b>	<b>1,916</b>	<b>34,747</b>	<b>100.0</b>	<b>626,322</b>	<b>33,562</b>	<b>1,985</b>	<b>35,547</b>	<b>100.0</b>
AA-C	577,761	3,392	1,696	5,088	91.9	575,795	3,482	1,772	5,254	91.9
D-H	51,123	29,439	220	29,659	8.1	50,527	30,080	213	30,293	8.1

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 91.** ALLL Expenses over the Classified Loan Portfolio

R\$ million, unless other indicated	Balance					Chg. %	
	2Q18	3Q18	4Q18	1Q19	2Q19	2Q18	1Q19
<b>ALLL Expenses</b>							
(A) 12 months	(22,477)	(21,078)	(20,229)	(19,631)	(19,552)	(13.0)	(0.4)
(B) 3 months	(5,134)	(4,858)	(4,788)	(4,851)	(5,055)	(1.5)	4.2
<b>Average Loan Portfolio</b>							
(C) 12 months	634,365	632,772	633,079	633,028	631,918	(0.4)	(0.2)
(D) 3 months	632,990	634,665	635,691	632,757	627,186	(0.9)	(0.9)
<b>Recovery of Write-offs</b>							
(E) 12 months	5,577	6,116	6,008	6,528	6,471	16.0	(0.9)
(F) 3 months	1,551	1,632	1,620	1,725	1,494	(3.7)	(13.4)
<b>ALLL Indexes - %</b>							
(A/C) 12 months	3.54	3.33	3.20	3.10	3.09		
(B/D) 3 months	0.81	0.77	0.75	0.77	0.81		

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

**Table 92.** Classified Loan Portfolio Delinquency Indicators

R\$ million, unless other indicated	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Classified Loan Portfolio</b>	<b>637,677</b>	<b>635,502</b>	<b>641,871</b>	<b>628,884</b>	<b>626,322</b>
<b>NPL + 15 days</b>	<b>33,406</b>	<b>28,847</b>	<b>27,633</b>	<b>29,002</b>	<b>33,387</b>
NPL + 15 days/Loan Portfolio - %	5.24	4.54	4.31	4.61	5.33
NPL + 15 days/Loan Portfolio -Ex specific case %	5.24	4.54	4.31	4.61	4.62
<b>NPL + 60 days</b>	<b>23,988</b>	<b>21,032</b>	<b>18,834</b>	<b>19,907</b>	<b>25,045</b>
NPL + 60 days/Loan Portfolio - %	3.76	3.31	2.93	3.17	4.00
NPL + 60 days/Loan Portfolio - Ex specific case %	-	-	-	-	3.29
NPL 15-59 days/Loan Portfolio - %	1.48	1.23	1.37	1.45	1.33
NPL 15-59 days/Loan Portfolio - Ex specific case %	-	-	-	-	1.33
<b>NPL + 90 days</b>	<b>21,172</b>	<b>17,870</b>	<b>16,233</b>	<b>16,241</b>	<b>20,378</b>
NPL + 90 days/Loan Portfolio - %	3.32	2.81	2.53	2.58	3.25
NPL + 90 days/Loan Portfolio - Ex specific case %	-	-	-	-	2.61
NPL 15-89 days/Loan Portfolio - %	1.92	1.73	1.78	2.03	2.08
NPL 15-89 days/Loan Portfolio - Ex specific case %	-	-	-	-	2.01
NPL + 90 days/Loan Portfolio - BI - %	3.00	3.00	2.90	3.00	2.90
<b>Net Loss</b>	<b>3,472</b>	<b>3,390</b>	<b>3,348</b>	<b>2,705</b>	<b>2,751</b>
Write-off	5,023	5,022	4,968	4,430	4,245
Recovery of Write-off	(1,551)	(1,632)	(1,620)	(1,725)	(1,494)
Recovery of Write-off/Write-off - %	30.88	32.49	32.60	38.94	35.20
Net Loss/Loan Portfolio - % annualized	2.20	2.15	2.10	1.73	1.77
<b>Provision (Minimum + Supplementary + Additional)</b>	<b>35,181</b>	<b>34,432</b>	<b>34,351</b>	<b>34,747</b>	<b>35,547</b>
ALLL/Loan Portfolio - %	5.52	5.42	5.35	5.53	5.68
ALLL/Loan Portfolio - Ex specific case %	-	-	-	-	5.68
ALLL/NPL + 15 days - %	105.31	119.36	124.31	119.81	106.47
ALLL/NPL + 15 days - Ex specific case %	-	-	-	-	122.95
ALLL/NPL + 60 days - %	146.66	163.72	182.38	174.55	141.93
ALLL/NPL + 60 days - Ex specific case %	-	-	-	-	172.53
ALLL/NPL + 90 days - %	166.17	192.68	211.61	213.94	174.43
ALLL/NPL + 90 days - Ex specific case %	-	-	-	-	217.84

### 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 93.** Individuals Classified Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	42,629	-	-	-	22.5	41,806	-	-	-	20.5
A	27,603	138	17	155	14.6	31,022	155	20	175	15.2
B	73,582	736	328	1,064	38.8	79,248	792	345	1,137	38.8
C	31,371	941	639	1,580	16.5	33,736	1,012	702	1,714	16.5
D	4,214	421	68	489	2.2	6,976	698	143	841	3.4
E	2,191	657	-	657	1.2	2,470	741	-	741	1.2
F	1,110	555	-	555	0.6	1,267	633	-	633	0.6
G	1,077	754	-	754	0.6	1,092	764	-	764	0.5
H	5,852	5,852	-	5,852	3.1	6,430	6,430	-	6,430	3.2
<b>Total</b>	<b>189,628</b>	<b>10,055</b>	<b>1,051</b>	<b>11,106</b>	<b>100.0</b>	<b>204,046</b>	<b>11,226</b>	<b>1,210</b>	<b>12,436</b>	<b>100.0</b>
AA-C	175,184	1,815	983	2,798	92.4	185,812	1,960	1,067	3,026	91.1
D-H	14,444	8,240	68	8,308	7.6	18,234	9,266	143	9,409	8.9
<b>Mar/19</b>						<b>Jun/19</b>				
AA	42,501	-	-	-	21.3	41,806	-	-	-	20.5
A	30,067	150	19	170	15.0	31,022	155	20	175	15.2
B	76,433	764	336	1,101	38.2	79,248	792	345	1,137	38.8
C	33,185	996	689	1,684	16.6	33,736	1,012	702	1,714	16.5
D	6,762	676	130	806	3.4	6,976	698	143	841	3.4
E	2,405	722	-	722	1.2	2,470	741	-	741	1.2
F	1,236	618	-	618	0.6	1,267	633	-	633	0.6
G	1,097	768	-	768	0.5	1,092	764	-	764	0.5
H	6,236	6,236	-	6,236	3.1	6,430	6,430	-	6,430	3.2
<b>Total</b>	<b>199,921</b>	<b>10,930</b>	<b>1,174</b>	<b>12,104</b>	<b>100.0</b>	<b>204,046</b>	<b>11,226</b>	<b>1,210</b>	<b>12,436</b>	<b>100.0</b>
AA-C	182,185	1,910	1,044	2,955	91.1	185,812	1,960	1,067	3,026	91.1
D-H	17,736	9,020	130	9,149	8.9	18,234	9,266	143	9,409	8.9

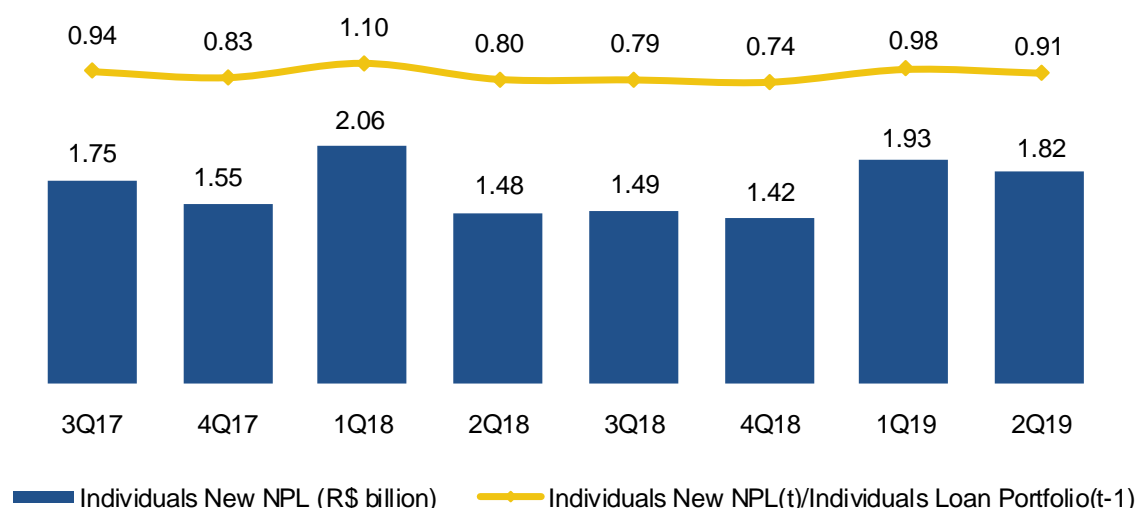
1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

**Table 94.** Changes in Allowance for Loan Losses – Individuals Classified Loan Portfolio

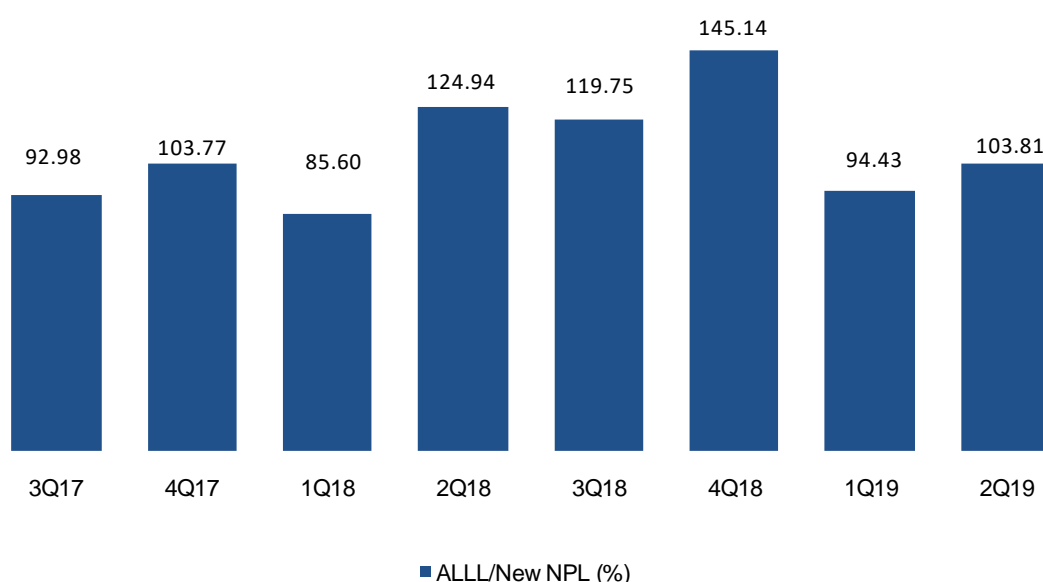
R\$ million, unless other indicated	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Classified Individuals Loan Portfolio</b>	<b>189,628</b>	<b>191,575</b>	<b>196,654</b>	<b>199,921</b>	<b>204,046</b>
<b>Initial Allowance</b>	<b>10,891</b>	<b>11,106</b>	<b>11,343</b>	<b>11,785</b>	<b>12,104</b>
1- Risk Migration	1,454	1,182	1,272	1,246	1,233
a) Risk Deterioration	2,299	2,008	2,011	1,904	2,223
b) Risk Improvement	(845)	(826)	(738)	(658)	(991)
2 - New Transactions	434	554	622	649	684
3 - Write-offs	(1,632)	(1,547)	(1,618)	(1,506)	(1,562)
<b>Total (1+2+3)</b>	<b>256</b>	<b>189</b>	<b>276</b>	<b>389</b>	<b>355</b>
Other Impacts <sup>1</sup>	(41)	48	166	(71)	(23)
<b>Required Provision</b>	<b>11,106</b>	<b>11,343</b>	<b>11,785</b>	<b>12,104</b>	<b>12,436</b>
Provision Expenses - R\$ million	1,846	1,784	2,061	1,824	1,894
Provision / Loan Portfolio - %	5.86	5.92	5.99	6.05	6.09
Provision Flow / Loan Portfolio - %	0.97	0.93	1.05	0.91	0.93
NPL + 15 days/Loan Portfolio - %	6.36	6.42	6.31	6.76	6.66
NPL + 60 days/Loan Portfolio - %	3.95	3.93	3.71	4.00	4.07
NPL + 90 days/Loan Portfolio - %	3.33	3.27	3.08	3.25	3.31

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

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

**Figure 33.** New NPL – Individuals Loan Portfolio

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

**Figure 34.** ALLL Expenses / New NPL (%)

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 95.** NPL +90d Individuals Portfolio - % by Credit Line

	Jun/18		Mar/19		Jun/19	
	NPL	Share %	NPL	Share %	NPL	Share %
<b>Individuals</b>	<b>3.33</b>	<b>100.0</b>	<b>3.25</b>	<b>100.0</b>	<b>3.31</b>	<b>100.0</b>
Payroll Loan	2.02	36.5	1.80	36.4	1.77	36.9
Mortgage	2.89	24.7	3.09	24.4	3.25	24.2
Credit Card	2.62	13.2	2.75	13.6	3.22	13.5
Salary Loan	5.22	10.1	3.98	9.7	4.22	9.8
Auto Loans	0.97	6.8	0.94	5.5	1.20	4.8

### Vintage

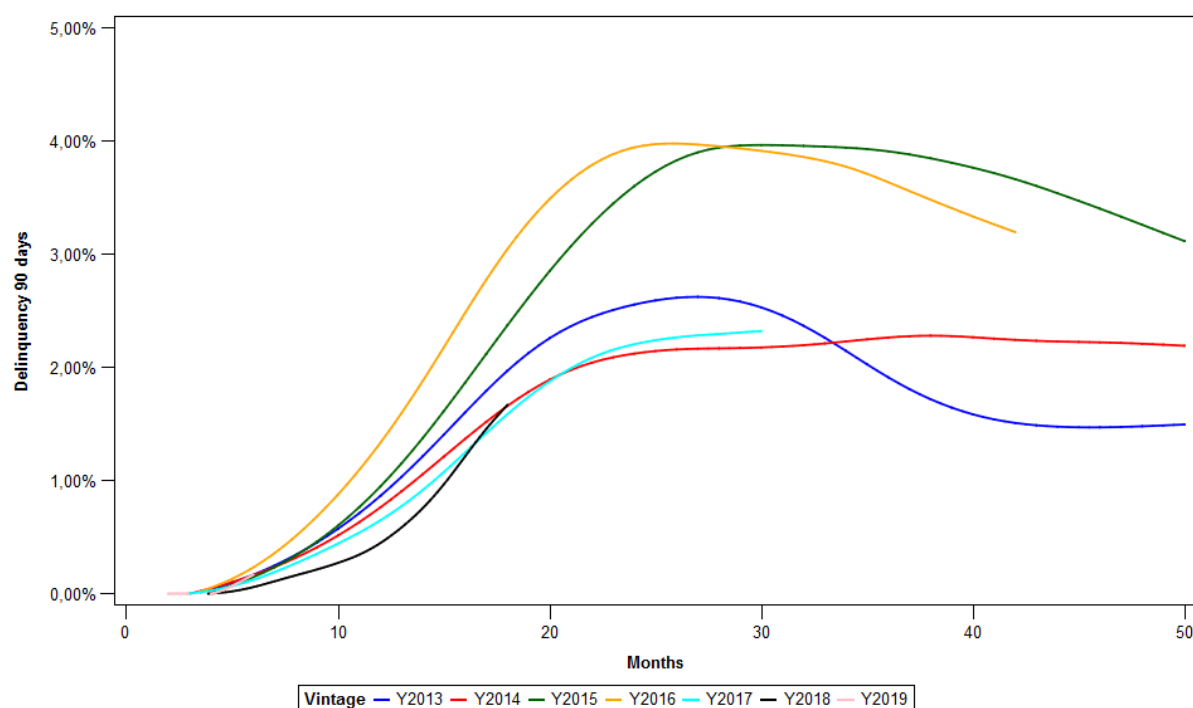
The following graph shows the vintage of the individual's loan portfolio delinquency. This methodology provides greater detailing and is closer to the portfolio than traditional indicators, in order to evaluate how the delinquency of a set of operations contracted for in a particular period behaves over 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 35.** Individuals Loan Portfolio – Annual Vintage



## 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 96.** Classified Loans to Companies by Risk Level

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	148,424	-	-	-	66.3	131,854	-	-	-	63.9
A	11,644	58	5	63	5.2	10,746	54	4	58	5.2
B	21,619	216	86	302	9.7	26,169	262	78	339	12.7
C	14,017	421	295	716	6.3	15,538	466	443	909	7.5
D	3,425	343	23	366	1.5	1,916	192	20	211	0.9
E	9,285	2,785	327	3,112	4.1	4,415	1,325	6	1,331	2.1
F	2,959	1,480	58	1,538	1.3	4,401	2,201	33	2,234	2.1
G	4,281	2,997	1	2,997	1.9	1,714	1,200	2	1,202	0.8
H	8,210	8,210	-	8,210	3.7	9,744	9,744	-	9,744	4.7
<b>Total</b>	<b>223,863</b>	<b>16,509</b>	<b>795</b>	<b>17,304</b>	<b>100.0</b>	<b>206,498</b>	<b>15,442</b>	<b>586</b>	<b>16,028</b>	<b>100.0</b>
AA-C	195,703	695	386	1,081	87.4	184,307	782	524	1,306	89.3
D-H	28,160	15,814	409	16,223	12.6	22,191	14,661	61	14,722	10.7
<b>Mar/19</b>						<b>Jun/19</b>				
AA	135,106	-	-	-	64.5	131,854	-	-	-	63.9
A	11,277	56	4	61	5.4	10,746	54	4	58	5.2
B	26,719	267	79	346	12.7	26,169	262	78	339	12.7
C	14,015	420	381	801	6.7	15,538	466	443	909	7.5
D	1,915	192	23	214	0.9	1,916	192	20	211	0.9
E	6,472	1,942	7	1,948	3.1	4,415	1,325	6	1,331	2.1
F	2,657	1,329	46	1,374	1.3	4,401	2,201	33	2,234	2.1
G	1,851	1,295	2	1,298	0.9	1,714	1,200	2	1,202	0.8
H	9,574	9,574	-	9,574	4.6	9,744	9,744	-	9,744	4.7
<b>Total</b>	<b>209,587</b>	<b>15,075</b>	<b>540</b>	<b>15,616</b>	<b>100.0</b>	<b>206,498</b>	<b>15,442</b>	<b>586</b>	<b>16,028</b>	<b>100.0</b>
AA-C	187,118	744	463	1,207	89.3	184,307	782	524	1,306	89.3
D-H	22,469	14,331	77	14,408	10.7	22,191	14,661	61	14,722	10.7

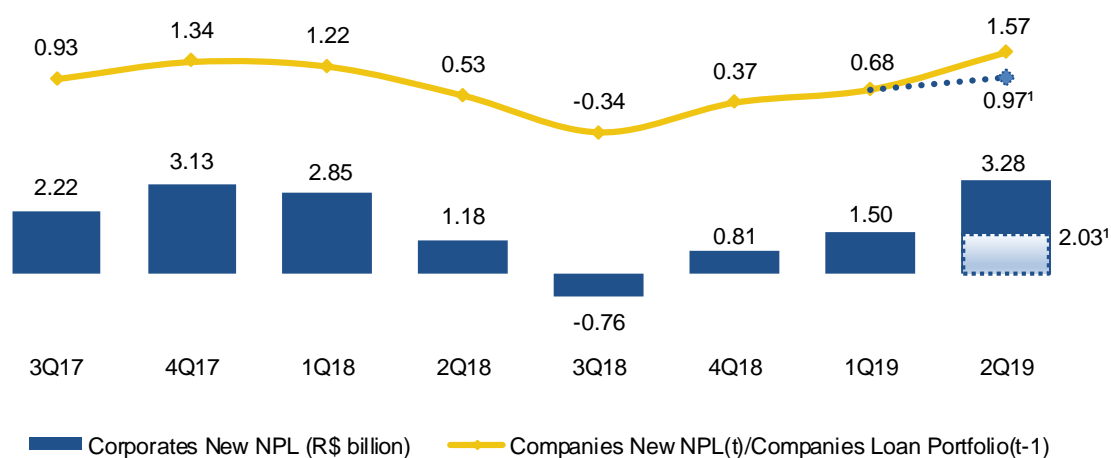
1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

**Table 97.** Changes in Allowance for Loan Losses – Classified Loans to Companies

R\$ million, unless other indicated	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Classified Loan Portfolio to Companies</b>	<b>223,863</b>	<b>219,802</b>	<b>221,596</b>	<b>209,587</b>	<b>206,498</b>
<b>Initial Allowance</b>	<b>17,669</b>	<b>17,304</b>	<b>16,006</b>	<b>15,981</b>	<b>15,616</b>
1- Risk Migration	1,844	2,209	1,563	1,231	1,615
a) Risk Deterioration	2,818	2,693	2,129	1,669	2,065
b) Risk Improvement	(974)	(484)	(567)	(439)	(450)
2 - New Transactions	129	165	336	282	326
3 - Write-offs	(2,405)	(2,562)	(1,922)	(2,163)	(1,682)
<b>Total (1+2+3)</b>	<b>(432)</b>	<b>(188)</b>	<b>(24)</b>	<b>(650)</b>	<b>260</b>
Other Impacts <sup>1</sup>	66	(1,110)	(1)	284	152
<b>Required Provision</b>	<b>17,304</b>	<b>16,006</b>	<b>15,981</b>	<b>15,616</b>	<b>16,028</b>
Provision Expenses - R\$ million	2,039	1,265	1,898	1,797	2,094
Provision / Loan Portfolio - %	7.73	7.28	7.21	7.45	7.76
Provision Flow / Loan Portfolio - %	0.91	0.58	0.86	0.86	1.01
NPL + 15 days/Loan Portfolio - %	7.20	4.98	4.55	4.98	5.90
NPL + 15 days/Loan Portfolio - Ex specific case %	-	-	-	-	5.09
NPL + 60 days/Loan Portfolio - %	5.62	4.15	3.53	3.79	5.12
NPL + 60 days/Loan Portfolio - Ex specific case - %	-	-	-	-	4.33
NPL + 90 days/Loan Portfolio - %	5.10	3.68	3.15	3.02	3.84
NPL + 90 days/Loan Portfolio - Ex specific case %	-	-	-	-	3.23

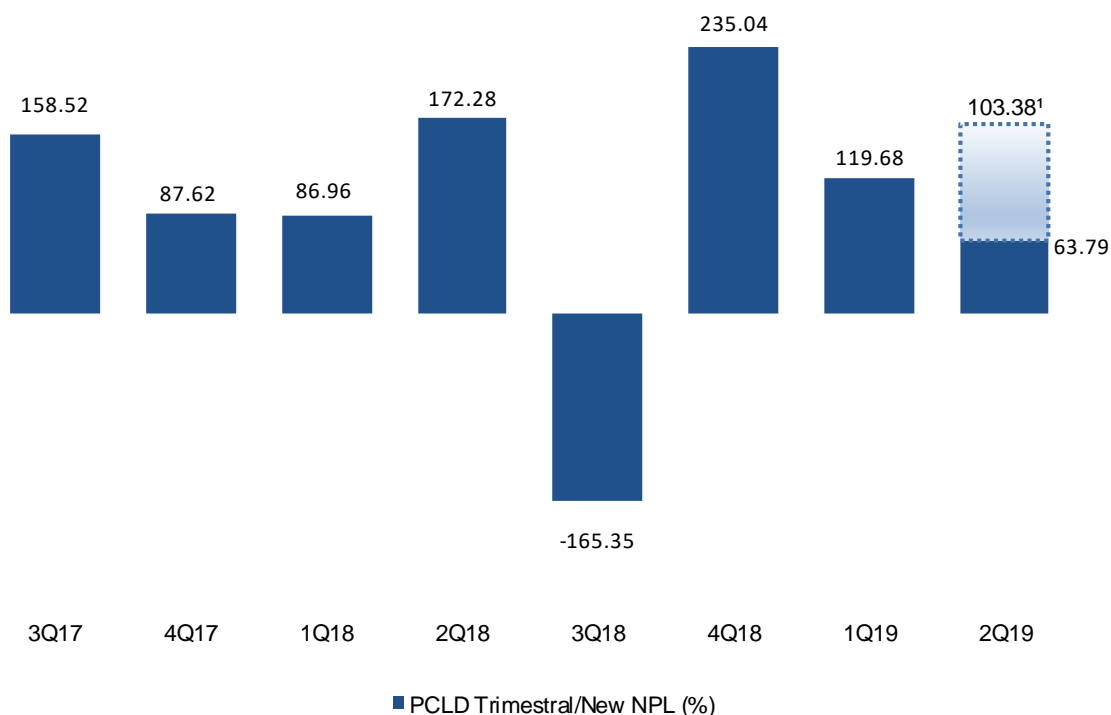
1 - Amortization, settlement, release of installments and charge debt.

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 had been 0.87%.

**Figure 36.** New NPL – Companies Loan Portfolio

1 - Simulation excluding specific case effect.

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

**Figure 37.** ALLL Expenses / New NPL (%)

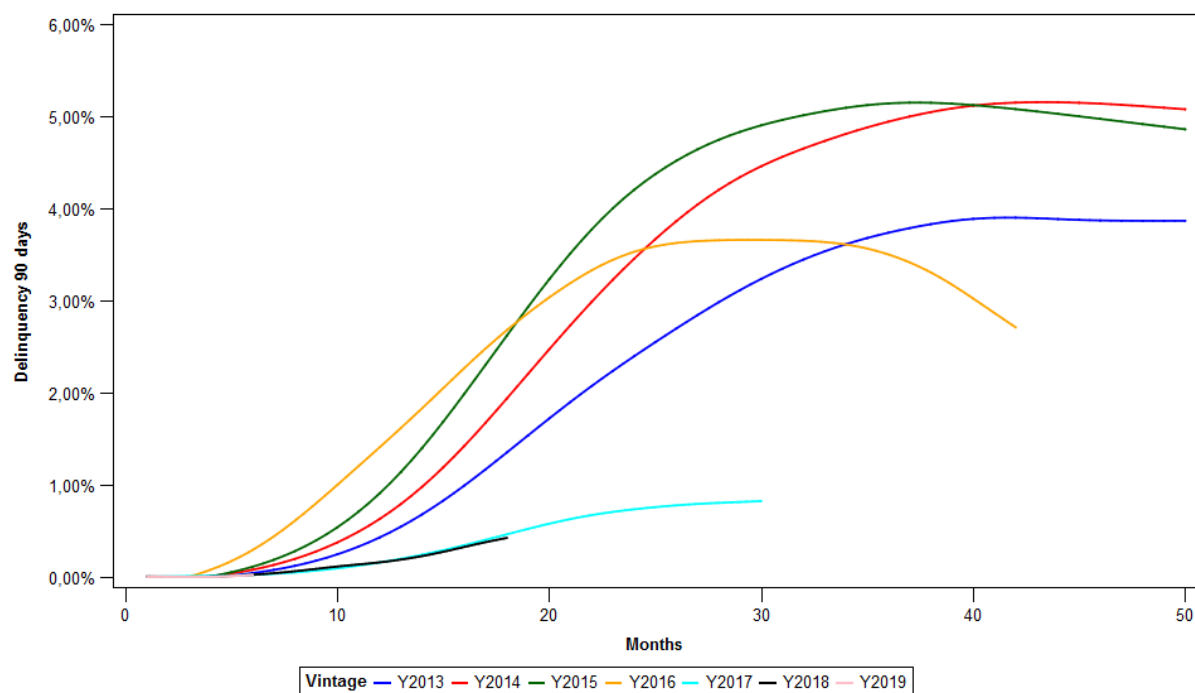
1 - Simulation excluding specific case effect.

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. This quarter had a specific case impact in an investment operation. Disregarding this event, the companies NPL would be 3.23%.

**Table 98.** NPL +90d Companies Portfolio - % by Credit Line

	Jun/18		Mar/19		Jun/19	
	NPL	Share %	NPL	Share %	NPL	Share %
<b>Companies</b>	<b>5.10</b>	<b>100.0</b>	<b>3.02</b>	<b>100.0</b>	<b>3.84</b>	<b>100.0</b>
Working Capital	3.85	50.1	1.16	48.9	1.57	49.5
Investments	1.90	23.9	0.77	24.1	2.49	23.8
FEC/ACE	0.11	7.7	0.93	8.2	0.00	8.6
Receivables	1.61	5.0	0.98	6.2	1.05	6.0

The following chart shows SME credit on an annual basis, making it easier to interpret the data.

**Figure 38.** SME Companies Loans Portfolio – Annual Vintage

### 7.2.3. Agribusiness Loan Portfolio

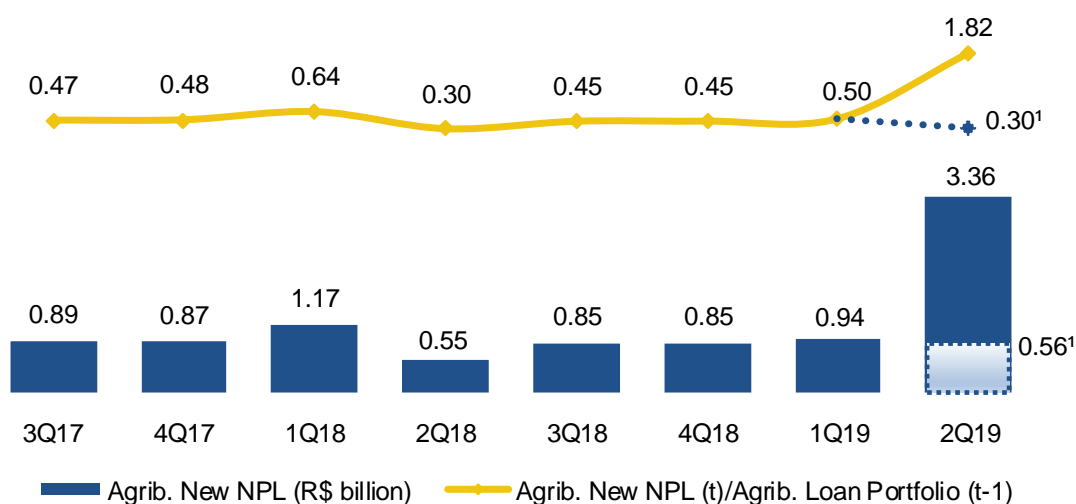
The Classified Agribusiness Loan Portfolio by risk level is shown on the following table.

**Table 99.** Classified Agribusiness Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	115,399	-	-	-	61.4	109,547	-	-	-	60.5
A	22,880	114	20	135	12.2	24,620	123	19	142	13.6
B	31,504	315	71	386	16.8	30,400	304	68	372	16.8
C	8,347	250	111	361	4.4	7,232	217	94	311	4.0
D	4,194	419	16	435	2.2	1,266	127	8	135	0.7
E	1,178	353	-	355	0.6	1,178	354	0	354	0.7
F	680	340	-	340	0.4	3,515	1,758	-	1,758	1.9
G	577	404	-	407	0.3	569	398	(0)	398	0.3
H	3,181	3,181	-	3,181	1.7	2,878	2,878	-	2,878	1.6
<b>Total</b>	<b>187,941</b>	<b>5,378</b>	<b>221</b>	<b>5,599</b>	<b>100.0</b>	<b>181,206</b>	<b>6,158</b>	<b>189</b>	<b>6,347</b>	<b>100.0</b>
AA-C	178,130	680	202	882	94.8	171,799	644	181	825	94.8
D-H	9,811	4,698	19	4,717	5.2	9,407	5,514	9	5,522	5.2
<b>Mar/19</b>						<b>Jun/19</b>				
AA	113,537	-	-	-	61.5	109,547	-	-	-	60.5
A	24,337	122	24	146	13.2	24,620	123	19	142	13.6
B	29,468	295	65	360	16.0	30,400	304	68	372	16.8
C	7,597	228	99	327	4.1	7,232	217	94	311	4.0
D	1,538	154	10	164	0.8	1,266	127	8	135	0.7
E	3,954	1,186	-	1,187	2.1	1,178	354	0	354	0.7
F	700	350	-	350	0.4	3,515	1,758	-	1,758	1.9
G	657	460	3	463	0.4	569	398	(0)	398	0.3
H	2,951	2,951	-	2,951	1.6	2,878	2,878	-	2,878	1.6
<b>Total</b>	<b>184,739</b>	<b>5,746</b>	<b>202</b>	<b>5,947</b>	<b>100.0</b>	<b>181,206</b>	<b>6,158</b>	<b>189</b>	<b>6,347</b>	<b>100.0</b>
AA-C	174,938	644	188	833	94.7	171,799	644	181	825	94.8
D-H	9,801	5,101	13	5,115	5.3	9,407	5,514	9	5,522	5.2

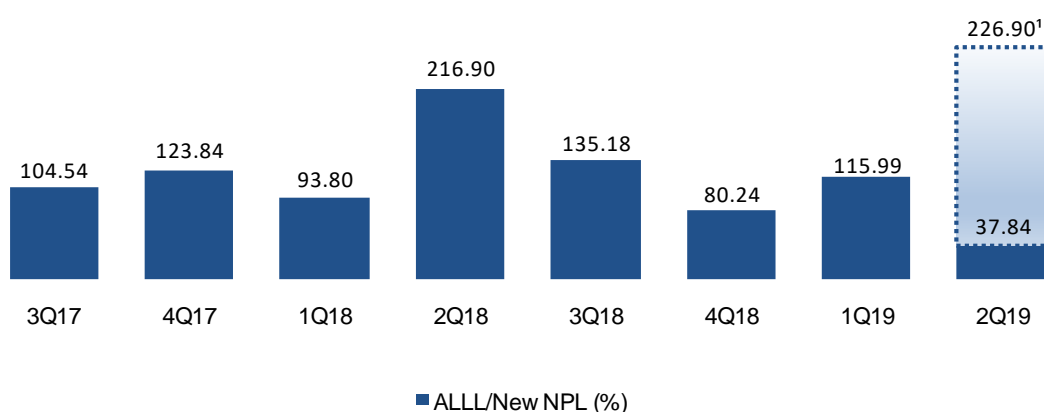
1 - Provision corresponding to the nine risk levels (AA to H) contained in CMN Resolution 2,682/99.

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

**Figure 39.** New NPL – Agribusiness Loan Portfolio

1 - Simulation excluding specific case effect.

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

**Figure 40.** ALLL Expenses / New NPL (%)

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. This quarter had a specific case impact. Disregarding this event, the agribusiness NPL would be 1.54%.

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

	Jun/18		Mar/19		Jun/19	
	NPL	Share %	NPL	Share %	NPL	Share %
<b>Agribusiness</b>	<b>1.61</b>	<b>100.0</b>	<b>1.68</b>	<b>100.0</b>	<b>3.08</b>	<b>100.0</b>
Pronaf	3.14	23.1	3.33	23.9	3.20	24.1
Working Capital for Input Purchase	0.92	20.4	1.07	20.4	0.89	21.0
Pronamp	2.74	12.8	2.64	12.2	2.22	12.6
BNDES/Finame Rural	1.85	3.8	1.70	3.6	0.92	3.7

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

**Table 101.** Classified Agribusiness Loan Portfolio by Risk Level – Individuals

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	77,688	-	-	-	53.9	86,449	-	-	-	57.0
A	21,980	110	19	129	15.3	23,410	117	19	136	15.4
B	29,487	295	64	359	20.5	28,424	284	60	344	18.7
C	7,953	239	110	349	5.5	6,979	209	91	300	4.6
D	1,536	154	16	169	1.1	1,249	125	8	133	0.8
E	1,116	335	-	335	0.8	1,096	329	-	329	0.7
F	648	324	-	324	0.4	690	345	-	345	0.5
G	551	386	-	386	0.4	561	392	-	392	0.4
H	3,127	3,127	-	3,127	2.2	2,818	2,818	-	2,818	1.9
<b>Total</b>	<b>144,086</b>	<b>4,969</b>	<b>209</b>	<b>5,178</b>	<b>100.0</b>	<b>151,675</b>	<b>4,620</b>	<b>178</b>	<b>4,798</b>	<b>100.0</b>
AA-C	137,107	643	194	837	95.2	145,261	611	170	780	95.8
D-H	6,978	4,326	16	4,341	4.8	6,414	4,010	8	4,018	4.2
<b>Mar/19</b>						<b>Jun/19</b>				
AA	84,040	-	-	-	56.5	86,449	-	-	-	57.0
A	22,702	114	24	137	15.3	23,410	117	19	136	15.4
B	27,721	277	59	336	18.6	28,424	284	60	344	18.7
C	7,389	222	98	320	5.0	6,979	209	91	300	4.6
D	1,502	150	10	160	1.0	1,249	125	8	133	0.8
E	1,136	341	-	341	0.8	1,096	329	-	329	0.7
F	663	331	-	331	0.4	690	345	-	345	0.5
G	632	442	-	442	0.4	561	392	-	392	0.4
H	2,888	2,888	-	2,888	1.9	2,818	2,818	-	2,818	1.9
<b>Total</b>	<b>148,673</b>	<b>4,765</b>	<b>191</b>	<b>4,956</b>	<b>100.0</b>	<b>151,675</b>	<b>4,620</b>	<b>178</b>	<b>4,798</b>	<b>100.0</b>
AA-C	141,852	612	181	793	95.4	145,261	611	170	780	95.8
D-H	6,820	4,153	10	4,163	4.6	6,414	4,010	8	4,018	4.2

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

**Table 102.** Changes in Allowance for Loan Losses – Agribusiness Individuals

R\$ million, unless other indicated	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Classified Agrib. Loan Portfolio - Individuals</b>	<b>144,086</b>	<b>144,609</b>	<b>148,420</b>	<b>148,673</b>	<b>151,675</b>
<b>Initial Allowance</b>	<b>5,108</b>	<b>5,178</b>	<b>5,133</b>	<b>4,784</b>	<b>4,956</b>
1- Risk Migration	1,109	855	746	920	742
a) Risk Deterioration	1,612	1,230	1,462	1,257	1,319
b) Risk Improvement	(503)	(374)	(716)	(336)	(577)
2 - New Transactions	92	104	84	48	96
3 - Write-offs	(909)	(832)	(982)	(697)	(833)
<b>Total (1+2+3)</b>	<b>292</b>	<b>128</b>	<b>(152)</b>	<b>271</b>	<b>5</b>
Other Impacts <sup>1</sup>	(222)	(172)	(197)	(99)	(163)
<b>Required Provision</b>	<b>5,178</b>	<b>5,133</b>	<b>4,784</b>	<b>4,956</b>	<b>4,798</b>
Provision Expenses - R\$ million	979	787	633	869	675
Provision / Loan Portfolio - %	3.59	3.55	3.22	3.33	3.16
Provision Flow / Loan Portfolio - %	0.68	0.54	0.43	0.58	0.44

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 103.** Classified Agribusiness Loan Portfolio by Risk Level – Companies

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	37,711	-	-	-	86.0	23,098	-	-	-	78.2
A	899	4	1	5	2.1	1,210	6	1	7	4.1
B	2,017	20	7	27	4.6	1,976	20	7	27	6.7
C	395	12	1	12	0.9	254	8	3	11	0.9
D	2,658	266	-	266	6.1	18	2	-	2	0.1
E	63	19	1	20	0.1	82	25	-	25	0.3
F	32	16	-	16	0.1	2,825	1,412	-	1,412	9.6
G	26	18	-	21	0.1	8	6	-	6	0.0
H	54	54	-	54	0.1	60	60	-	60	0.2
<b>Total</b>	<b>43,855</b>	<b>409</b>	<b>12</b>	<b>421</b>	<b>100.0</b>	<b>29,530</b>	<b>1,538</b>	<b>11</b>	<b>1,549</b>	<b>100.0</b>
AA-C	41,023	37	8	45	93.5	26,538	33	11	44	89.9
D-H	2,832	372	4	376	6.5	2,992	1,504	0	1,504	10.1
<b>Mar/19</b>						<b>Jun/19</b>				
AA	29,497	-	-	-	81.8	23,098	-	-	-	78.2
A	1,635	8	-	9	4.5	1,210	6	1	7	4.1
B	1,746	17	6	23	4.8	1,976	20	7	27	6.7
C	208	6	1	8	0.6	254	8	3	11	0.9
D	36	4	-	4	0.1	18	2	-	2	0.1
E	2,819	846	-	846	7.8	82	25	-	25	0.3
F	37	19	-	19	0.1	2,825	1,412	-	1,412	9.6
G	25	18	3	20	0.1	8	6	-	6	0.0
H	63	63	-	63	0.2	60	60	-	60	0.2
<b>Total</b>	<b>36,066</b>	<b>980</b>	<b>11</b>	<b>991</b>	<b>100.0</b>	<b>29,530</b>	<b>1,538</b>	<b>11</b>	<b>1,549</b>	<b>100.0</b>
AA-C	33,086	32	8	40	91.7	26,538	33	11	44	89.9
D-H	2,980	948	3	951	8.3	2,992	1,504	0	1,504	10.1

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

**Table 104.** Changes in the Allowance for Loan Losses – Agribusiness Companies

R\$ million, unless other indicated	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Classified Agrib. Loan Portfolio - Companies</b>	<b>43,855</b>	<b>42,826</b>	<b>38,773</b>	<b>36,066</b>	<b>29,530</b>
<b>Initial Allowance</b>	<b>218</b>	<b>421</b>	<b>771</b>	<b>777</b>	<b>991</b>
1- Risk Migration	211	354	48	214	585
a) Risk Deterioration	232	375	75	221	590
b) Risk Improvement	(22)	(21)	(27)	(7)	(4)
2 - New Transactions	11	7	10	3	14
3 - Write-offs	(13)	(6)	(42)	(4)	(41)
<b>Total (1+2+3)</b>	<b>208</b>	<b>355</b>	<b>17</b>	<b>213</b>	<b>559</b>
Other Impacts <sup>1</sup>	(5)	(5)	(11)	1	(1)
<b>Required Provision</b>	<b>421</b>	<b>771</b>	<b>777</b>	<b>991</b>	<b>1,549</b>
Provision Flow - R\$ million	216	357	47	218	598
Provision / Loan Portfolio - %	0.96	1.80	2.00	2.75	5.25
Provision Flow / Loan Portfolio - %	0.49	0.83	0.12	0.60	2.03

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

### Portfolio with and without Rollover

The average portfolio risk is affected by extended transactions. 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 105.** Agribusiness Transactions with Rollover and without it

R\$ million	Portfolio without Rollover <sup>1</sup>			Portfolio with Rollover <sup>1</sup>		
	Balance	Required Provision	Past Due 90	Balance	Required Provision	Past Due 90
AA	107,894	-	-	1,653	-	-
A	23,372	135	-	1,248	8	-
B	28,534	346	-	1,866	26	-
C	5,779	248	108	1,453	62	6
D	705	74	166	561	61	13
E	639	192	339	540	162	71
F	2,598	1,299	2,460	917	458	688
G	355	249	249	213	149	44
H	1,847	1,847	1,149	1,030	1,030	296
<b>Total</b>	<b>171,723</b>	<b>4,390</b>	<b>4,470</b>	<b>9,483</b>	<b>1,957</b>	<b>1,117</b>
AA-C	165,578	729	108	6,221	96	6
D-H	6,145	3,661	4,362	3,262	1,861	1,111

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 106.** Classified Agribusiness Loan Portfolio Delinquency Indicators

R\$ million	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19
<b>Classified Loan Portfolio</b>	<b>187,941</b>	<b>187,434</b>	<b>187,193</b>	<b>184,739</b>	<b>181,206</b>
ALLL	5,599	5,905	5,561	5,947	6,347
NPL + 15 days	4,491	4,877	4,704	4,360	7,134
NPL + 15 days/Loan Portfolio - %	2.39	2.60	2.51	2.36	3.94
NPL + 15 days/Loan Portfolio - Ex specific case %	-	-	-	-	2.39
NPL + 60 days	3,435	3,767	3,363	3,508	6,045
NPL + 60 days/Loan Portfolio - Ex specific case %	1.83	2.01	1.80	1.90	3.34
NPL + 60 days/Loan Portfolio - %	-	-	-	-	1.79
NPL + 90 days	3,028	3,036	2,860	3,096	5,587
NPL + 90 days/Loan Portfolio <sup>1</sup> - %	1.61	1.62	1.53	1.68	3.08
NPL + 90 days/Loan Portfolio <sup>1</sup> - Ex specific case %	-	-	-	-	1.54
ALLL/Loan Portfolio - %	2.98	3.15	2.97	3.22	3.50
Write-off	950	338	1,023	704	880
<b>Transactions without Rollover - BB Risk + Third Parties</b>	<b>179,014</b>	<b>177,747</b>	<b>176,582</b>	<b>174,377</b>	<b>171,723</b>
ALLL	3,877	4,126	3,795	4,062	4,390
NPL + 90 days	2,545	2,517	2,406	2,551	4,470
NPL + 90 days/ Transactions without Rollover - %	1.42	1.42	1.36	1.46	2.60
ALLL / Transactions without Rollover - %	2.17	2.32	2.15	2.33	2.56
Write-off	688	259	776	535	675
<b>Transactions with Rollover - BB Risk + Third Parties</b>	<b>8,927</b>	<b>9,686</b>	<b>10,610</b>	<b>10,362</b>	<b>9,483</b>
ALLL	1,722	1,778	1,766	1,885	1,957
NPL + 90 days	482	518	453	544	1,117
NPL + 90 days/ Transactions with Rollover - %	5.41	5.35	4.27	5.25	11.78
ALLL / Transactions with Rollover - %	19.29	18.35	16.65	18.19	20.64
Write-off	262	79	247	168	206

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 107.** Classified Foreign Loan Portfolio by Risk Level

R\$ million	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %	Balance	Minimum Provision <sup>1</sup>	Supplementary Provision	Required Provision	Share %
<b>Jun/18</b>						<b>Jun/19</b>				
AA	22,190	-	-	-	61.2	22,563	-	-	-	65.3
A	7,163	36	-	36	19.8	4,831	24	-	24	14.0
B	5,563	56	0.3	56	15.3	6,114	61	-	61	17.7
C	165	5	0.2	5	0.5	368	11	0.1	11	1.1
D	49	5	-	5	0.1	38	4	-	4	0.1
E	41	12	-	12	0.1	15	5	-	5	0.0
F	15	7	-	7	0.0	15	8	-	8	0.0
G	31	22	-	22	0.1	15	11	-	11	0.0
H	1,029	1,029	-	1,029	2.8	613	613	-	613	1.8
<b>Total</b>	<b>36,246</b>	<b>1,172</b>	<b>0.5</b>	<b>1,173</b>	<b>100.0</b>	<b>34,573</b>	<b>736</b>	<b>0.2</b>	<b>736</b>	<b>100.0</b>
AA-C	35,080	96	0.5	97	96.8	33,877	96	0.1	96	98.0
D-H	1,165	1,076	-	1,076	3.2	696	639	-	639	2.0
<b>Mar/19</b>						<b>Jun/19</b>				
AA	22,475	-	-	-	64.9	22,563	-	-	-	65.3
A	4,601	23	-	23	13.3	4,831	24	-	24	14.0
B	6,147	61	0.2	62	17.7	6,114	61	-	61	17.7
C	296	9	0.1	9	0.9	368	11	0.1	11	1.1
D	37	4	-	4	0.1	38	4	-	4	0.1
E	115	34	-	34	0.3	15	5	-	5	0.0
F	15	8	-	8	0.0	15	8	-	8	0.0
G	32	23	-	23	0.1	15	11	-	11	0.0
H	919	919	-	919	2.7	613	613	-	613	1.8
<b>Total</b>	<b>34,637</b>	<b>1,080</b>	<b>0.4</b>	<b>1,081</b>	<b>100.0</b>	<b>34,573</b>	<b>736</b>	<b>0.2</b>	<b>736</b>	<b>100.0</b>
AA-C	33,520	93	0.3	94	96.8	33,877	96	0.1	96	98.0
D-H	1,117	987	-	987	3.2	696	639	-	639	2.0

### **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.

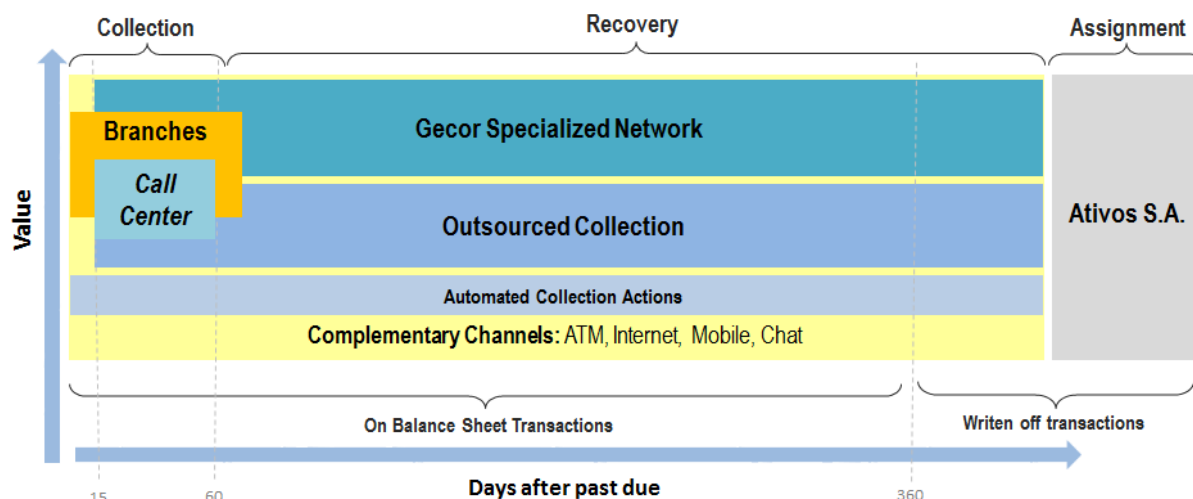
The credit collection historic performance actions determines the likelihood of credits in default to be regularized. The main consequence of statistical follow-up is the possibility of continuously improve the process with feedback from strategies with the best results during the period.

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**

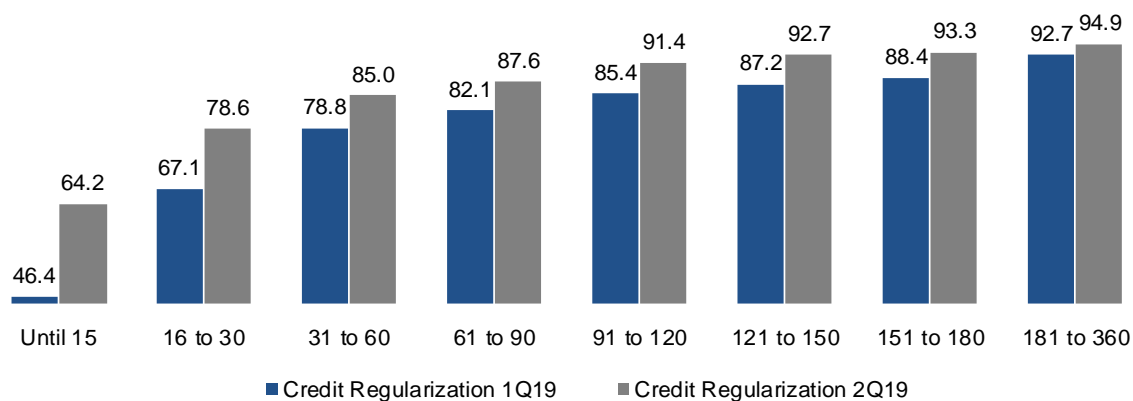
Sequential use of credit collection and recovery channels is closely related to BB's strategy success.

**Figure 41.** Collection, Regularization and Recovery Network

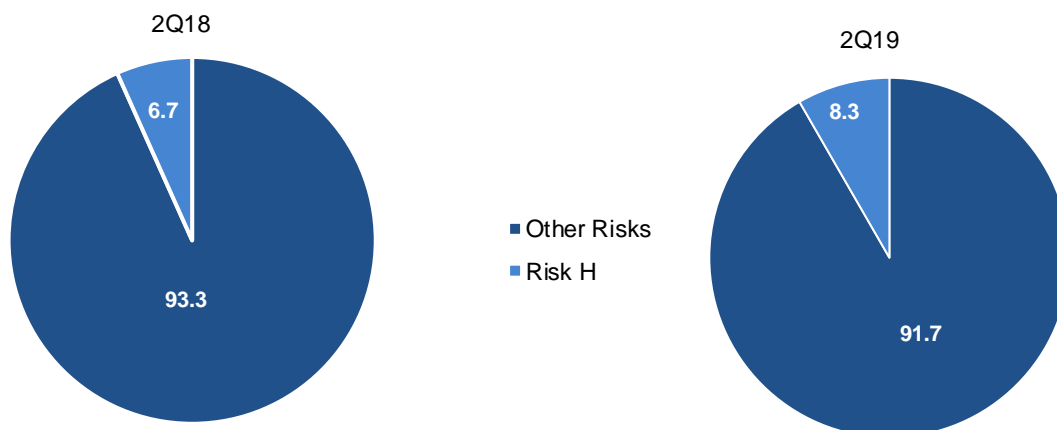
1 - Gecor Network: refers to a group of business units specialized in dealing with past due credits of customers with more relevant indebtedness.

### 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 Jun/19, 94.9% were resolved within 360 days.

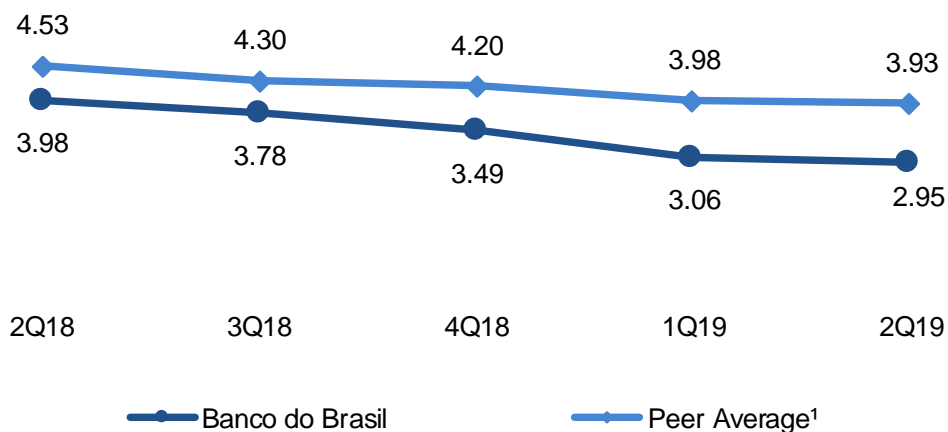
**Figure 42.** Credit Regularization Rate Over Collection Period - %

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 8.3% of this amount and 91.7% were at lower risk ranges.

**Figure 43.** Collection and Regularization before Write Off<sup>1</sup> - %

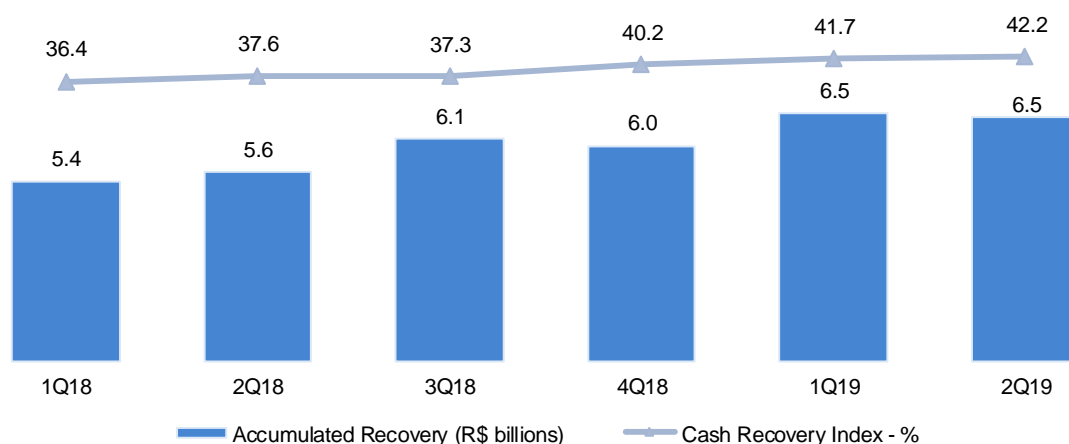
<sup>1</sup> – 12 months accumulated

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 44.** Write-Off – Percentage on the Classified Loan Portfolio

<sup>1</sup> – 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\$6.5 billion were recovered. From this volume, R\$2.7 billion was received in cash, constant over time.

**Figure 45.** 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 108.** Renegotiated Loan Portfolio – Multiple Bank<sup>1</sup>

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Credits Renegotiated</b>	<b>15,460</b>	<b>14,707</b>	<b>15,757</b>	<b>16,821</b>	<b>20,283</b>
Renegotiated When Past Due	2,254	2,403	2,576	2,336	2,736
Renewed - not Past Due	13,206	12,304	13,181	14,485	17,547
<b>Credits Renegotiated When Past Due - Changes</b>					
<b>Initial Balance</b>	<b>23,630</b>	<b>22,914</b>	<b>22,911</b>	<b>22,874</b>	<b>22,727</b>
New Transactions	2,254	2,403	2,576	2,336	2,736
Amortization Net of Interest <sup>2</sup>	(1,304)	(996)	(1,290)	(843)	(1,439)
Write-Off	(1,665)	(1,410)	(1,323)	(1,641)	(1,355)
<b>Past due Renegotiated Loan Portfolio (A)</b>	<b>22,914</b>	<b>22,911</b>	<b>22,874</b>	<b>22,727</b>	<b>22,669</b>
<b>ALLL Balance (B)</b>	<b>10,867</b>	<b>12,072</b>	<b>12,234</b>	<b>12,229</b>	<b>12,165</b>
<b>NPL + 90 days (C)</b>	<b>4,490</b>	<b>4,476</b>	<b>3,857</b>	<b>3,650</b>	<b>3,584</b>
<b>Indicators - %</b>					
ALLL / Loan Portfolio (B/A)	47.4	52.7	53.5	53.8	53.7
NPL + 90 days / Loan Portfolio (C/A)	19.6	19.5	16.9	16.1	15.8
ALLL Balance/NPL + 90 days (B/C)	242.0	269.7	317.2	335.0	339.5
Credits Renegotiated/Classified Portfolio	3.6	3.6	3.6	3.6	3.6

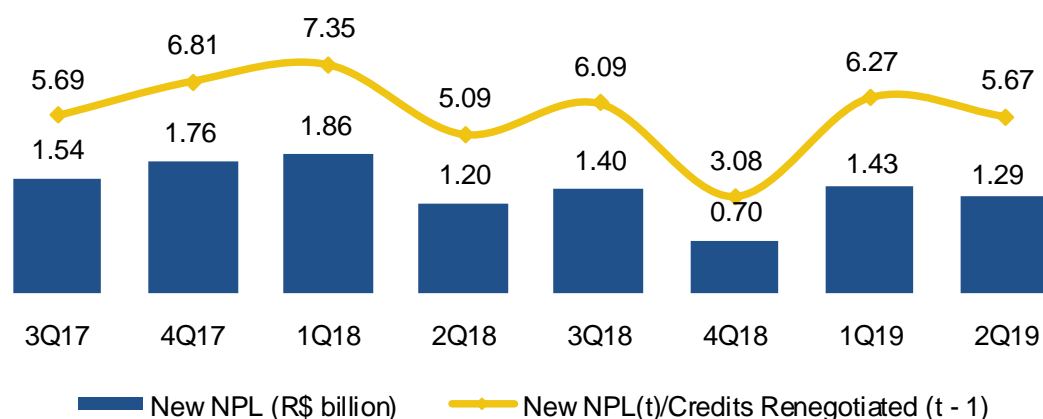
1 – Accordingly to Financial Statements Note 10.k

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, 29.7% were more than 90 days past due and 14.6% were written off.

**Table 109.** Renegotiated Loan Portfolio – Contracted Operations by Delay Range

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
No delay (From 0 to 14 days past due)	664	684	807	906	716
From 15 to 90 days past due	450	526	756	406	806
NPL + 90 days	777	754	663	571	813
Write-off credits	362	440	350	453	401
<b>Total</b>	<b>2,254</b>	<b>2,403</b>	<b>2,576</b>	<b>2,336</b>	<b>2,736</b>

**Figure 46.** New NPL – Percentage on the Renegotiated Loan Portfolio

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

**Table 110.** Renegotiated Portfolio by Risk Level

R\$ million	Jun/18			Mar/19			Jun/19		
	Balance	Provision	Share %	Balance	Provision	Share %	Balance	Provision	Share %
AA	416	-	1.8	224	-	1.0	296	-	1.3
A	458	2	2.0	287	1	1.3	214	1	0.9
B	2,564	26	11.2	2,413	24	10.6	2,769	28	12.2
C	3,055	92	13.3	2,687	81	11.8	2,506	75	11.1
D	1,640	164	7.2	1,477	148	6.5	1,401	140	6.2
E	3,813	1,144	16.6	3,366	1,010	14.8	3,366	1,010	14.8
F	1,551	775	6.8	1,846	923	8.1	1,713	857	7.6
G	2,511	1,758	11.0	1,281	897	5.6	1,161	813	5.1
H	6,906	6,906	30.1	9,146	9,146	40.2	9,242	9,242	40.8
<b>Total</b>	<b>22,914</b>	<b>10,867</b>	<b>100.0</b>	<b>22,727</b>	<b>12,229</b>	<b>100.0</b>	<b>22,669</b>	<b>12,165</b>	<b>100.0</b>
AA-C	6,493	120	28.3	5,611	106	24.7	5,785	104	25.5
D-H	16,421	10,747	71.7	17,116	12,123	75.3	16,883	12,061	74.5

## 8 - Funding

The commercial funding grew 3.4% compared to the same period of last year, mainly influenced by the performance of judicial deposits, which increased R\$25.7 billion compared to Jun/18. Highlight also for agribusiness letters of credits (LCA), R\$1.7 billion growth in quarterly comparison.

**Table 111.** Commercial Funding

R\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Commercial Funding</b>	<b>596,556</b>	<b>100.0</b>	<b>614,557</b>	<b>100.0</b>	<b>616,744</b>	<b>100.0</b>	<b>3.4</b>	<b>0.4</b>
Saving Deposits	167,089	28.0	174,156	28.3	174,480	28.3	4.4	0.2
Judicial Deposits	134,246	22.5	154,192	25.1	159,915	25.9	19.1	3.7
Agribusiness Letters of Credits	84,005	14.1	81,960	13.3	83,657	13.6	(0.4)	2.1
Time Deposits <sup>1</sup>	76,633	12.8	71,976	11.7	71,317	11.6	(6.9)	(0.9)
Demand Deposits	66,780	11.2	66,426	10.8	67,429	10.9	1.0	1.5
Interbank Deposits	30,790	5.2	33,760	5.5	32,374	5.2	5.1	(4.1)
Mortgage Bonds <sup>3</sup>	16,577	2.8	15,836	2.6	15,169	2.5	(8.5)	(4.2)
Rep. Agreement with Private Securities <sup>2</sup>	20,436	3.4	16,251	2.6	12,403	2.0	(39.3)	(23.7)

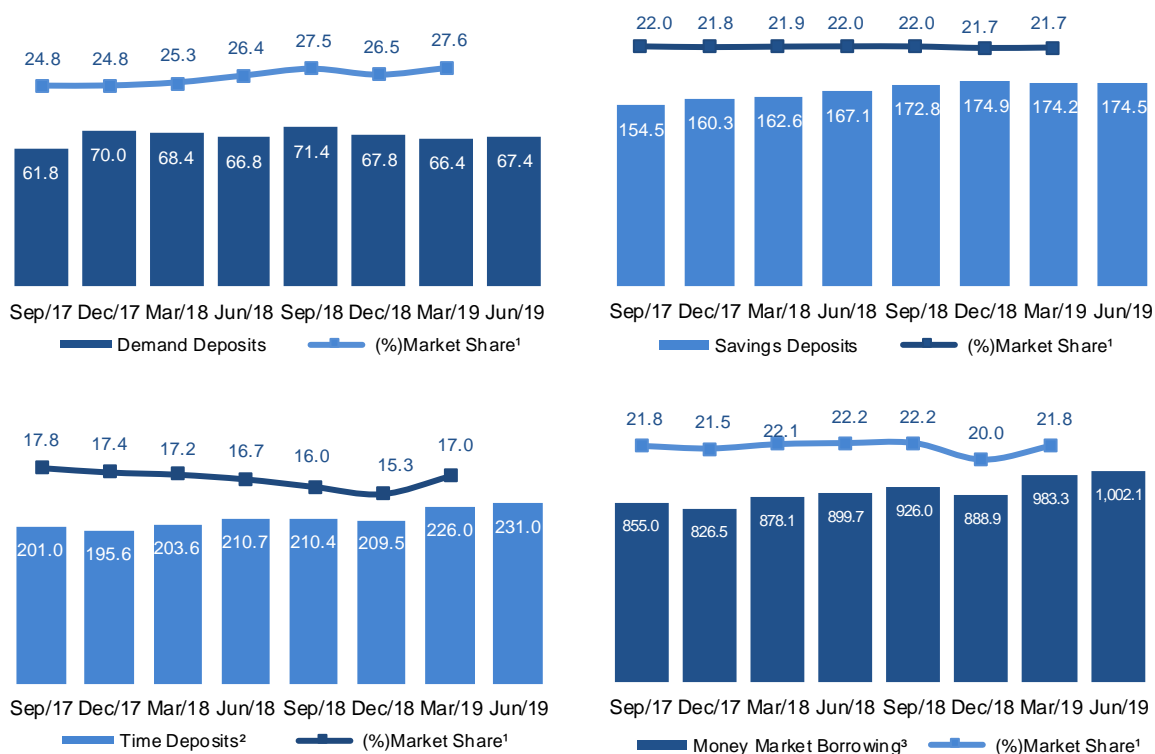
1 - Includes the balance of other deposits presented in the Notes to the Consolidated Financial Statements.

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 47.** 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/informes/relatorios>>. Position: Mar/19.

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 mainly of the issuance of securities acquired by institutional investors.

**Table 112.** Institutional Funding

R\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Institutional Funding</b>	<b>220,136</b>	<b>100.0</b>	<b>196,429</b>	<b>100.0</b>	<b>194,546</b>	<b>100.0</b>	<b>(11.6)</b>	<b>(1.0)</b>
Borrowing, Assignments and Onlending	122,827	55.8	110,008	56.0	108,794	55.9	(11.4)	(1.1)
Hybrid Capital Instruments	32,963	15.0	33,732	17.2	32,874	16.9	(0.3)	(2.5)
Financial Letters	24,642	11.2	14,955	7.6	14,619	7.5	(40.7)	(2.3)
Securities Issued Abroad	28,243	12.8	26,306	13.4	26,857	13.8	(4.9)	2.1
Subordinated Debt Overseas	11,460	5.2	11,427	5.8	11,402	5.9	(0.5)	(0.2)

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

**Table 113.** Commercial Funding Abroad - Type

US\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Funding Abroad</b>	<b>37,917</b>	<b>100.0</b>	<b>36,399</b>	<b>100.0</b>	<b>35,786</b>	<b>100.0</b>	<b>(5.6)</b>	<b>(1.7)</b>
Issues and Certificates of Deposit	15,694	41.4	15,110	41.5	15,352	42.9	(2.2)	1.6
Interbanking Deposits and Loans	12,037	31.7	12,094	33.2	11,363	31.8	(5.6)	(6.0)
Businesses	5,250	13.8	4,404	12.1	4,252	11.9	(19.0)	(3.5)
Individuals	3,772	9.9	3,531	9.7	3,618	10.1	(4.1)	2.5
Repo	1,065	2.8	1,152	3.2	1,099	3.1	3.2	(4.6)
Special Account	99	0.3	108	0.3	102	0.3	3.7	(4.8)

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

**Table 114.** Commercial Funding Abroad - Product

US\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Funding Abroad</b>	<b>37,917</b>	<b>100.0</b>	<b>36,399</b>	<b>100.0</b>	<b>35,786</b>	<b>100.0</b>	<b>(5.6)</b>	<b>(1.7)</b>
Issues and Certificates of Deposit	15,694	41.4	15,110	41.5	15,352	42.9	(2.2)	1.6
Time Deposits	9,699	25.6	10,179	28.0	9,973	27.9	2.8	(2.0)
Loans	5,952	15.7	4,775	13.1	4,173	11.7	(29.9)	(12.6)
Demand Deposits	2,342	6.2	2,087	5.7	2,240	6.3	(4.4)	7.3
Saving Deposits	1,516	4.0	1,324	3.6	1,368	3.8	(9.7)	3.4
Repo	1,065	2.8	1,152	3.2	1,099	3.1	3.2	(4.6)
Pledge	600	1.6	351	1.0	352	1.0	(41.3)	0.4
Over	453	1.2	459	1.3	290	0.8	(36.0)	(36.9)
Call Account	498	1.3	854	2.3	837	2.3	67.9	(2.0)
Special Account	99	0.3	108	0.3	102	0.3	3.7	(4.8)

## 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 82.6% 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 115. Sources and Uses**

R\$ million	Balance						Chg. (%)	
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Sources</b>	<b>769,800</b>	<b>100.0</b>	<b>767,565</b>	<b>100.0</b>	<b>765,360</b>	<b>100.0</b>	<b>(0.6)</b>	<b>(0.3)</b>
Commercial Funding	596,556	77.5	614,557	80.1	616,744	80.6	3.4	0.4
Total Deposits	475,538	61.8	500,510	65.2	505,515	66.0	6.3	1.0
Agrib. Letters of Credit and Mortgage Bonds	100,582	13.1	97,796	12.7	98,825	12.9	(1.7)	1.1
Repurch. Agreement with Private Securities <sup>1</sup>	20,436	2.7	16,251	2.1	12,403	1.6	(39.3)	(23.7)
Domestic Onlending	77,543	10.1	65,238	8.5	63,976	8.4	(17.5)	(1.9)
Subordinated Debt	59,946	7.8	49,895	6.5	49,598	6.5	(17.3)	(0.6)
Foreign Borrowing <sup>2</sup>	51,631	6.7	45,553	5.9	43,519	5.7	(15.7)	(4.5)
Hybrid Capital Instruments	32,963	4.3	33,732	4.4	32,874	4.3	(0.3)	(2.5)
Financial and Development Funds	15,948	2.1	15,433	2.0	15,481	2.0	(2.9)	0.3
Commercial Paper <sup>3</sup>	5,457	0.7	5,784	0.8	5,725	0.7	4.9	(1.0)
Compulsory Deposits	(70,244)	(9.1)	(62,627)	(8.2)	(62,558)	(8.2)	(10.9)	(0.1)
<b>Uses</b>	<b>769,800</b>	<b>100.0</b>	<b>767,565</b>	<b>100.0</b>	<b>765,360</b>	<b>100.0</b>	<b>(0.6)</b>	<b>(0.3)</b>
Net Loan Portfolio (a)	637,500	82.8	632,295	82.4	632,303	82.6	(0.8)	0.0
Classified Loan Portfolio	637,677	82.8	628,884	81.9	626,322	81.8	(1.8)	(0.4)
Private Securities	35,004	4.5	38,158	5.0	41,527	5.4	18.6	8.8
Allowance for Loan Losses	(35,181)	(4.6)	(34,747)	(4.5)	(35,547)	(4.6)	1.0	2.3
Available Funds	132,300	17.2	135,270	17.6	133,057	17.4	0.6	(1.6)
Domestic Onlending Loans (b)	122,881	16.0	110,068	14.3	108,918	14.2	(11.4)	(1.0)
Adjusted Net Loan Portfolio (a) - (b)	514,619	66.9	522,227	68.0	523,385	68.4	1.7	0.2
<b>Indicators - %</b>								
Net Loan Portfolio / Total Deposits	134.1		126.3		125.1			
Net Loan Portfolio / Commercial Funding	106.9		102.9		102.5			
Adjusted Net Loan Portfolio / Commercial Funding	86.3		85.0		84.9			
Net Loan Portfolio / Sources	82.8		82.4		82.6			

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.

More information on the Bank's liquidity can be found in the Risk Report (RGR), available at [bb.com.br/ri](http://bb.com.br/ri)

The following table presents the fixed income securities issued by BB in the international capital market up to Jun/19.

**Table 116. Current Debt Issues Abroad**

Issue Date	Maturity	Call Date	Volume (US\$ thousand)	Cupon (%) <sup>1</sup>	Issue price	Return for Investor (%)	Spread over Treasury	Currency	Balance Jun/19 (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
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-	EMTN
04/19/2018	04/19/2023		750,000	4.875 S	100.00	4.88	219.9	USD	750,000.00	BB- / Ba2 / BB-	EMTN
03/20/2019	03/20/2024		750,000	4.750 S	100.00	4.75	232	USD	750,000.00	BB- / Ba2 / BB-	EMTN

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

## 9 - Financial Services

### 9.1. Payment Methods

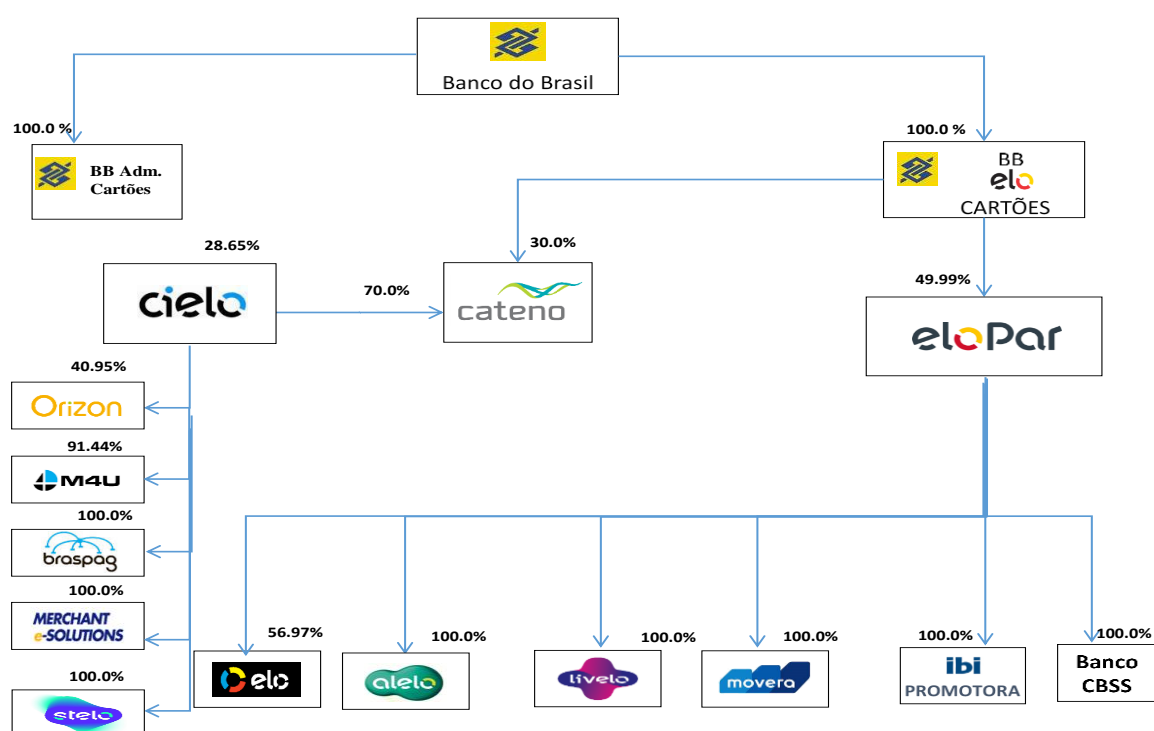
Banco do Brasil remains one of the leaders in the E-Payment Systems market.

With permanent investment in technology, BB delivers to its customers the latest technological solutions available in the segment, aiming at productivity, agility and, above all, customer satisfaction. Highlight for the broad portfolio of payment solutions for individuals, companies, agribusiness and government.

With a focus on customer retention and customer loyalty, BB has also invested to make the cardholder journey increasingly fluid, secure and digital. In this sense, BB offers solutions such as the Banco do Brasil App, Ourocard App, Whatsapp service and BB Self-Service on the Internet. In addition to optimizing the customer experience, such channels also deliver significant cost savings.

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

**Figure 48.** Payment Methods Organizational Chart – Main Companies<sup>1</sup>



1 – As of Jun 30, 2019.

#### 9.1.1. Cards Base and Turnover

The base of cards with recurrent use of the BB is composed mostly by cards with multiple functions, the same plastic can present recurrent use in the debit and credit function.

In Jun/19, the growth of the recurring credit card base was 2.5% compared to the same period of the previous year. In the debit function, the increase was 5.1%, as a result of marketing activities on the network and digital channels and activation and incentive campaigns.

The following table shows the growth of the recurring card base in the credit and debit functions.

**Table 117.** Cards Base – Recurring Use<sup>1</sup>

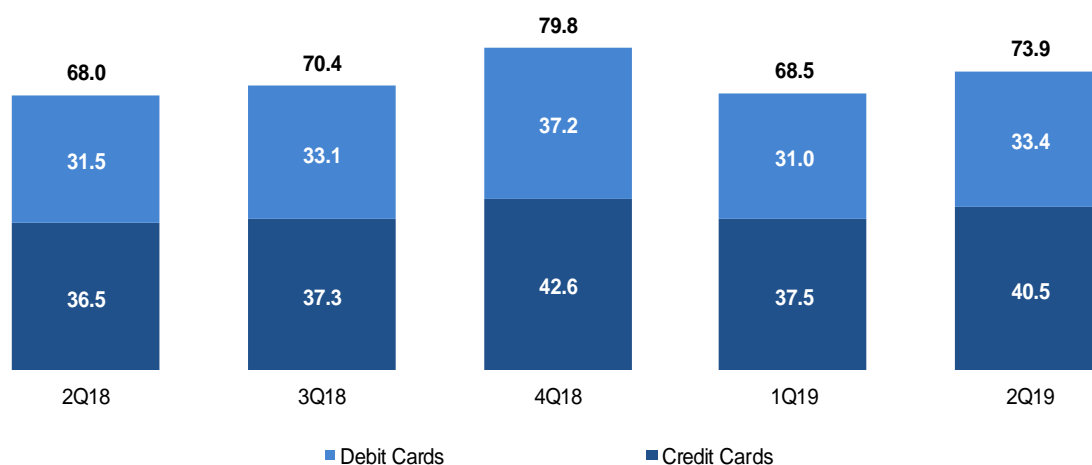
million	Jun/18	Sep/18	Dec/18	Mar/19	Jun/19	Chg. (%)	
						Jun/18	Mar/19
Credit Cards	7.89	7.87	8.03	7.99	8.09	2.5	1.3
Debit Cards	13.96	14.38	15.22	14.54	14.67	5.1	0.9

1 – At least one use in the last 30 days.

The turnover total volume through Banco do Brasil's cards in 2Q19 totaled R\$73.9 billion, 8.7% higher than the same period of the previous year. In the debit function,

Highlight to the volume of credit transactions, which grew 10.9% in the same period.

The turnover volume in the debt increased by 6.2%, compared with the same period of the last year, performance impacted by the lower volume of disbursement in the Agribusiness card. If only consider purchases in traditional debt, the growth in relation to the same period of the previous year was 8.8%.

**Figure 49.** BB's Cards Turnover – R\$ billion

### 9.1.2. Cards Business Income

The net result with issuance, which was 28.5% lower in the same period of comparison, was mainly impacted by the allowance for loan losses expenses (ALL).

In the other card business, there was a 23.8% growth, also compared to 2Q18, due to the positive results of some companies related to the group, such as Alelo, Elo Serviços and Livelo.

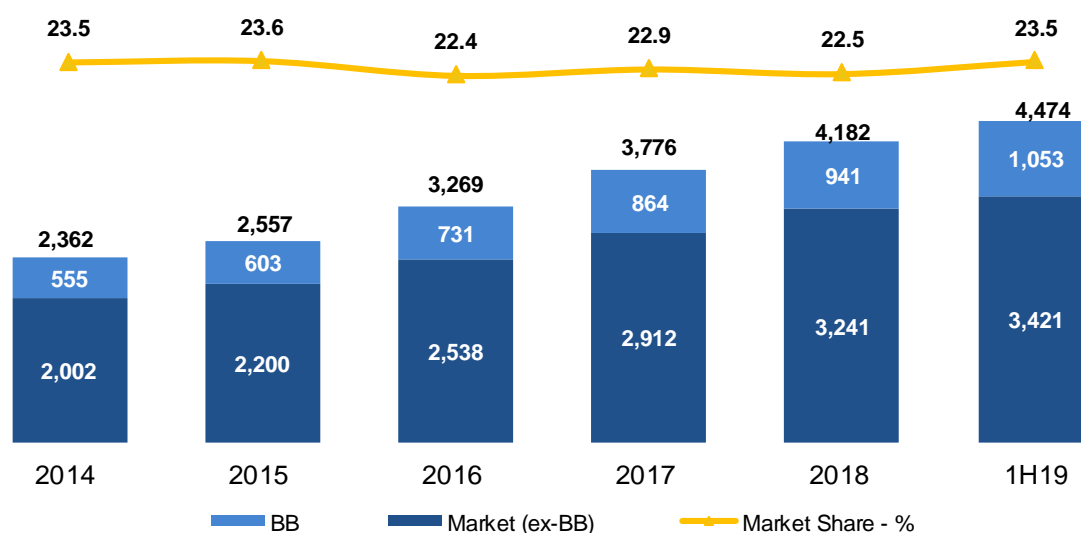
**Table 118.** Cards Business Income

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19	Chg. (%)	
						2Q18	1Q19
<b>Net Income</b>	<b>713</b>	<b>668</b>	<b>740</b>	<b>767</b>	<b>690</b>	<b>(3.2)</b>	<b>(10.0)</b>
Net Income with BB issuance	369	291	383	451	264	(28.5)	(41.5)
Other Cards Results	344	377	357	316	426	23.8	34.8

## 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 50.** Fiduciary Management and Market Share – R\$ billion

Source: Anbima

In 2Q19, BB DTVM's net funding was positive by R\$53.7 billion, positive highlight for influenced by the performance of creditory investment fund (FIDC).

In Jun/19, for the first time, BB DTVM totaled record of R\$1.1 trillion in managed funds. With an increase of 11.8% in the volume of funds managed in 1H19, compared to the 5.6% market growth (excluding BB), the BB DTVM's market share increased from 22.5% in Dec/18 to 23.5% in Jun/19.

Regarding investor segmentation, according to Anbima's Global Resource Management ranking of June 2019, BB DTVM remained the leader in the Institutional Investor, Government and Retail segments.

The following tables present the breakdown of administered funds by segment and Anbima class, referring to March 2019.

**Table 119.** Investment Funds and Managed Portfolio by Segment

R\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
Institutional Investors	393,844	42.8	434,579	44.3	448,580	42.6	13.9	3.2
Government	152,645	16.6	152,911	15.6	161,053	15.3	5.5	5.3
Retail	120,484	13.1	126,527	12.9	131,872	12.5	9.5	4.2
High income	68,289	7.4	70,370	7.2	72,069	6.8	5.5	2.4
Corporate	53,175	5.8	66,121	6.7	97,585	9.3	83.5	47.6
RPPS	54,183	5.9	56,776	5.8	60,030	5.7	10.8	5.7
Private	41,378	4.5	45,852	4.7	47,468	4.5	14.7	3.5
Middle Market	22,994	2.5	24,735	2.5	25,285	2.4	10.0	2.2
Foreign Investors	12,458	1.4	3,909	0.4	8,624	0.8	(30.8)	120.6
<b>Total</b>	<b>919,450</b>	<b>100.0</b>	<b>981,780</b>	<b>100.0</b>	<b>1,052,567</b>	<b>100.0</b>	<b>14.5</b>	<b>7.2</b>

Source: Anbima.

**Table 120.** Investment Funds and Managed Portfolio by ANBIMA Type

R\$ million	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
<b>Investment Fund</b>	<b>911.175</b>	<b>99,1</b>	<b>969.274</b>	<b>98,7</b>	<b>1.052.747</b>	<b>100,0</b>	<b>15,5</b>	<b>8,6</b>
Fixed	558.668	60,8	601.545	61,3	622.910	59,2	11,5	3,6
Equity	42.040	4,6	51.702	5,3	54.845	5,2	30,5	6,1
Multimarket	29.468	3,2	18.539	1,9	17.483	1,7	(40,7)	(5,7)
Others <sup>1</sup>	280.998	30,6	297.489	30,3	357.509	34,0	27,2	20,2
<b>Managed Portfolios</b>	<b>19.121</b>	<b>2,1</b>	<b>18.728</b>	<b>1,9</b>	<b>18.939</b>	<b>1,8</b>	<b>(0,9)</b>	<b>1,1</b>
Fixed	18.865	2,1	18.426	1,9	18.603	1,8	(1,4)	1,0
Equity	256	0,0	302	0,0	336	0,0	31,4	11,3
<b>Third-party Funds</b>	<b>(10.845)</b>	<b>(1,2)</b>	<b>(6.222)</b>	<b>(0,6)</b>	<b>(19.119)</b>	<b>(1,8)</b>	<b>76,3</b>	<b>207,3</b>
<b>Total</b>	<b>919.450</b>	<b>100,0</b>	<b>981.780</b>	<b>100,0</b>	<b>1.052.567</b>	<b>100,0</b>	<b>14,5</b>	<b>7,2</b>

Source: Anbima

<sup>1</sup> - Includes Pension, Exchange, FIP, ETF, Real Estate and Off Shore funds.

Data on the Anbima distribution by type are disclosed without deduction of own and third-party quotas, which in June 2019 totaled R\$19.2 billion.

### Sustainability

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

**Table 121.** Investment Funds with Socio-Environmental Characteristics Management

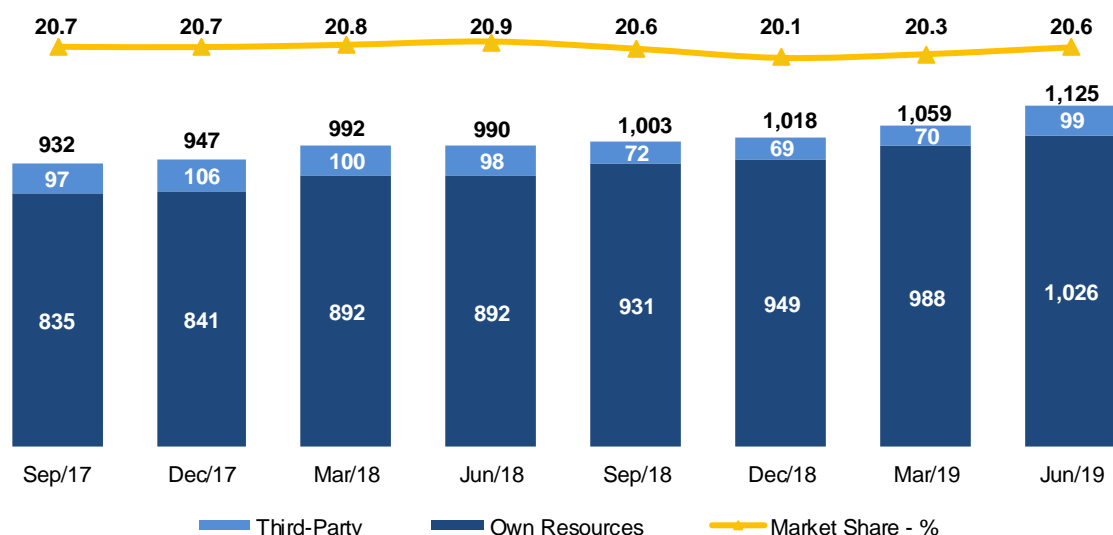
R\$ million	Balance			Chg. (%)	
	Jun/18	Mar/19	Jun/19	Jun/18	Mar/19
BB Previdenciário Ações Governança	240,5	472,6	525,9	118,7	11,3
BB Referenciado DI Social 50	700,0	567,7	519,9	(25,7)	(8,4)
BB Multi Global Acqua LP Private FI	341,8	201,0	181,4	(46,9)	(9,8)
BB Ações Equidade Private FIC	-	150,8	156,2	-	3,6
BB MM LP Global Vita Private FI	-	126,2	124,6	-	-
BB Ações Equidade FIC	-	20,3	37,8	-	85,9
BB Ações ISE JOVEM	8,2	9,7	9,4	13,9	(3,7)
BB Ações Carbono Sustent. FIA	3,5	4,1	4,4	24,0	7,6
<b>Total</b>	<b>1.294,0</b>	<b>1.552,5</b>	<b>1.559,5</b>	<b>20,5</b>	<b>0,4</b>

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 Jun/19, the amount held in custody by BB totaled R\$1.1 trillion, representing a 13.8% 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 51.** 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 41 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

In 2Q19 the BB-BI acted in the coordination and structuring of 33 transactions in the fixed income domestic market, reaching a volume of R\$38.7 billion. In the Anbima Consolidated Fixed Income Origination Ranking, BB-BI continued as 4<sup>th</sup> place.

#### Fixed Income – International Market

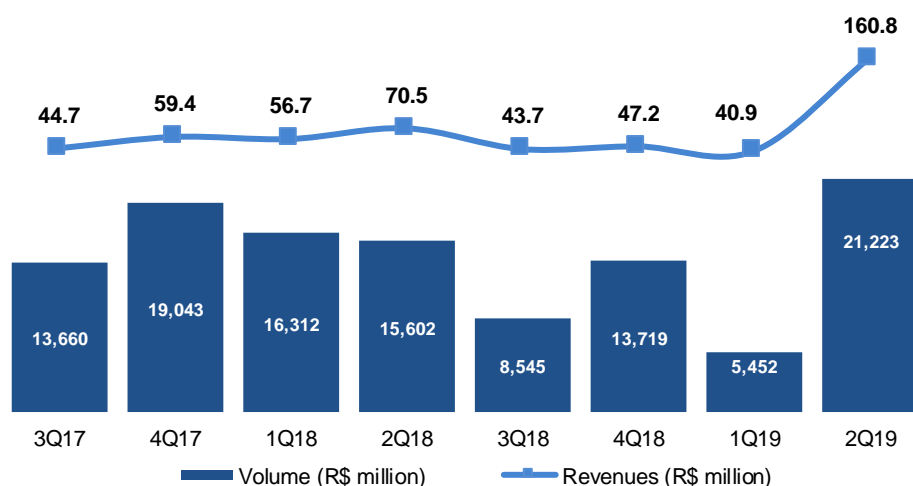
In the quarter, 6 Brazilian corporate issuers accessed the international bond market with a US\$5.4 billion total issuance. The BB was mandated to act as Lead Manager in 3 transactions. This represents a market share of 49.0% in volume and 50.0% in total emissions in period. According to the Anbima External Emissions Ranking, BB came in 5<sup>th</sup> place in total emissions, on June 2019.

Regarding foreign groups, BB acted as Lead-Management and Co-Manager in another 12 bond issues totaling US\$6.0 billion.

BB has also been increasing its participation in Liability Management transactions. Acted in 3 operations of repurchase of papers and 2 waver operations in this last quarter in the total amount of US\$3.7 billion.

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

**Figure 52.** Fixed Income Securities Origination – Domestic and International Markets



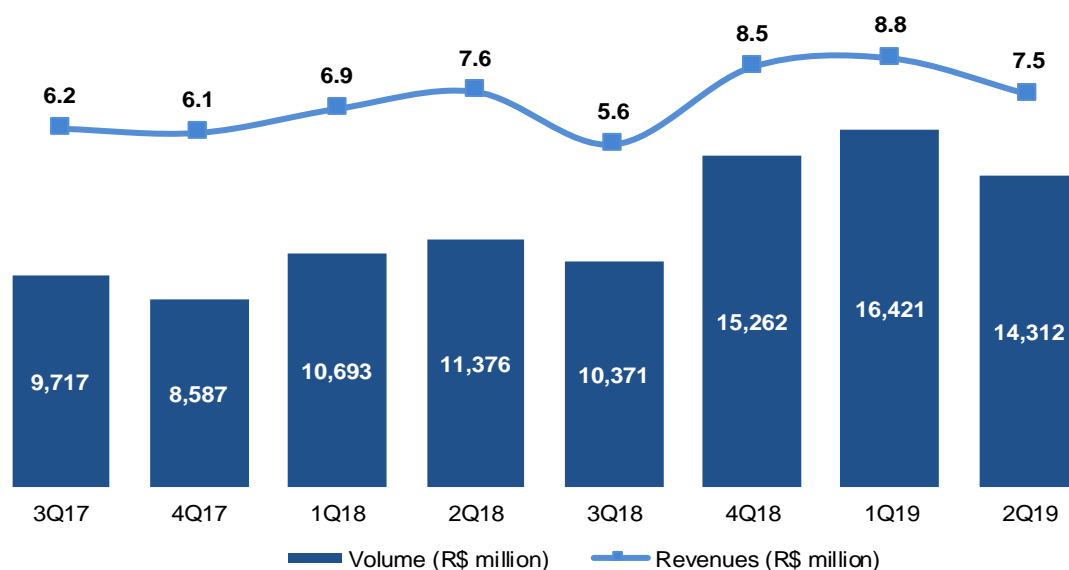
#### Variable Income Wholesale

In 2Q19, BB-BI acted as Lead Coordinator e Joint Bookrunner in two public offering of shares (IPO) and a of the Follow-on whose funding was R\$7.0 billion, placing BB-BI in first position in Anbima Variable Income of June/19.

#### Variable Income Retail – Secondary Market

In 2Q19, volume traded at BB was R\$14.3 billion. In the same period, B3 S.A. - Brazil Stock Exchange ("B3") traded R\$323.0 billion. BB's market share in the period was 4.4%.

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 53.** Individual Equity – Secondary Market

### Securitization

In 2Q19, BB-BI acted in the coordination and structuring of 4 Securitization operations (CRA) with volume total originated 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 41 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\$751.8 million by the end of Jun/19.

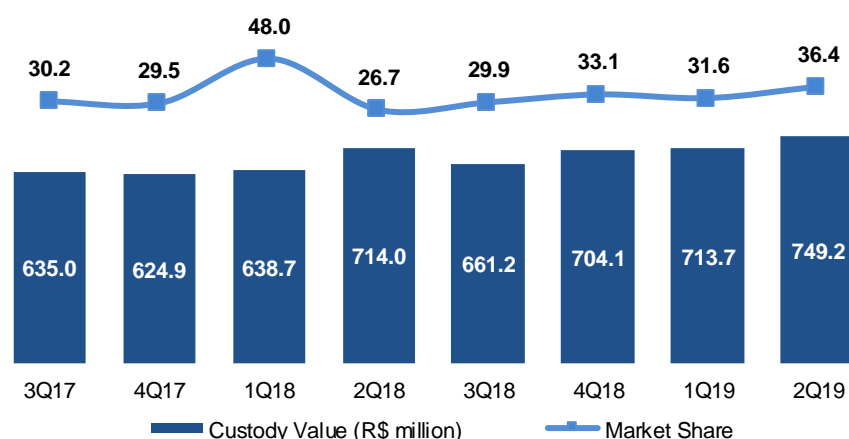
**Table 122.** Private Equity – Indirect Interest

	Jun/18		Mar/19		Jun/19	
	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
FMEE Rio Bravo Nordeste II	20.0	15.2	20.0	15.1	20.0	15.1
FMEE Jardim Botânico VC I	20.0	20.0	20.0	20.0	20.0	20.0
FMEE Fundotec II	12.0	15.5	0.0	0.0	0.0	0.0
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		1,094.8		1,094.8	



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

**Figure 54.** 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 123.** BB Seguridade – Performance Ratios

R\$ million	Quarterly Flow			Chg. (%)	
	2Q18	1Q19	2Q19	2Q18	1Q19
<b>Performance Ratios - %</b>					
<b>Insurance - Life, Mortgage and Rural</b>					
Loss Ratio <sup>1</sup>	33.9	37.2	27.1	(20.0)	(27.1)
Commission Ratio <sup>2</sup>	25.3	32.3	30.6	21.0	(5.3)
Technical Margin	41.0	30.9	42.4	3.6	37.6
Combined Ratio <sup>3</sup>	71.3	84.1	70.3	(1.3)	(16.3)
Expanded Combined Ratio <sup>4</sup>	67.0	75.1	69.3	3.4	(7.6)
Adjusted ROAE <sup>5</sup>	52.0	57.9	74.4	43.1	28.4
<b>Pension Plans</b>					
Commission Ratio <sup>2</sup>	2.0	2.1	1.5	(23.4)	(25.2)
Adjusted ROAE	42.9	52.3	37.3	(13.2)	(28.8)
<b>Premium Bonds</b>					
Commission Ratio <sup>2</sup>	82.3	76.0	86.0	4.5	13.2
Premium Bonds Margin	8.8	7.1	(5.4)	-	-
Adjusted ROAE	(0.7)	32.8	21.4	-	(34.7)
<b>Brokerage</b>					
Adjusted Operating Margin	77.2	79.7	80.9	4.9	1.6
Adjusted Net Margin	53.6	54.5	55.3	3.3	1.5

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 May 2019 with R\$50.2 billion in business volume, registering

expansion of 26.7% in relation to the same period of 2018. The number of participants reached 7.3 million.

Among the January months and May were trading 1.2 million new consortium quotas showing growth of 15.0% in relation to the same period of 2018. Until May 2019, R\$17.3 billion in loans were made available.

Banco do Brasil operates in the consortium market through its subsidiary, BB Administradora de Consórcios SA, which had 12.1% market share, according to the latest data provided by the Central Bank (May/2019).

In 2Q19, BB Consórcios recorded more than 81 thousand new shares of consortiums, totaling R\$2.7 billion in business volume.

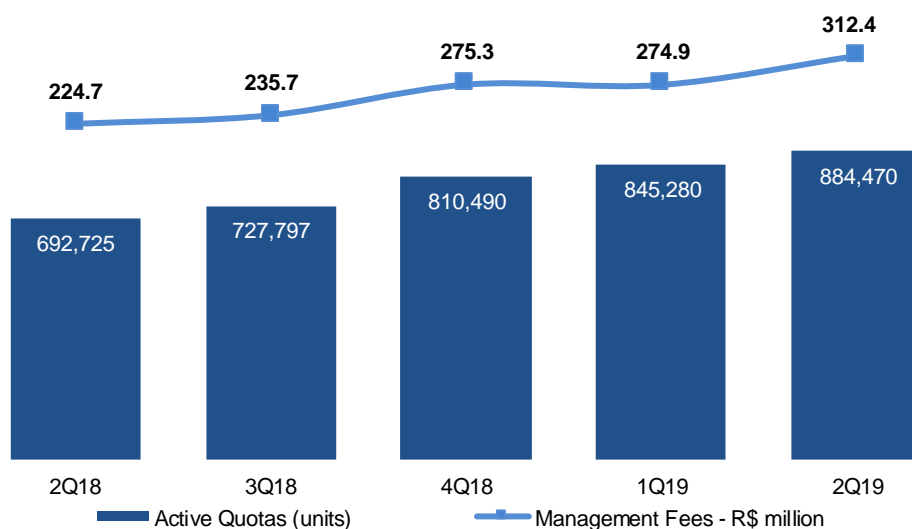
This result is a reflection of the strategic focus and the use of sales opportunity, identified from the observation of the behavior of customers in the search for the advantages of the financial planning that the product consortium offers.

In sales in alternative channels, more than R\$746 million were registered in digital channels (Mobile, Internet and TAA) and R\$399 million in channel partners.

**Table 124.** Consortium – Current Quotas per Type

units	Balance				Chg. (%)			
	Jun/18	Share %	Mar/19	Share %	Jun/19	Share %	Jun/18	Mar/19
Auto	560,091	80.9	583,594	69.0	590,915	66.8	5.5	1.3
Motorcycle	69,872	10.1	156,579	18.5	169,408	19.2	142.5	8.2
Mortgage	31,584	4.6	39,344	4.7	40,776	4.6	29.1	3.6
Services	13,839	2.0	32,754	3.9	39,368	4.5	184.5	20.2
Electric and Electronic Devices	11,951	1.7	23,872	2.8	33,691	3.8	181.9	41.1
Tractor/Truck	5,388	0.8	9,137	1.1	10,312	1.2	91.4	12.9
<b>Total</b>	<b>692,725</b>	<b>100.0</b>	<b>845,280</b>	<b>100.0</b>	<b>884,470</b>	<b>100.0</b>	<b>27.7</b>	<b>4.6</b>

**Figure 55.** 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 125.** Consortium – Average Ticket

R\$	Balance				
	2Q18	3Q18	4Q18	1Q19	2Q19
Tractor/Truck	165,003	157,514	144,475	147,879	144,643
Mortgage	136,936	149,596	138,742	140,654	112,736
Auto	43,792	45,009	44,720	44,462	45,805
Motorcycle	18,843	19,432	18,105	17,990	17,708
Services	8,223	9,531	8,983	9,574	9,960
Electric and Electronic Devices	4,616	5,257	5,292	6,255	7,183

**Table 126.** Consortium – Average Term and Average Management Rate

	2Q18		1Q19		2Q19	
	Average Term (months)	Average Rate (%)	Average Term (months)	Average Rate (%)	Average Term (months)	Average Rate (%)
Services	29	20.3	29	20.8	28	20.8
Motorcycle	66	20.7	65	20.8	64	20.8
Electric and Electronic Devices	30	20.0	31	20.9	32	20.9
Mortgage	150	20.2	162	20.0	174	20.0
Auto	70	14.5	72	16.3	74	16.2
Tractor/Truck	89	15.1	102	15.0	113	15.0

## 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 in 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 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.

### Sensitivity Analysis

Sensitivity analyzes are based on changing one of the assumptions, keeping all the others constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods used in the elaboration of the sensitivity analysis did not change in relation to the previous period, being observed the updates in the discount rate parameters.

Further details on the Sensitivity Analysis can be found in Note 26d and the Risk Management Report, published quarterly on the website [bb.com.br/ri](http://bb.com.br/ri).

### EFPPS Risk (Closed Private Pension Entities)

Closed Private Pension Entities EFPPS risk is defined as the possibility of negative impact arising from the mismatch between actuarial liabilities and assets of closed private pension entities and private health insurance operators.

Risk management is based on three dimensions: sponsor, pension plans and health plans. To ensure the identification and monitoring of the aspects that most contribute to the aggravation of risk, assets and liabilities are segregated and submitted to normal and stress scenarios. In the management process, indicators are used, for which "critical bands" are established, whose monitoring is periodically reported to senior management.

It is noteworthy that the EFPPS risk management structure segregates the risk management process from BB's corporate processes, establishing the responsibility of the areas involved, with the involvement of the Management Bodies and Strategic Committees.

**Table 127. Assets Breakdown**

%	Jun/18	Mar/19	Jun/19
Variable Income	45.3	49.6	45.6
Fixed Income	44.2	41.3	45.2
Real Estate Investments	6.3	5.5	5.5
Loans and Financing	3.5	3.0	3.0
Others	0.7	0.6	0.7
<b>Amounts Listed in Fair Value of Plan Asset</b>			
In the Entity's Own Financial Instruments	6.1	5.7	5.2
In Properties or Other Assets Used by Entity	0.1	0.1	0.0

**Table 128. Main Actuarial Assumptions**

%	1H18	2018	1H19
Real Discount Rate (p.y.)	5.8	4.8	4.0
Nominal Rate of Return on Investments (p.y.)	12.2	9.5	8.6

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

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
(a) Fair Value of the Plan's Assets	165,163	165,163	179,197	179,197	188,992
(b) Present Value of Actuarial Liabilities	(151,444)	(151,444)	(172,029)	(172,029)	(195,325)
<b>(c) Surplus/(Deficit) BB = [(a) + (b)] x 50%</b>	<b>6,859</b>	<b>6,859</b>	<b>3,584</b>	<b>3,584</b>	<b>(3,167)</b>
(d) Actuarial Assets (Initial Period)	4,592	6,859	7,151	3,584	3,776
(e) Anticipated Financial Results	63	159	159	47	47
(f) Contributions of Funds	184	132	428	145	186
(h) Semi-Annual Adjustmentment - Shareholders' Equity	2,020	-	(4,154)	-	(7,175)
<b>(i) Actuarial Assets/(Liabilities) (End Period) = (d) + (e) + (f) + (g)</b>	<b>6,859</b>	<b>7,151</b>	<b>3,584</b>	<b>3,776</b>	<b>(3,167)</b>

### 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 was adjusted monthly based on the actuarial target (INPC + 5% p.y.) and was fully utilized in Dec/18.

**Table 130.** Previ (Plano 1) – Parity Fund

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Initial Balance</b>	<b>92</b>	<b>41</b>	<b>42</b>	<b>(0)</b>	<b>(0)</b>
Contributions to Plano 1 - Contrato 97	(52)	-	(252)	-	-
Restatement	2	1	1	-	-
Transfer to Surplus Fund	-	-	210	-	-
<b>Closing Balance</b>	<b>41</b>	<b>42</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

#### 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 131.** Previ (Plano 1) – Surplus Fund

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Initial Balance</b>	<b>9,528</b>	<b>9,710</b>	<b>9,578</b>	<b>9,511</b>	<b>9,643</b>
Transfer to Parity Fund	(133)	(132)	(176)	(145)	(186)
Restatement	315	-	319	276	191
Transfer to Parity Fund	-	-	(210)	-	-
<b>Closing Balance</b>	<b>9,710</b>	<b>9,578</b>	<b>9,511</b>	<b>9,643</b>	<b>9,648</b>

### 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 132.** Effects of the Cassi Accounting – CVM Deliberation No. 695/2012

R\$ million	2Q18	3Q18	4Q18	1Q19	2Q19
(a) Fair Value of the Plan's Assets	323	323	242	242	242
(b) Present Value of Actuarial Liabilities	(8,413)	(8,413)	(9,395)	(9,395)	(12,368)
<b>(c) Deficit BB = [(a) + (b)]</b>	<b>(8,090)</b>	<b>(8,090)</b>	<b>(9,152)</b>	<b>(9,152)</b>	<b>(12,126)</b>
(d) Actuarial Liabilities (Initial Period)	(8,816)	(8,413)	(8,521)	(9,395)	(9,476)
(e) Amounts recognized in statement of income	(256)	(277)	(277)	(248)	(248)
(f) BB - Amount paid	171	169	226	167	336
(g) Semi-Annual Adjustment - Shareholders' Equity	488	-	(823)	-	(2,813)
<b>(h) Actuarial Liabilities (Period End) = [(d) + (e) + (f) + (g)]</b>	<b>(8,413)</b>	<b>(8,521)</b>	<b>(9,395)</b>	<b>(9,476)</b>	<b>(12,202)</b>

#### 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 133.** Effects on Shareholders' Equity – CVM Deliberation No. 695/2012

R\$ million	Jun/16	Dec/16	Jun/17	Dec/17	Jun/18	Dec/18	Jun/19
<b>Semi-Annual Adjustment - Shareholders' Equity (a)</b>	<b>(4,857)</b>	<b>2,233</b>	<b>(813)</b>	<b>5,903</b>	<b>2,802</b>	<b>(5,540)</b>	<b>(10,505)</b>
Plano 1 - Previ	(3,482)	2,797	(433)	6,876	2,020	(4,154)	(7,176)
Cassi	(1,062)	(236)	(175)	(325)	488	(823)	(2,813)
Other Plans	(312)	(329)	(205)	(648)	294	(563)	(516)
<b>Tax Effects (b)</b>	<b>1,943</b>	<b>(892)</b>	<b>325</b>	<b>(2,367)</b>	<b>(1,122)</b>	<b>2,217</b>	<b>4,204</b>
Plano 1 - Previ	1,393	(1,119)	173	(2,750)	(808)	1,662	2,870
Cassi	425	94	70	130	(195)	329	1,125
Other Plans	125	133	82	253	(119)	226	208
<b>Effect on Shareholders' Equity (a-b)</b>	<b>(2,914)</b>	<b>1,341</b>	<b>(488)</b>	<b>3,536</b>	<b>1,680</b>	<b>(3,323)</b>	<b>(6,301)</b>
Plano 1 - Previ	(2,089)	1,678	(260)	4,126	1,212	(2,492)	(4,305)
Cassi	(637)	(141)	(105)	(195)	293	(494)	(1,688)
Other Plans	(187)	(196)	(123)	(395)	175	(337)	(308)
<b>Other Comprehensive Income - (a-b) + Previous Balance</b>	<b>(16,832)</b>	<b>(15,492)</b>	<b>(15,979)</b>	<b>(12,443)</b>	<b>(10,763)</b>	<b>(14,086)</b>	<b>(20,386)</b>

## 10.2. Customer Service

### 10.2.1. Service Network

Banco do Brasil ended Jun/19 with 64.9 thousand points of service, including its own service network, shared network channels and agents in the country. It is present in 99.1% of the Brazilian municipalities.

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

**Table 134.** Service Network

	Quantity		Chg. (%)	
	Jun/18	Mar/19	Jun/19	Jun/18
<b>Own Service Network</b>	<b>14,793</b>	<b>13,765</b>	<b>13,612</b>	<b>(8.0)</b>
Branches	4,759	4,716	4,711	(1.0)
Service Posts	2,029	1,870	1,832	(9.7)
Automated Service Posts	8,005	7,179	7,069	(11.7)
<b>MaisBB Network</b>	<b>13,010</b>	<b>12,490</b>	<b>13,056</b>	<b>0.4</b>
Agents in the Country	7,066	7,744	8,623	22.0
Banco Postal	5,944	4,746	4,433	(25.4)
<b>Shared Network Channels</b>	<b>37,688</b>	<b>37,801</b>	<b>38,204</b>	<b>1.4</b>
Lottery Stores	13,049	13,000	12,989	(0.5)
Banco 24h	21,829	22,281	22,788	4.4
ATM: Partner Banks	2,810	2,520	2,427	(13.6)
<b>Total</b>	<b>65,491</b>	<b>64,056</b>	<b>64,872</b>	<b>(0.9)</b>

The following table shows BB's branch and office network by customer segment, offering solutions to customers according to specific products and services.



**Table 135.** Services Units

	Quantity			Chg. (%)	
	Jun/18	Mar/19	Jun/19	Jun/18	Mar/19
<b>Traditional Branches</b>	<b>4,152</b>	<b>4,096</b>	<b>4,092</b>	<b>(1.4)</b>	<b>(0.1)</b>
<b>Digital and Specialized Service</b>	<b>607</b>	<b>620</b>	<b>619</b>	<b>2.0</b>	<b>(0.2)</b>
Estilo Branches	249	247	247	(0.8)	-
Empresa Branches	164	171	171	4.3	-
Government Branches	30	30	30	-	-
Private Banking	11	11	11	-	-
Exclusivo Offices	130	139	139	6.9	-
Estilo Offices	19	20	19	-	(5.0)
SMI Offices	4	2	2	(50.0)	-
<b>Total</b>	<b>4,759</b>	<b>4,716</b>	<b>4,711</b>	<b>(1.0)</b>	<b>(0.1)</b>

**Table 136.** Branch Network by Region

	<b>BB</b>	<b>Banking Industry</b>	<b>Share %</b>
Southeast	2,013	11,086	18.2
Northeast	1,008	3,443	29.3
South	932	3,941	23.6
Middle West	458	1,740	26.3
North	300	1,126	26.6
<b>Total</b>	<b>4,711</b>	<b>21,336</b>	<b>22.1</b>

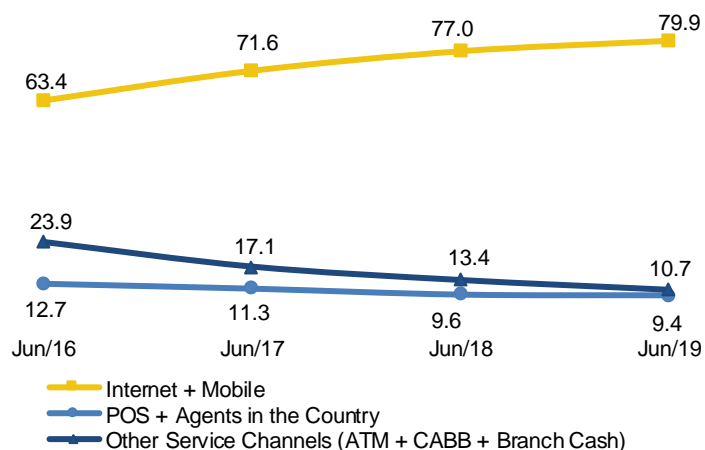
### 10.2.2. Automated Service Channels

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

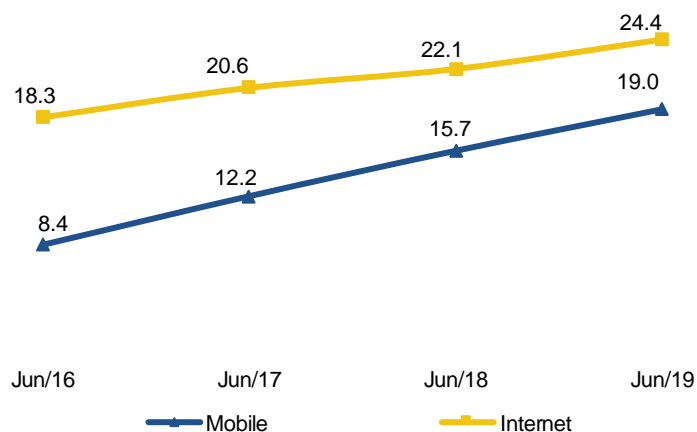
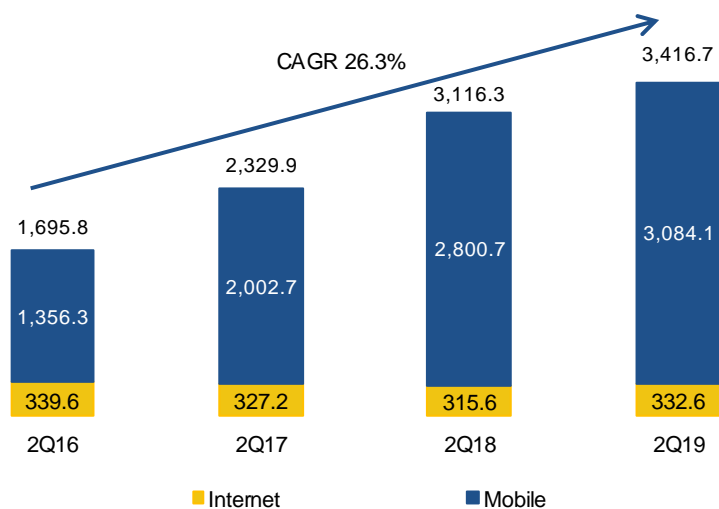
#### Mobile and Internet Banking

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 79.9% of the transactions carried out by Banco do Brasil's customers.

**Figure 56.** Transactions by Service Channel – (%)

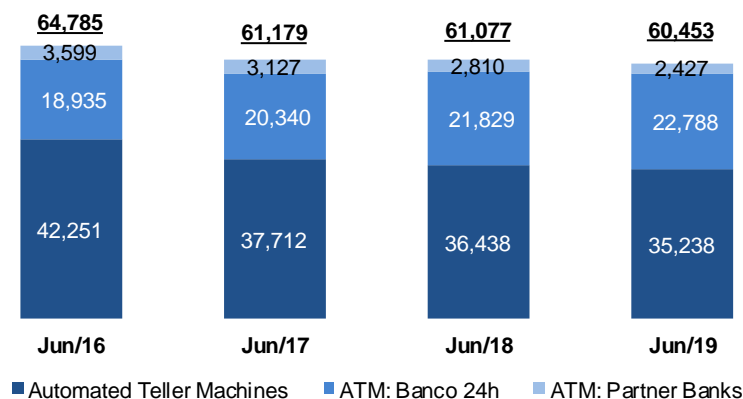
The following figures shows the registered users and transactions number evolution carried out by the mobile banking and internet banking channels, respectively. In twelve months, highlight was the increase of 2.9 million customers using mobile banking in the last year, due to the BB's digital strategy.

**Figure 57.** Number of Users (million) – Internet and Mobile Banking**Figure 58.** Number of Transactions (million) – Internet (Individuals) and Mobile Banking

### Automated Teller Machines

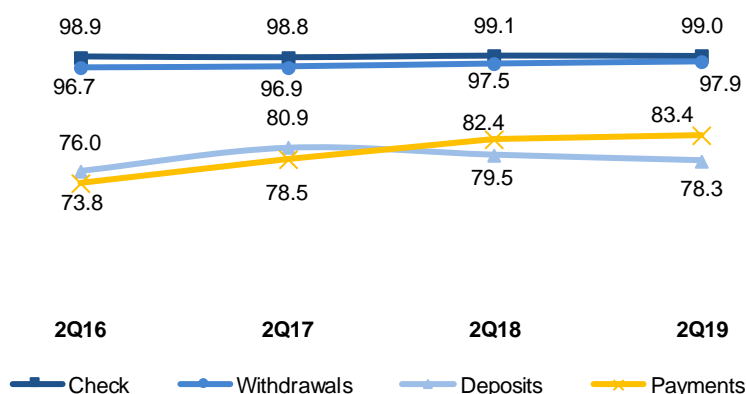
Banco do Brasil provides its customers with an extensive automated teller machines (ATMs) network in Brazil. The following figure sets forth the number of terminals in its own network, partnerships with banks and the *Banco 24h* network.

**Figure 59.** Automated Teller Machines



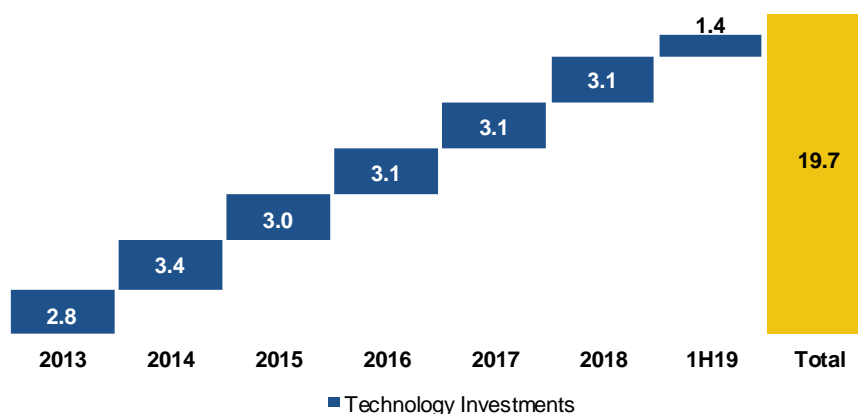
The following figure sets forth that the ATMs, accounted for most of the basic banking transactions, including general consultations, withdrawals, deposits, and payments of bills, compared to bank tellers and service stations.

**Figure 60.** Transactions - ATMs' vs Teller – (average %)

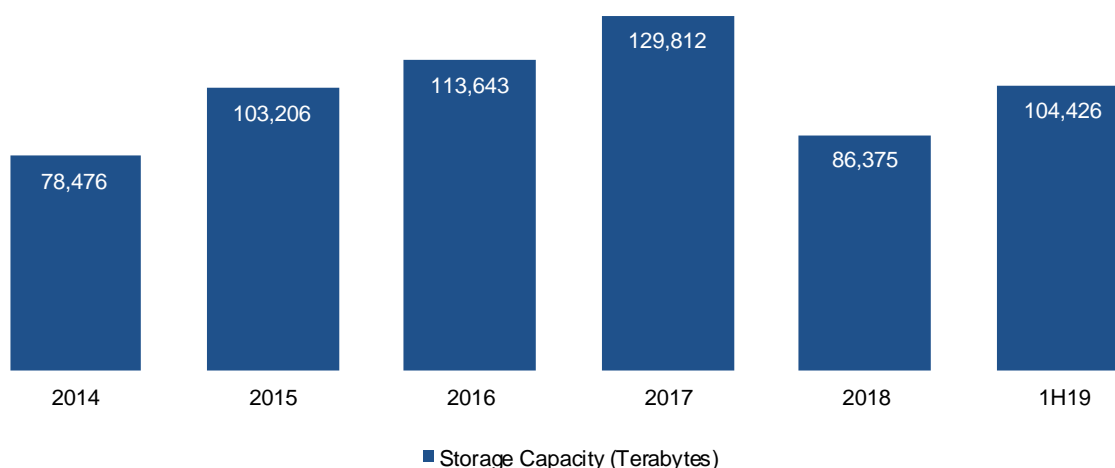


### 10.2.3. Technology Investments

Banco do Brasil consistently invests in technology to improve operational efficiency, reduce operating losses, expand businesses and improve client service. In the period between 2013 and June/19, investments totaled R\$19.7 billion. The following figure sets forth the annual series of the total invested.

**Figure 61.** 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 62.** Storage Capacity and Availability Indicator

In 2Q19, Banco do Brasil had an availability rate of 98.8% for the Self-Service Terminals (ATM) channel, and 99.9% for the Web Self-Service Channel.

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 24 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 2Q19, there were 867 banks acting as BB correspondents in 106 countries.

**Table 137.** 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	<b>Subsidiaries and Branches</b>	<b>Securities</b>
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 138.** Consolidated Abroad - Balance Sheet

R\$ million	Jun/18	Mar/19	Jun/19	Chg. (%) on	
				Jun/18	Mar/19
<b>ASSETS</b>	<b>184.651</b>	<b>185.200</b>	<b>176.369</b>	<b>(4,5)</b>	<b>(4,8)</b>
Short-term Interbank Investments	36.118	37.764	31.249	(13,5)	(17,3)
Securities	17.284	17.885	16.766	(3,0)	(6,3)
Securities Available for Trading	3.105	4.803	5.016	61,5	4,4
Securities Available for Sale	11.716	10.497	9.213	(21,4)	(12,2)
Securities Held to Maturity	2.463	2.585	2.537	-	(1,9)
Loans	36.246	34.637	34.573	(4,6)	(0,2)
Public Sector	285	296	259	(9,1)	(12,5)
Private Sector	35.961	34.341	34.314	(4,6)	(0,1)
Other Assets	5.347	4.441	5.184	(3,0)	16,7
BB Group	89.656	90.472	88.597	(1,2)	(2,1)
<b>LIABILITIES</b>	<b>184.651</b>	<b>185.200</b>	<b>176.369</b>	<b>(4,5)</b>	<b>(4,8)</b>
Deposits	56.722	58.953	57.212	0,9	(3,0)
Demand Deposits	9.056	8.248	8.711	(3,8)	5,6
Time Deposits	23.281	28.451	27.433	17,8	(3,6)
Interbank Deposits	24.385	22.254	21.068	(13,6)	(5,3)
Funds from Acceptances and Securities Issuance	28.243	26.306	26.857	(4,9)	2,1
Borrowings	23.108	18.651	15.848	(31,4)	(15,0)
Subordinated Debt and Perpetual Bonuses	36.234	36.959	36.018	(0,6)	(2,5)
Other Liabilities	6.611	5.300	4.816	(27,2)	(9,1)
BB Group	20.933	24.697	20.523	(2,0)	(16,9)
<b>Shareholders' Equity</b>	<b>12.800</b>	<b>14.335</b>	<b>15.095</b>	<b>17,9</b>	<b>5,3</b>
Controlling	12.147	13.957	14.743	21,4	5,6
Non-Controlling Interest <sup>1</sup>	653	378	352	(46,1)	(6,9)

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

**Table 139.** Consolidated Abroad – Statement of Income Items

R\$ million	Quarterly			Chg. (%)		Half		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1h18
Income after Taxes and Statutory Participations	222	594	671	202,3	13,0	545	1,265	132
Non-Controlling Interest <sup>1</sup>	68	55	77	13,2	40,0	126	132	5
<b>Net Income</b>	<b>290</b>	<b>648</b>	<b>748</b>	<b>157,4</b>	<b>15,3</b>	<b>419</b>	<b>1,396</b>	<b>233</b>

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. (<https://www.bancopatagonia.com.ar/relacionconinversores/espanol/institucional.shtml>)

The following tables show the main equity, earnings and structural data highlights.

**Table 140.** Banco Patagonia – Balance Sheet Highlights

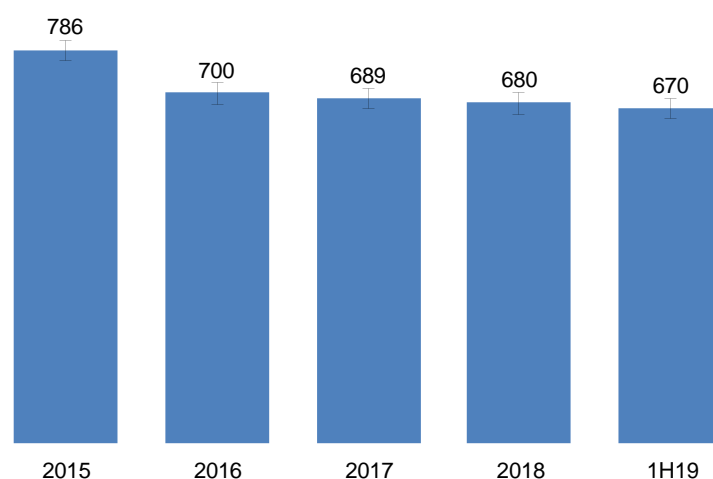
R\$ million	Jun/18	Mar/19	Jun/19	Chg. (%)	
				Jun/18	Mar/19
Assets	15,505	15,696	15,960	2.9	1.7
Loans	9,380	7,281	7,499	(20.1)	3.0
Deposits	11,027	10,965	11,100	0.7	1.2
Shareholders' Equity	1,591	1,637	1,795	12.8	9.7

**Table 141.** Banco Patagonia – Funding

R\$ million	Jun/18	Mar/19	Jun/19	Chg. (%)	
				Jun/18	Mar/19
Individuals	1,469	1,317	1,410	(4.0)	7.1
Companies	1,290	1,400	1,378	6.8	(1.6)
Interbanking	176	262	325	84.4	23.8
Issues	92	36	33	(64.0)	(8.9)
Repo	5	91	38	-	(58.2)
<b>Total</b>	<b>3,033</b>	<b>3,107</b>	<b>3,184</b>	<b>5.0</b>	<b>2.5</b>

**Table 142.** Banco Patagonia – Main Earnings Items

R\$ million	Quarterly			Chg. (%)		Half		Chg. (%)
	2Q18	1Q19	2Q19	2Q18	1Q19	1H18	1H19	1H18
Financial Intermediation Income	485	531	737	52.1	38.8	910	1,268	39.3
Allow ance for Loan Losses	(47)	(119)	(40)	(14.4)	(66.0)	(73)	(159)	118.7
<b>Income from Financial Intermediation</b>	<b>437</b>	<b>412</b>	<b>697</b>	<b>59.3</b>	<b>69.0</b>	<b>838</b>	<b>1,109</b>	<b>32.4</b>
Fee income	251	221	190	(25)	(14.4)	486	411	(15.4)
Administrative Expenses	(294)	(243)	(245)	(16.5)	1.1	(571)	(488)	(14.6)
Other	(96)	40	(63)	(34.0)	-	(218)	(23)	(89.6)
<b>Income Before Taxes</b>	<b>299</b>	<b>431</b>	<b>578</b>	<b>93.0</b>	<b>34.0</b>	<b>534</b>	<b>1,009</b>	<b>89.1</b>
Income and Social Contribution Taxes	(133)	(153)	(186)	40.1	21.5	(226)	(339)	50.4
<b>Net Income</b>	<b>167</b>	<b>278</b>	<b>392</b>	<b>135.2</b>	<b>40.8</b>	<b>308</b>	<b>670</b>	<b>117.4</b>

**Figure 63.** Banco Patagonia – Net Income – R\$ million**Table 143.** Banco Patagonia – Profitability, Capital and Credit Indicators

%	2Q18	1Q19	2Q19
Return on Equity	33.3	44.4	57.5
BIS Ratio <sup>1</sup>	12.3	15.2	14.8
Coverage Index (+90 days)	196.4	177.6	177.6
NPL+90 days	1.8	3.1	3.3

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

**Table 144.** Banco Patagonia – Operating and Structural Highlights

	Jun/18	Mar/19	Jun/19	Chg. (%)	
				Jun/18	Mar/19
Customers (thousand)	1,225	1,243	1,233	0.7	(0.8)
Branches	183	187	187	2.2	-
Branches in Buenos Aires	95	94	94	(1.1)	-
Service Points	206	210	210	1.9	-
Employees	3,361	3,402	3,384	0.7	(0.5)

## 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.

**Cost of risk:** ratio between the net ALLL expenses and the average classified loan portfolio of the period.

**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.



**Micro, Small and Middle Market Companies (SME)** – Companies with up to R\$200 million in annual revenues

**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.

**Adjusted Return on Equity:** Calculated by the ratio between the adjusted net income and the average shareholders' equity deducted the minority interest and the benefit plans. The ratio was annualized by simple capitalization.

**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 simple 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 simple 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 simple 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**

Heverton Masaru Ono

### **Managers**

Debora Stefani

Felipe de Mello Pimentel

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

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

(Convenience Translation into English from the  
Original Previously Issued in Portuguese)

## **Banco do Brasil S.A.**

Independent Auditor's Limited Assurance Report  
on the Process of Compilation and Presentation of  
Additional Financial Information included in the  
Performance Analysis Report for the Three and  
Six-Month Periods Ended June 30, 2019

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE PROCESS OF COMPILATION AND PRESENTATION OF ADDITIONAL FINANCIAL INFORMATION INCLUDED IN THE PERFORMANCE ANALYSIS REPORT FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

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

### Introduction

We have been engaged by Banco do Brasil S.A. (the "Bank") to submit our limited assurance report on the process of compilation and presentation of additional financial information presented in the Summarized Financial Statements included in item 1 of the Bank's Performance Analysis Report ("additional financial information"), for the three and six-month periods ended June 30, 2019, prepared by and under the responsibility of the Bank's Management.

The additional financial information was compiled and presented based on the financial information prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN), related: (a) to the six-month period ended June 30, 2019, which was audited by us in accordance with Brazilian and International Standards on Auditing, on which we issued an audit report dated August 7, 2019; and (b) to the three and six-month periods ended June 30, 2019, which was reviewed by us in accordance with Brazilian and International Standards on Review of Interim Financial Information (NBC TR 2410 – "Revisão de Informações Intermediárias Executada pelo Auditor da Entidade" e ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively, on which we issued a review report dated August 7, 2019. The additional financial information compiled includes reclassifications pursuant to the interpretation and judgment of the Bank's Management, according to the criteria for preparation of such additional financial information described in items 1.2.1, 1.2.2 and 1.2.3 of the Performance Analysis Report.

### Responsibilities of the Bank's Management for the Process of Compilation and Presentation of Additional Financial Information Included in the Performance Analysis Report

The Bank's Management is responsible for the preparation of: (a) the consolidated financial statements of the Bank, for the semester ended June 30, 2019, and (b) individual and consolidated interim financial information of the Bank, included in the "Formulário de Informações Trimestrais – ITR", for the three-month period ended June 30, 2019, prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil, as well as for the process of compilation and presentation of additional financial information presented in the Summarized Financial Statements included in item 1 of the Bank's Performance Analysis Report, including certain reclassifications made by the Bank's Management in order to allow an additional analysis, as described in items 1.2.1, 1.2.2 and 1.2.3 of the Performance Analysis Report, based on the amounts obtained from the consolidated interim financial statements of the Bank, or from the "Formulário de Informações Trimestrais – ITR", audited and reviewed by us, respectively, or from the Bank's accounting records.

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## **Independent Auditor's Responsibilities**

Our responsibility is to express a conclusion on the process of compilation of additional financial information presented in the Summarized Financial Statements included in item 1 of the Bank's Performance Analysis Report, for the three and six-month periods ended June 30, 2019, based on the limited assurance engagement conducted by us in accordance with NBC TO 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the Federal Accounting Council (CFC), equivalent to the international standard ISAE 3000, issued by the International Federation of Accountants, applicable to non-historical financial information. This standard requires compliance with ethical requirements, including independence requirements, and that the engagement be conducted in order to obtain limited assurance that we are not aware of any fact that would causes us to believe that the additional financial information presented in the Summarized Financial Statements included in item 1 of the Bank's Performance Analysis Report, for the three and six-month periods ended June 30, 2019, has not been compiled, in all material respects, in accordance with the preparation criteria described in items 1.2.1, 1.2.2 and 1.2.3 of the Bank's Performance Analysis Report.

Said assurance procedures were considered sufficient to allow providing a limited level of assurance and do not include all the procedures that would otherwise be required to provide a higher level of assurance; therefore, we do not express an opinion.

## **Conclusion**

Based on the limited assurance procedures described above, we are not aware of any fact that would causes us to believe that the process of compilation and presentation of additional financial information presented in the Summarized Financial Statements included in item 1 of the Bank's Performance Analysis Report, for the three and six-month periods ended June 30, 2019, referred to above, has not been followed by the Bank's Management, in all material respects, in accordance with the preparation criteria described in items 1.2.1, 1.2.2 and 1.2.3 of the Bank's Performance Analysis Report.

The independent auditor's limited assurance report have been translated into English for the convenience of readers outside Brazil.

Brasília, August 7, 2019

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Luiz Carlos Oseliero Filho  
Engagement Partner

# Financial Statements

1<sup>st</sup> half 2019



**BANCO DO BRASIL**

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## Earnings Summary

### Dear Shareholders,

We ended the first half of 2019 (1H19) with net income of R\$8,212 million, an increase of R\$2,328 million, or 39.6% compared to the first half of 2018 (1H18). This is the highest nominal result for the period since 1H15. Our assets reached R\$1,541 billion, an increase of 6.3% in the first half, with highlight to Short-Term Interbank Investments. Our return on assets reached 1.1%, compared to 0.8% in 1H18.

Our return on equity (ROE) increased to 16.5%, compared to 12.1% in 1H18. This result was achieved by the 4.5% increase in Net Interest Income (NII), which reached R\$25,801 million, as a result of better credit mix, with disbursements in lines with better margins, and the increase of 6.7% on 'Banking and Services Fees' income. ROE was also positively affected by the 11.6% reduction in Allowance for Loan and Lease Losses (ALLL), which reaches R\$1,248 million in relation to 1H18.

In the semester, we distributed R\$3,298 million in Interest on Own Capital (IOC), an 85.1% increase over 1H18. In addition, we collected R\$3,218 million in taxes, of which R\$ 2,366 million (73.5% of the total) in federal taxes. We paid R\$ 10,387 million to our 96,168 employees, including salaries, benefits, social charges and statutory and profit sharing. We invested over R\$30 million in training and qualification, an increase of 12.5% compared to 1H18.

Our 'Banking and Services Fees' income increased R\$889 million compared to 1H18 and reached R\$14,234 million, confirming the success of our relationship strategy and the constant and growing specialization and innovation in the financial products offer. The rejuvenation of our customer base is one of the most relevant strategies on the actual scenario. Being an early adopter of this movement, which we call Financial Industry 4.0, will be critical to address new and old challenges.

Accordingly, our Cost to Income Ratio (12 months accumulated) was 36.2%, an improvement of 170 bps over 1Q18 and 223 bps over 1Q17. Our BIS Ratio reached 18.57% in June/2019, being 10.01% in CET1. We maintained the focus on organic capital generation, supported by profit growth and capital allocation driven by optimizing the risk-return ratio.

Our credit portfolio fell 1.8% compared to June/18, positive highlight to the Individuals portfolio, which increased by R\$14,419 million, especially in consumer finance (97.0%), in payroll loans (R\$6,011 million) and real estate mortgage (R\$2,462 million).

The 'Plano Safra 2018/2019' (agribusiness and rural credit program) ended with R\$82,331 million disbursed, an increase of 2.4% over the previous crop. We also announced the 'Plano Safra 2019/2020', with total available of up to R\$103 billion, 20% higher than in the previous plan. It will be R\$91.5 billion for rural credit and R\$11.5 billion for loans to companies.

Our agribusiness portfolio decreased 3.6%, with the rural portfolio of R\$166,764 million, an increase of 0.7%. Highlight to the lines disbursed with unmarked resources, which was 76.1% of the total, and the CPR (Rural Product Bill), which increased 465.4%. We encourage the hiring of risk mitigation mechanisms (agricultural insurance, Proagro or hedge) in agricultural working capital. The strategy is refined on each new crop and takes into account large amount of data, such as the risk of the activity, the financed crop and the financing's location. For the 2018/2019 crop, the use of risk mitigators in contracting agricultural costing operations was 62.9% of the total.

We expanded our specialized agribusiness service through the 'Espaços Agro', customized environments adapted to the farmer's context, in order to strengthen our relationship with them and improve the customer experience. We currently have 28 customized agencies for specialized service, with an expectation of setting 116 more 'Espaços Agro' by the end of September.

Our leading role in agribusiness is supported by excellence in service coupled with the wide use of our industry-specific technology solutions.

In the company's loan portfolio, the highlight was the 3.2% growth (R\$1,889 million) compared to 1H18 in the SME segment (Micro, Small and Medium-sized Enterprises with annual revenues of up to R\$200 million), second consecutive semester of growth. One of the objectives is the portfolio's sustainable growth, with disbursements in the best risk return lines, such as working capital, which was R\$25,644 million, a 37.1% growth over 1H18.



In the Corporate segment, we seek to attend the financing demands of our clients through our investment bank (BB BI) in market funding and issuance. This strategy reduces credit risk and capital consumption, as well as promotes capital market development in the country.

Our Classified Loan Portfolio has a 91.9% exposure to AA-C risk, the top four credit ratings - which requires lower ALLL and our Average Risk, ratio between ALLL's balance and loan portfolio, was 5.7% in the same month on which the National Finance System (SFN) was 6.3%.

In the same period, we recovered R\$3,219 billion on loans previously written-off as loss, up 16.8% over the same half of 2018. Highlight to the amount recovered in cash equal to 42.2% of the total. This amount was the highest in the historical series. We also reduced the NPL +90 of the Renegotiated Portfolio, which was 15.8%, compared to 19.6% in June/2018.

We reached R\$1,053 billion in assets under our management and 23.5% market share on the segment, because of our efforts to offer investment products through our salesforces and digital channels, as well as portfolio diversification and the credibility achieved by our brand. Our strategic investment unit, which specializes in product design and customer investor service, has just celebrated two years.

Within our strategic objective of selling assets that are not related to our core business, we sold in the 1H19 our equity interest in Neoenergia and SBCE (Brazilian Export Credit Insurance Company) and started the liquidation of BB Turismo.

Additionally, we announced in July the sale, through a secondary offering, of 15.23% of the common shares of IRB - Brasil Resseguros S.A. (IRB), owned by our controlled company BB Seguros Participações S.A. (BB Seguros). In the same month, we also sold our entire equity interest in Cibrasec (Companhia Brasileira de Securitização).

So far, our 2019 guidance matched six out of nine items. We highlight the total commitment in the achieve of these indicators, despite the challenges inherent to our activity this year. We rely on the potential of our economy, the commercial capacity of our team and our planning for the current scenario.

**Table 1.** Guidance for 2019

	2019 Guidance	1H19 Performance		Revised Guidance
Adjusted Net Income - R\$ billion	14.5 to 17.5	8.7		Unchanged
NII - %	3.0 to 7.0	4.5		Unchanged
Loan Portfolio <sup>(1)</sup> <sup>(2)</sup> - %	3.0 to 6.0	1.1		-2.0 to 1.0
Individuals - %	7.0 to 10.0	9.7		8.0 to 11.0
Companies <sup>(2)</sup> - %	0.0 to 3.0	-6.3		-13.0 to -10.0
Rural Loans - %	3.0 to 6.0	2.4		Unchanged
Net ALLL Expenses - R\$ billion	-14.5 to -11.5	-6.7		Unchanged
Fee Income - %	5.0 to 8.0	6.7		Unchanged
Administrative Expenses - %	2.0 to 5.0	0.3		Unchanged

(1) Organic Domestic Loan Portfolio with private securities and guarantees. (2) Government operations not included.

## 1. Corporate Strategy

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:

- Financial: our priority is the profitability and revenues with services growth, the improvement of operational efficiency, the sustainability of capital and the operational and credit losses reduction.
- Customers: our objective is to provide valuable experiences in all relationship channels, prioritizing actions that expand business, increase satisfaction, retention and attracting new clients.

- c) Processes: our objective is to keep investing in the acceleration of digital transformation and analytical intelligence development, through which we have improved process, products and channels, making them easier, faster, more innovative and integrated to the customer's experience.
- d) People: our guide is the meritocracy in the attraction, retention, succession and recognition of talents and the promotion of the culture of results, agility and innovation.
- 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.

Following next, main highlights and other relevant facts of our performance in the semester:

### **January**

Banco do Brasil was considered the most sustainable bank in the world in the 2019 Corporate Knights Global 100 ranking. The announcement, made at the World Economic Forum in Davos, Switzerland, lists Banco do Brasil in first place in the financial segment and eighth in the world ranking, among more than 7,500 companies from 21 different countries. One of our highlights in the ranking was the allocation of R\$193 billion in Green Economy sectors.

We accelerated the implementation of our retail service specialization model, which encompasses 106 municipalities, 1,692 branches, 23 million customers and about 44% of this segment's result. The specialized service model contributes to increased customer satisfaction and loyalty, with a 25% reduction in average time to service and solution, efficiency gains and emphasis on the business-oriented structure.

### **February**

We ranked first in the Central Bank Focus Survey (a survey that measures the enhancement of predictive ability and recognizes analytical effort). We ranked first in the indicators "IGP-M - Annual Medium Term" and "IGP-M - Annual Long Term" and second in the indicator "Exchange Rate - Annual Medium Term" in the "Top 5 Annual Ranking" of 2018.

We were elected as the "Best Bank to Invest" in the "Fixed Income Funds" category. The ranking prepared by the Getúlio Vargas Foundation (FGV) and published by IstoÉ Dinheiro magazine, aims to reward banks that offer the best services and investment funds to the retail and high-income retailers.

We participated in the 31st edition of the Rural Coopavel Show in Cascavel - PR. One of the highlights of the event was the first Digital Rural Show, which focused on technology and innovation as factors for the development of sustainable agribusiness productivity. The event was a showcase for the dissemination of our exclusive digital solutions, such as CPR Digital, a solution that allows the customer to issue, through App BB, several banknotes without having to go to the notary's office. For this, the farmer needs to go once to the branch to formalize the contract, and can solve all other procedures with the application.

### **March**

We raised senior public debt through the Euro Medium Term Note Program, in the amount of US\$750 million, maturing in March 2024 and with a coupon of 4.75% per year. The notes were offered abroad to institutional investors.

We received the award, in the innovation category, for "best cognitive assistant" at the Bots Brasil Awards 2019.

### **April**

We were present in another edition of Agrishow, the largest technology festival for agribusiness in Brazil, where we provided one billion real to receive proposals and mobilized more than 200 employees to attend and generate business during the event.

We participated in the 18th edition of Tecnoshow Comigo 2019, held in Rio Verde – GO, one of the most important agricultural technology festivals, focusing on machinery and equipment sales. The event was attended by 118 thousand visitors and 580 exhibitors, in an area of 60 hectares, where we presented various solutions to simplify the life of the farmer and prospected, with the assistance of more than 100 of our employees, over R\$1 billion in proposals.

We sponsored the 12th edition of Brasil Game Show – BGS, the largest game festival in Latin America. Customers with Ourocard were able to attend the event an hour in advance. Sponsorship is part of our customer base rejuvenation strategy.

We carried out a new expansion of our retail model, which reached 242 municipalities, 1,891 branches, 28 million customers and 48% of segment results. Among the results, we highlight the 20% increase in the number of calls made within the desired period, a 30% reduction in the rate of passwords abandoned in the branches, and a 13% increase in the overall customer satisfaction index.

### **May**

We sponsored the 12th edition of Agrobrasília, an international festival and showcase of technologies for agribusiness. During the 5 days of the event, we received more than R\$400 million in proposals ranging from rural credit, agricultural and livestock insurance and consortium (tractor and truck, rural mortgage, livestock, solar energy system and cattle genetic material acquisition).

### **June**

Our research analysts were recognized in the Broadcast Analyst Ranking, conducted by Agência Estado, winning the third and seventh places among the top 10 awarded by the institution. Since 2013, BB Investimentos has been present in the Broadcast Analyst Ranking.

We received the award for Most Innovative Institution in Latin America by The Innovators 2019 - Global finance for the case “Digital Financial Assistance using WhatsApp”;

We have completed the installation of more than 3,000 recycling ATMs at our branches, which contributes to operational efficiency by reducing the cash in circulation at these facilities and improving the customer experience as deposits at these terminals are immediately credited.

## **2. Macroeconomic Environment**

### **Domestic**

Economic activity did not evolve as expected. After almost two years of growth, GDP declined in the first quarter driven by the contraction of agriculture, livestock and industry. Climate issues, which negatively affected grain productivity, unexpected events such as the Brumadinho dam rupture paralyzed some sectors of the extractive chain and had adverse impacts on industrial production. However, the most challenging environment was not constrained and these events also affected other more labor-intensive sectors such as construction, trade and transport, impacting the confidence of agents and investment decisions.

As a result of this scenario, the labor market has still moderately recovered, and most of the jobs created were concentrated in the informal sector of the economy. Nevertheless, credit from the National Financial System remained in good conditions, especially in unmarked credit (auto and personal credit).

On the monetary side, despite inflation above the target set by the Central Bank, in the first months of 2019, a significant slowdown is underway, with the food shocks effects reduction. Finally, fiscal accounts continue to limit the scope for expansion of government spending and the discussion of pension reform has advanced, with the prospect of final approval throughout the second half of the year.

### **Abroad**

Abroad, despite the positive surprise from the growth of major advanced economies, trade tensions between the United States and China have negatively affected growth expectations for the rest of the year, from both advanced and emerging nations. In this context, the main Central Banks gave clearer signs of interruption in the process of interest rate hikes during the first half of this year, and in some cases there is a high probability of monetary easing in 2019.

### 3. Financial Performance, Market indicators and Shareholder Service

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](http://bb.com.br/ir)).

Below, we present the main figures for our performance in the semester. This result is the materialization of our corporate strategy.

**Table 2.** Financial Performance

	Banco do Brasil Financial Statements		Consolidated Financial Statements	
	1H18	1H19	1H18	1H19
<b>Earnings (R\$ million)</b>				
Net Income	5,835	8,120	5,884	8,212
Gross Income from Financial Intermediation	11,464	16,368	14,549	18,101
Fee Income	9,409	9,786	13,346	14,234
Administrative Expenses <sup>1</sup>	(15,617)	(16,754)	(16,448)	(17,487)

(1) Refers to the sum of Personnel Expenses and Other Administrative Expenses.

	Banco do Brasil Financial Statements		Consolidated Financial Statements	
	Jun/18	Jun/19	Jun/18	Jun/19
<b>Equity (R\$ million)</b>				
Assets	1,513,355	1,601,798	1,449,930	1,541,400
Classified Loan Portfolio	622,948	614,476	637,677	626,322
Total Deposits	461,222	491,363	475,538	505,515
Shareholders Equity	91,568	91,686	102,638	101,930
<b>BIS Ratio (%)</b>	18.45%	18.57%	18.45%	18.57%

Our shares (BBAS3) remained in all B3 trading sessions and represented 4.19% of Ibovespa index for the four-month period from May to August 2019. 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 June 2019, was distributed as follows:

**Table 3.** Shareholding Breakdown

	Jun/19
<b>Total</b>	<b>2,865,417,020</b>
<b>(a) Federal Government</b>	<b>1,453,493,742</b>
<b>(b) Free Float</b>	<b>1,332,879,313</b>
Previ	145,280,214
Individuals	163,863,149
Companies	321,098,368
Foreign Capital	702,637,582
<b>Executive Board and Board of Directors</b>	<b>107,463</b>
<b>Others</b>	<b>78,936,502</b>
BESC Aquisition	9
Treasury Shares	78,936,493
<b>Free Float (%) - b/(a+b) <sup>(1)</sup></b>	<b>47.8%</b>

(1) Free Float excluding Executive Board, Board of Directors and Others.

We release reports and information to CVM and at IR website and we keep an exclusive analyst and investors relationship team, which had 655 contacts, including meeting, phone calls and events in the semester. To institutional investor, we had 284 meetings, including six conferences in Brazil and other ten abroad, besides promoting two earnings teleconferences and five non-deal roadshow in Brazil and abroad. We also held two earnings conference calls and shareholder meetings at two of our Private banking offices.

In January, we launched our new Investor Relations website, with a more modern layout, new features and responsive technology that adapts to the screen sizes of different mobile devices and platforms.

**Table 4.** Capital Market

	1H18	1H19
BBAS3 - Book Value (R\$) - Banco do Brasil	32.88	32.90
BBAS3 - Book Value - Consolidated (R\$)	36.85	36.58
BBAS3 - Closing Price (R\$)	28.7	53.9
Earnings per Share (R\$)	2.1	2.9
Return on Assets (%) - Banco do Brasil	0.4	0.5
Return on Assets (%) - Consolidated	0.8	1.1
Return on Equity (%) - Banco do Brasil	13.0	17.7
Return on Equity (%) - Consolidated	12.1	16.5
Interest on Own Capital (R\$ million)	1,781	3,298
ADR Price (US\$)	7.3	14.0

#### **4. 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.

Our CET1 was 10.01% in June 2019, while the BIS Ratio was 18.57%. In the same period, the Tier I achieved 13.41%. The reduction in CET1, observed in June 2019, was mainly influenced by the actuarial impact associated to private pension and supplementary health entities sponsored by Banco do Brasil.

Our focus continues on organic capital generation. 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.

#### **5. Conglomerate Businesses**

We seek to offer the most complete financial solution for our clients. Besides credit, our 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.

The following are the main markets in which we operate:

##### **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 1H19, BB Seguridade recorded a R\$2,092 million result and ROE of 60%.

Further information on BB Seguridade and the insurance business can be found in the company's Performance Review report, available at ([bbseguridaderi.com.br](http://bbseguridaderi.com.br)).

##### **Payment Methods**

We operate through BB Elo Cartões Participações holding company, which concentrates the business Alelo, Stelo, Livelo and Catenio, as well as the stake in Cielo S.A.

Our wide customer base, quality and diversity of services make us one of the main issuers of Elo, Visa and Mastercard.

Further information on Cielo and the payment methods market can be found in the company's Performance Review report, available at ([ri.cielo.com.br/en](http://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 23.5% and a total of R\$1,053 billion in managed funds (funds managed by BB DTVM and other institutions), an increase of 14.5% compared to 1H18.

Regarding investor segmentation, according to the Global Ranking of Anbima Resources Management in June, 2019, BB DTVM remained leader in the segments: Public Power (63.7%), Institutional (26.7%) and Retail Investors (44.7%).

## **Capital Market**

We operate on the domestic capital markets through BB-Banco de Investimento SA (BB-BI), and abroad through brokers BB Securities Ltd (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte Ltd. (Singapore), focusing on retail and institutional investors. 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.

We participated, as lead coordinator of Neoenergia's IPO, which raised R\$3.2 billion and configured the largest IPO of the energy sector on the Brazilian stock exchange since 2004 and the largest IPO since December 2017. This semester, our BB BI participated in the Centauro (IPO), IRB (follow-on) and BTG Pactual (follow-on) offerings.

## **Consortium**

We presented innovations and good results on the consortium deals in 1H18. We traded 180 thousand quotas of consortiums, an increase of 17.9% over 1H18. Of this total, 21.8% were made via digital channels. Consortium fee income was R\$587.7 million, 36.5% higher than the same period in 2018.

Highlight for motorcycle, automobile and mortgage consortiums. In the motorcycle segment, the number of quotas traded increased by 48.6%, so that we reached the second position in terms of quotas in this segment. Automobile and mortgage consortiums accounted for 84.9% of our portfolio volume, 65.3% and 19.6% respectively.

## **6. Digital Transformation**

The digital age affected consumer habits and behaviors, as a consequence its demands increased. Owners of unprecedented power to exchange information and influence debate space, consumers demand dialogue, commitment and transparency from companies. In this context, instead of watching the change happen, Banco do Brasil has the ability to become the protagonist in digital channels as well. We can turn to the new without giving up our values and our identity.

In the age of innovation, effort must be devoted on being protagonist of change. Therefore, we maintain innovation programs, integrating the participation of employees from different areas, with different competencies, to strength our digital culture. Initiatives such as Pensa BB, Action BB and Hackathon BB make it possible to select and implement ideas to solve problems and new challenges. Our presence in the world's most innovative ecosystem (the Silicon Valley) inside Plug and Play, one of the largest startup accelerators of the world, allows us to foster cutting-edge intrapreneurship by using agile methodologies for experimentation.

The connected and interdependent world is full of new ideas. We do not change alone, but in collaboration with other parties, with information exchange and enriching attitudes. On the one hand, we have native digital clients who expect technology to help them get what they want, where and when they want it. On the other hand, there are clients who value interpersonal relationships and seek closer care. On certain topics, they exchange the "here and now" for a sense of security and trust, while still demanding interactions with excellence, responsive service and personalized offerings.

As an example of a solution to expand our results and generate business with emphasis on customer experience, we have the Next Best Offer (NBO), an 'analytics and big data' based solution, that indicates the best products to be offered with artificial intelligence, through the analysis of information from 50 million customers. Each new interaction adds more intelligence to the solution, which increases the services and products assertiveness, such as credit, consortium, security, funding and others.

Based on this technology, as a measure of efficiency and business expansion, we have implemented new work dynamics in more than 1,300 retail service branches. Since June, analytical intelligence for business approaches has been integrated with our face-to-face queue management system and digital phone solution. Thus, at times when there is no demand for face-to-face service at the branches, employees access lists for active offering to customers with a propensity to consume certain products. These employees are recognized for their offers and sales achievements.



This way, our salesforce has quality information available, which allows us to strengthen and enhance our relationship with our customers. This information is also used by our strategy and marketing teams to reinforce our brand. Additionally, we launched in June on our portal the “Moments of Life” approach, which seeks to present the most appropriate solutions to customer needs at each stage of life.

We have advanced with the process of implementation of the Judicial Deposit Control System - SisconDJ, a solution that allows the connection between our systems and the Courts of Justice and Regional Labor Courts, which decreases the service structure of the branches, reduces operational risks and brings automation, agility and efficiency to the management and execution of redemption procedures and reception of judicial deposits. The system implementation reached 26.1% of the total redemptions with 564 thousand transactions. It is expected that all Regional Labor Courts will be connected to the solution by the end of 2019.

Also, in the Government segment, we provided digital collection solutions, such as "Arrecadação Online", "Lista de Débitos" and ATM collection for non-customers, avoiding the unnecessary printing of documents, which provides convenience and agility in the taxpayers payment and the modernization of tax management for governmental entities. These solutions have already been successfully implemented in the states of Bahia, São Paulo, Paraná, Santa Catarina, Maranhão, Mato Grosso do Sul, Rio Grande do Sul and Distrito Federal.

We were featured in the eFinance 2019 Award, held since 2001 by Editora Executivos Financeiros, which has been one of the most valued events in the national banking market and takes place during Ciab Febraban. In this event, we won 9 out of 36 categories, with 38 award-winning cases, and our Chief Technology Officer received the CIO of the Year award. In addition, we received the awards for Latin America's most innovative financial institution and best financial innovation solution, with the virtual assistant on WhatsApp. The recognition was given in the June issue by the Global Finance, an US magazine and one of the most important in the segment.

At Banco do Brasil we believe that in order to establish long-lasting relationships with customers, we need to strengthen innovation in our culture and embrace the revolution that fuels it: the digital transformation.

## **7. People**

Our 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. In the following table, we present our employees profile:



**Table 5. Employee Profile**

	1H18	1H19
<b>Employee Profile</b>		
<b>Employees</b>	97,675	96,168
Female	40,475	40,054
Male	57,200	56,114
<b>Education Level</b>		
High School	15,901	13,928
College	39,957	37,288
Specialization, Master's and Doctorate	41,627	44,760
Others	190	192
<b>Geographic distribution</b>		
North	4,316	4,176
Northeast	16,313	15,990
Mid West	16,792	16,836
Southeast	42,950	42,229
South	17,274	16,910
Abroad	30	27
<b>Turnover (%)</b>	1.46	0.88

In 1H19 we invested R\$27.8 million in corporate training through UniBB (Banco do Brasil Corporate University). This investment made it possible to offer 3,003 undergraduate scholarships, 2,550 postgraduate scholarships and 790 language scholarships.

In April we launched the Career Map, an online guidance environment available to all employees on the UniBB Portal to help them build a career and a development plan. Here are some training highlights available at UniBB:

- Game DesEnvolVer was launched in 2017 to empower employees who have not yet taken over managerial roles, has completed its last step, Startupse, where participants were able to submit their digital solution ideas to improve the customer experience, and the best ideas were developed over three days in partnership with the BB Innovation Lab (LaBBs). The winning idea proposed the improvement for vehicle financing via App BB.
- The Digital Transformation Trail has been updated and received new courses covering topics such as Big Data and the Internet of Things (IoT), curating, KPI's creation, Canvas, Scrum, and other subjects important to the digital transformation process. With the inclusion of these courses, the trail now has 45 educational solutions available to all employees.
- The Women's Leadership Program, which has been in operation since 2018, focusing on the development of women's leadership skills, has completed one more step by conducting a collective coaching process for more than 300 managers at all organizational levels. The results of the Program were disseminated to all employees through a video lesson available on the UniBB Portal.

**Table 6. Compensation and Benefits**

R\$ million	Banco do Brasil Financial Statements		Consolidated Financial Statements	
	1H18	1H19	1H18	1H19
Payroll <sup>1</sup>	8,636	8,697	9,326	9,335
Supplementary Pension <sup>2</sup>	782	822	782	822
Health Care Plans <sup>2</sup>	932	618	932	618
Statutory Profit Sharing <sup>3</sup>	748	1,052	748	1,052
Training <sup>4</sup>	25	27	27	30

(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.

The Quality of Life Program (QVT) was relaunched this semester. The overhaul broadened the scope, advanced alignment with best practices, and brought innovations. With this new configuration, the Program seeks to contribute to improving health indicators and reducing absenteeism. Among the novelties are the "Combos QVT", which propose actions promoting health and well-being developed based on the Periodic Health Examination results; and the QVT Application, a virtual space created to disseminate the implemented actions and content related to the theme (food, health, physical activity, among others), aiming at greater effectiveness of the Program.

## 8. Corporate Governance

Our corporate governance structure is formed by the General Shareholders' Meeting, Board of Directors (BoD) advised by the Audit Committee (Coaud), the Remuneration and Eligibility Committee (Corem) and the Risk and Capital Committee (Coris), the Executive Board (Direx), Fiscal Council and by the Internal Audit.

At all levels the decisions are taken in a collegial manner. The Management uses committees that ensure the agility and security of the decision making process. During the first half of 2019, our Board of Directors approved:

1. Review of Related Party Transaction Policy.
2. On April 26, the General Shareholders' Meeting approved amendments to the By-Laws. These changes were due to the adequacy of the new B3 Novo Mercado Regulation, the most demanding segment of the Brazilian stock exchange in terms of governance, in which our shares (BBAS3) have been listed since 2006.
3. In May, the Board of Directors approved the new version of the Annual Letter of Public Policy and Corporate Governance.

These enhancements enable our governance documents to stay updated with current regulations and best governance practices, reaffirming our commitment to sound and transparent management and enhancing transparency in our relationship with society, our stakeholders and investors.

## 9. Risk, Control and Security Management

Our activities are based on the policies and processes approved by our senior management and materialized in the activities associated with risk management, internal controls and institutional security.

### Risk Management

Our Risk Management includes BoD's approval of the Risk Appetite and Tolerance Statement, which establishes the maximum level of risk that we accept to incur in our business. It should be noted that risk appetite and tolerance take into account risk exposure levels and capital adequacy ratios, among other aspects.

Risk management governance tries to identify, measure, evaluate, monitorate, report, control and mitigate risks, as well as improve risk management. To ensure these objectives are met, we have adopted governance and risk management structures that are compatible with the relationships established with the stakeholders, the size, nature of the business and the complexity of products and services.

## **Internal Control**

Our Internal Control System is consolidated. Processes, products and services have been continuously improved with the upgrade and review of controls, mitigators, indicators and the internalization of good practices in our control and corporate governance structure. The adoption of the Lines of Defense model induces the achievement of strategic objectives, as it reinforces the Bank's competences and responsibilities within the risk management and control framework.

Our Compliance Program establishes principles and guidelines that focus on achieving compliance, sustainability and security in our business, processes, products and services. Regarding to the Customer and User Relationship Policy, we created a methodology to evaluate the maturity of its implementation, following adherence and effectiveness indicators, aiming to ensure customer satisfaction and mitigate operational losses.

During the period, we also promoted our branch network through the continuous and personalized advice provided by our Regional Internal Control Management. This strategy reinforces the first line of defense vision in business units and contributes to spreading the culture of compliance and control, focusing on risk management, process improvement and reduction of operating losses.

Additionally, the process of conducting functional failures has been automated to be performed in a single, more intuitive and less bureaucratic environment, helping to improve the customer experience, increasing its loyalty and conducting them to new business.

For further information on the Internal Control System, programs and policies, see the Reference Form and Compliance Program, available on the Investor Relations website ([bb.com.br/ir](http://bb.com.br/ir)).

## **Institutional Security**

We are constantly evaluating the Bank's cyber maturity level, including with expert advisory support, for integrating the Cyber Security Operations Center with other Security Centers, seeking to achieve synergy between Analytics, BigData and Artificial Intelligence technologies and the work of Crisis Management, Business Continuity and Strategic Intelligence.

We also concluded the process of centralizing the analysis of money laundering evidence, which was performed by the branches, in specialized centers, which allows greater specialization and security in the analysis. This measure frees our salesforce to focus on business and contributes to building our bottom line.

We also revised the environment leasing strategy to ensure business continuity in the event of crisis situations, reducing rent costs and maintaining the strategy's effectiveness.

## **10. Legal Information**

In accordance with criteria defined by the Very Small and Small Companies Brazilian Statute, 96.1% of our companies retail clients are small and very small companies. The funds used by small and very small companies were R\$24.4 billion in June, 2019. The working capital operations balance contracted by very small companies was R\$1.2 billion, and of small companies was R\$16.3 billion. Investment operations aimed at very small companies was R\$530 million; for small companies, investments was R\$6.3 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.

We announced to the market on March 18, pursuant to CVM Instruction 308/99, article 28, that we formalized on February 27, 2019 the hiring of Deloitte Touche Tohmatsu Auditores Independentes to provide external audit services as from 2019, replacing KPMG Auditores Independentes, to meet the legal limit for additions to contracted services, in accordance with Law 8.666/93, and the obligation to rotate the company hired to perform external audit work at BB Seguridade Participações SA.

In 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\$424 thousand, representing 6.08% 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
Cielo	01/02/2019	05/31/2019	Consulting	100,000
BV Financeira S.A.	01/01/2019	12/31/2019	Consulting	135,880
Banco Votorantim S.A.	01/01/2019	12/31/2019	Consulting	12,310
BB Tóquio	01/01/2019	12/31/2019	Consulting	175,860

In compliance with CVM Instruction 381, we report that in 1H19, neither KPMG Auditores Independentes nor Deloitte Touche Tohmatsu Auditores Independentes provided 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\$628.2million in 1H19, emphasizing the investment in new service points and in branches ambience improvement (R\$317.1 million) as well as the investment made in information technology (R\$291.8 million).
- II. We have R\$931 million and R\$957 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\$8,598 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](http://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 ([bb.com.br/ir](http://bb.com.br/ir))

**BALANCE SHEET**

ASSETS	Note	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>CURRENT ASSETS</b>		<b>936,276,106</b>	<b>831,442,934</b>	<b>846,807,396</b>
<b>Cash and due from banks</b>	6	<b>13,129,054</b>	<b>13,614,866</b>	<b>12,867,715</b>
<b>Interbank investments</b>	7.a	<b>519,368,381</b>	<b>412,306,070</b>	<b>426,698,705</b>
Securities purchased under resale agreement		489,996,593	386,121,022	391,521,147
Interbank deposits		29,371,788	26,185,048	35,177,558
<b>Securities and derivative financial instruments</b>	8	<b>32,825,580</b>	<b>22,312,810</b>	<b>20,922,047</b>
Own portfolio		22,570,810	19,892,244	16,651,896
Subject to repurchase agreements		7,326,424	1,543,982	2,419,864
Pledged in guarantee		2,051,121	268,521	172,716
Derivative financial instruments		877,225	608,063	1,677,571
<b>Interbank accounts</b>		<b>72,056,396</b>	<b>64,762,041</b>	<b>77,419,646</b>
Payments and receipts pending settlement	9.a	4,945,343	591,555	2,122,964
Reserve requirement	9.b	65,184,351	61,888,022	73,129,401
Deposits with Banco Central do Brasil		62,558,258	59,115,355	70,243,570
National Treasury - rural credits resources		21,231	38,533	16,982
National Housing Finance System		2,604,862	2,734,134	2,868,849
Correspondent banks		1,926,702	2,282,464	2,167,281
<b>Interdepartmental accounts</b>		<b>27,531</b>	<b>254,747</b>	<b>153,411</b>
Internal transfers of funds		27,531	254,747	153,411
<b>Loans</b>	10	<b>171,895,308</b>	<b>186,269,969</b>	<b>184,450,864</b>
Public sector		294,193	576,035	1,254,267
Private sector		183,308,160	198,248,722	196,181,192
Loan sold under assignment		491	505	718
(Allowance for loan losses)		(11,707,536)	(12,555,293)	(12,985,313)
<b>Leasing</b>	10	<b>110,065</b>	<b>106,335</b>	<b>147,338</b>
Private sector		115,303	113,772	157,360
(Allowances for losses on leases)		(5,238)	(7,437)	(10,022)
<b>Other receivables</b>		<b>126,138,123</b>	<b>131,161,499</b>	<b>123,518,877</b>
Receivables from guarantees honored		718,110	362,737	518,383
Foreign exchange portfolio	11.a	25,057,089	25,103,044	22,850,168
Accrued income		3,259,105	3,448,674	2,910,706
Securities trading		595,396	509,122	383,528
Specific credits	12.a	493	493	493
Sundry	12.b	99,034,275	104,477,547	98,997,100
(Allowance for other losses)		(2,526,345)	(2,740,118)	(2,141,501)
<b>Other assets</b>	13	<b>725,668</b>	<b>654,597</b>	<b>628,793</b>
Assets not for own use and materials in stock		633,179	551,276	516,648
(Allowance for impairment)		(158,813)	(155,818)	(146,094)
Prepaid expenses		251,302	259,139	258,239

See the accompanying notes to the financial statements.

ASSETS	Note	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>NON-CURRENT ASSETS</b>		<b>605,123,936</b>	<b>585,458,532</b>	<b>603,122,479</b>
<b>LONG-TERM RECEIVABLES</b>		<b>576,781,211</b>	<b>555,165,692</b>	<b>571,395,226</b>
<b>Interbank investments</b>	7.a	<b>1,893,480</b>	<b>2,785,527</b>	<b>2,041,018</b>
Securities purchased under resale agreement		198,895	754,933	508,672
Interbank deposits		1,694,777	2,030,594	1,532,346
(Allowance for losses)	--	(192)	--	--
<b>Securities and derivative financial instruments</b>	8	<b>142,086,939</b>	<b>128,783,655</b>	<b>135,080,939</b>
Own portfolio		107,746,960	89,416,471	98,856,338
Subject to repurchase agreements		31,124,004	36,071,681	33,289,092
Pledged in guarantee		2,900,589	3,220,404	2,869,054
Derivative financial instruments		315,386	75,099	66,455
<b>Interbank accounts</b>		<b>4,817,264</b>	<b>4,092,928</b>	<b>3,939,673</b>
Payments and receipts pending settlement	9.a	4,238,046	3,445,430	3,292,070
Reserve requirement	9.b	10,034	15,115	1,471
National Treasury - rural credits resources		10,034	15,115	1,471
Correspondent banks		569,184	632,383	646,132
<b>Loans</b>	10	<b>363,959,405</b>	<b>362,718,150</b>	<b>363,869,815</b>
Public sector		61,629,472	74,180,719	77,118,743
Private sector		324,202,073	308,355,612	307,130,156
Loan sold under assignment		367,483	404,563	448,134
(Allowance for loan losses)		(22,239,623)	(20,222,744)	(20,827,218)
<b>Leasing</b>	10	<b>109,776</b>	<b>117,125</b>	<b>127,782</b>
Private sector		110,824	119,942	129,538
(Allowances for losses on leases)		(1,048)	(2,817)	(1,756)
<b>Other receivables</b>		<b>63,899,697</b>	<b>56,656,517</b>	<b>66,315,360</b>
Foreign exchange portfolio	11.a	8,848	10,497	--
Accrued income		59,920	32,730	54,754
Securities trading		375,192	382,841	863,864
Specific credits	12.a	392,414	392,414	380,773
Sundry	12.b	64,155,646	57,065,563	66,055,180
(Allowance for other losses)		(1,092,323)	(1,227,528)	(1,039,211)
<b>Other assets</b>	13	<b>14,650</b>	<b>11,790</b>	<b>20,639</b>
Prepaid expenses		14,650	11,790	20,639
<b>PERMANENT ASSETS</b>		<b>28,342,725</b>	<b>30,292,840</b>	<b>31,727,253</b>
<b>Investments</b>		<b>15,293,544</b>	<b>16,973,191</b>	<b>18,087,601</b>
Associates and joint ventures	14.a	15,011,027	16,754,357	17,874,240
Domestic		14,550,765	16,181,548	17,845,232
Abroad		460,262	572,809	29,008
Other investments	14.c	323,650	274,152	232,511
(Allowance for losses)		(41,133)	(55,318)	(19,150)
<b>Property and equipment</b>	15	<b>7,516,084</b>	<b>7,537,617</b>	<b>7,345,560</b>
Land and buildings		8,169,689	8,102,145	8,201,197
Other property and equipment		9,785,164	9,453,968	9,796,126
(Accumulated depreciation)		(10,438,769)	(10,018,496)	(10,651,763)
<b>Intangible</b>	16	<b>5,533,097</b>	<b>5,782,032</b>	<b>6,294,092</b>
Intangible assets		12,741,697	14,459,342	14,203,355
(Accumulated amortization)		(7,208,600)	(8,677,310)	(7,909,263)
<b>TOTAL ASSETS</b>		<b>1,541,400,042</b>	<b>1,416,901,466</b>	<b>1,449,929,875</b>

See the accompanying notes to the financial statements.

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>CURRENT LIABILITIES</b>		<b>1,196,703,151</b>	<b>1,039,197,533</b>	<b>1,050,821,180</b>
<b>Deposits</b>	17.a	<b>462,509,343</b>	<b>442,285,753</b>	<b>431,877,317</b>
Demand deposits		67,429,161	67,810,697	66,780,241
Savings deposits		174,480,318	174,854,743	167,089,234
Interbank deposits		28,210,054	30,351,705	27,783,539
Time deposits		192,197,531	169,057,376	170,055,336
Other deposits		192,279	211,232	168,967
<b>Securities sold under repurchase agreements</b>	17.c	<b>488,464,163</b>	<b>393,556,860</b>	<b>414,770,898</b>
Own portfolio		31,548,844	30,226,030	31,800,104
Third-party portfolio		456,915,319	363,330,830	382,970,794
<b>Funds from acceptance and issuance of securities</b>	18	<b>65,606,886</b>	<b>32,565,915</b>	<b>27,379,750</b>
Bonds backed by real estate, mortgage and other credits		60,909,165	29,256,810	18,643,673
Foreign securities		4,621,527	3,192,679	8,634,949
Certificates of structured operations		76,194	116,426	101,128
<b>Interbank accounts</b>		<b>2,793,482</b>	<b>1,638</b>	<b>2,354,202</b>
Receipts and payments pending settlement	9.a	2,793,482	1,638	2,354,202
<b>Interdepartmental accounts</b>		<b>2,357,276</b>	<b>2,490,770</b>	<b>3,143,081</b>
Third-party funds in transit		2,357,139	2,490,638	3,142,945
Internal transfers of funds		137	132	136
<b>Borrowings</b>	19.a	<b>14,516,304</b>	<b>18,179,594</b>	<b>20,480,971</b>
Foreign borrowing		14,516,304	18,179,594	20,480,971
<b>Domestic onlending - official institutions</b>	19.b	<b>37,849,851</b>	<b>38,148,447</b>	<b>44,895,521</b>
National Treasury		129	4	--
BNDES		3,398,054	4,450,146	5,267,277
Caixa Econômica Federal		30,357,868	29,413,089	28,102,921
Finame		3,820,713	4,036,156	4,322,254
Other institutions		273,087	249,052	7,203,069
<b>Foreign onlending</b>	19.b	<b>--</b>	<b>95</b>	<b>95</b>
<b>Derivative financial instruments</b>	8.d	<b>912,664</b>	<b>593,508</b>	<b>1,108,006</b>
<b>Other liabilities</b>		<b>121,693,182</b>	<b>111,374,953</b>	<b>104,811,339</b>
Billing and collection of taxes and contributions		5,567,855	426,786	2,780,537
Foreign exchange portfolio	11.a	17,696,292	12,067,141	9,653,058
Shareholders and statutory distributions		2,932,370	3,961,830	2,070,701
Taxes and social security	20.a	10,944,393	10,788,134	9,980,063
Securities trading		675,951	655,805	901,143
Financial and development funds	20.b	8,633,612	9,855,261	9,494,039
Subordinated debts	20.c	2,958,155	9,440,498	11,219,363
Equity and debt hybrid securities	20.d	61,270	62,168	283,908
Other liabilities	20.e	72,223,284	64,117,330	58,428,527

See the accompanying notes to the financial statements.



LIABILITIES/SHAREHOLDERS' EQUITY	Note	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>NON-CURRENT LIABILITIES</b>		<b>242,766,399</b>	<b>275,451,051</b>	<b>296,470,864</b>
<b>LONG-TERM LIABILITIES</b>		<b>242,538,563</b>	<b>275,002,814</b>	<b>296,036,216</b>
<b>Deposits</b>	17.a	<b>43,005,766</b>	<b>43,751,018</b>	<b>43,661,101</b>
Interbank deposits		4,163,521	3,316,890	3,006,567
Time deposits		38,842,245	40,434,128	40,654,534
<b>Securities sold under repurchase agreements</b>	17.c	<b>8,104,466</b>	<b>9,344,342</b>	<b>9,340,792</b>
Own portfolio		8,104,465	9,344,337	9,340,785
Third-party portfolio		1	5	7
<b>Funds from issuance of securities</b>	18	<b>65,800,560</b>	<b>92,252,581</b>	<b>106,902,731</b>
Bonds backed by real estate, mortgage and other credits		43,565,440	72,348,342	87,269,221
Foreign securities		22,235,120	19,886,856	19,608,478
Certificates of structured operations		--	17,383	25,032
<b>Borrowings</b>	19.a	<b>2,146,144</b>	<b>2,807,154</b>	<b>2,906,021</b>
Foreign borrowing		2,146,144	2,807,154	2,906,021
<b>Domestic onlending - official institutions</b>	19.b	<b>26,126,173</b>	<b>28,582,617</b>	<b>32,647,418</b>
National Treasury		126,645	165,553	158,633
BNDES		15,934,894	17,314,666	19,053,568
Finame		10,064,634	11,102,398	13,185,373
Other institutions		--	--	249,844
<b>Foreign onlending</b>	19.b	<b>--</b>	<b>382</b>	<b>382</b>
<b>Derivative financial instruments</b>	8.d	<b>207,668</b>	<b>215,693</b>	<b>279,577</b>
<b>Other liabilities</b>		<b>97,147,786</b>	<b>98,049,027</b>	<b>100,298,194</b>
Foreign exchange portfolio	11.a	4,029,913	2,455,716	4,373,547
Shareholders and statutory distributions		603	905	694
Taxes and social security	20.a	554,344	768,983	1,931,400
Securities trading		467,776	322,059	307,639
Financial and development funds	20.b	6,847,358	5,667,160	6,453,474
Special operations		2,216	2,216	2,216
Subordinated debts	20.c	38,067,543	41,129,651	40,773,784
Equity and debt hybrid securities	20.d	4,114,992	4,245,895	3,854,240
Debt instruments eligible as capital	20.c and 20.d	29,170,721	29,085,685	28,678,127
Other liabilities	20.e	13,892,320	14,370,757	13,923,073
<b>DEFERRED INCOME</b>		<b>227,836</b>	<b>448,237</b>	<b>434,648</b>
<b>SHAREHOLDERS' EQUITY</b>	23	<b>101,930,492</b>	<b>102,252,882</b>	<b>102,637,831</b>
<b>Capital</b>		<b>67,000,000</b>	<b>67,000,000</b>	<b>67,000,000</b>
Local residents		50,570,727	51,606,403	52,044,238
Domiciled abroad		16,429,273	15,393,597	14,955,762
<b>Instruments qualifying as common equity tier 1 capital</b>	23.c	<b>8,100,000</b>	<b>8,100,000</b>	<b>8,100,000</b>
<b>Capital reserves</b>		<b>15,410</b>	<b>14,692</b>	<b>14,692</b>
<b>Revaluation reserves</b>		<b>2,205</b>	<b>2,240</b>	<b>2,336</b>
<b>Profit reserves</b>		<b>47,407,836</b>	<b>42,612,582</b>	<b>39,163,283</b>
<b>Accumulated other comprehensive income</b>		<b>(21,329,733)</b>	<b>(16,154,116)</b>	<b>(13,128,616)</b>
<b>(Treasury shares)</b>		<b>(1,789,174)</b>	<b>(1,833,431)</b>	<b>(1,843,213)</b>
<b>Non-controlling interests</b>	23.j	<b>2,523,948</b>	<b>2,510,915</b>	<b>3,329,349</b>
<b>TOTAL LIABILITIES</b>		<b>1,541,400,042</b>	<b>1,416,901,466</b>	<b>1,449,929,875</b>

See the accompanying notes to the financial statements.



**STATEMENT OF INCOME**

	Note	1st half/2019	1st half/2018
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>63,128,151</b>	<b>72,051,816</b>
Loans	10.b	40,313,415	45,717,745
Leases	10.i	59,368	106,834
Securities	8.b	21,045,098	22,039,620
Derivative financial instruments	8.e	(58,565)	892,282
Foreign exchange results	11.b	373,894	1,430,557
Reserve requirement	9.c	1,107,974	1,382,352
Sale or transfer of financial assets		286,967	482,426
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>		<b>(45,026,777)</b>	<b>(57,503,264)</b>
Deposits and securities sold under repurchase agreements	17.d	(33,260,325)	(31,416,088)
Borrowings and onlendings	19.c	(1,863,082)	(15,215,757)
Leases	10.i	(36,033)	(68,833)
Sale or transfer of financial assets		(333,515)	(21,049)
Allowance for loan losses	10.f and 10.g	(9,533,822)	(10,781,537)
<b>NET INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>18,101,374</b>	<b>14,548,552</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>		<b>(8,551,094)</b>	<b>(6,264,379)</b>
Service fee income and bank fee income	21.a	14,234,277	13,345,751
Service fee income		8,800,841	8,251,731
Bank fee income		5,433,436	5,094,020
Personnel expenses	21.b	(11,311,825)	(10,234,262)
Other administrative expenses	21.c	(6,175,521)	(6,213,950)
Tax expenses	24.c	(2,512,950)	(2,522,960)
Share of earnings (losses) of associates and joint ventures	14	2,039,337	2,092,191
Other operating income	21.d	3,938,697	3,720,761
Other operating expenses	21.e	(8,763,109)	(6,451,910)
<b>OPERATING INCOME</b>		<b>9,550,280</b>	<b>8,284,173</b>
<b>NON-OPERATING INCOME AND EXPENSES</b>	22	<b>54,644</b>	<b>265,057</b>
Incomes		350,922	351,331
Expenses		(296,278)	(86,274)
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING</b>		<b>9,604,924</b>	<b>8,549,230</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	24.a	<b>479,459</b>	<b>(1,152,682)</b>
Income tax and social contribution current		(1,691,254)	(1,544,576)
Income tax and social contribution deferred		2,170,713	391,894
<b>EMPLOYEE AND DIRECTORS PROFIT SHARING</b>		<b>(1,051,725)</b>	<b>(747,656)</b>
<b>NON-CONTROLLING INTERESTS</b>	23.j	<b>(820,565)</b>	<b>(765,073)</b>
<b>NET INCOME</b>		<b>8,212,093</b>	<b>5,883,819</b>
<b>EARNINGS PER SHARE</b>	23.f		
Weighted average number of shares - basic		2,786,507,649	2,785,480,091
Weighted average number of shares - diluted		2,786,183,611	2,785,109,432
Basic and diluted earnings per share (R\$)		2.91	2.10

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				
<b>Balances at Dec 31, 2017</b>		<b>67,000,000</b>	<b>8,100,000</b>	<b>12,436</b>	<b>2,371</b>	<b>7,111,684</b>	<b>28,169,007</b>	<b>(13,148,918)</b>	<b>(70,807)</b>	<b>(1,850,043)</b>	<b>--</b>	<b>3,397,672</b>	<b>98,723,402</b>
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	23.i	--	--	--	--	--	--	(1,402,639)	19,631	--	--	--	(1,383,008)
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	1,680,164	--	--	--	--	1,680,164
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(227,855)	--	--	--	(227,855)
Cash flow hedge	23.i	--	--	--	--	--	--	--	21,808	--	--	--	21,808
Share-based payment transactions		--	--	2,256	--	--	--	--	--	6,830	--	--	9,086
Expired dividend/interest on own capital		--	--	--	--	--	--	--	--	--	3,999	--	3,999
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(35)	--	--	--	--	--	35	--	--
Change in noncontrolling interest		--	--	--	--	--	--	--	--	--	--	(68,323)	(68,323)
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	--	--	--	--	--	--	--	--	--	5,883,819	--	5,883,819
Interest on instruments qualifying to common equity		--	--	--	--	--	--	--	--	--	(102,817)	--	(102,817)
Unrealized gains		--	--	--	--	--	(54,113)	--	--	--	54,113	--	--
Allocation - Reserves	23.g	--	--	--	--	285,905	3,650,800	--	--	--	(3,936,705)	--	--
- Interest on own capital	23.g	--	--	--	--	--	--	--	--	--	(1,781,380)	--	(1,781,380)
<b>Balances at Jun 30, 2018</b>		<b>67,000,000</b>	<b>8,100,000</b>	<b>14,692</b>	<b>2,336</b>	<b>7,397,589</b>	<b>31,765,694</b>	<b>(12,871,393)</b>	<b>(257,223)</b>	<b>(1,843,213)</b>	<b>--</b>	<b>3,329,349</b>	<b>102,637,831</b>
<b>Changes in the period</b>		<b>--</b>	<b>--</b>	<b>2,256</b>	<b>(35)</b>	<b>285,905</b>	<b>3,596,687</b>	<b>277,525</b>	<b>(186,416)</b>	<b>6,830</b>	<b>--</b>	<b>(68,323)</b>	<b>3,914,429</b>
<b>Balances at Dec 31, 2018</b>		<b>67,000,000</b>	<b>8,100,000</b>	<b>14,692</b>	<b>2,240</b>	<b>7,738,497</b>	<b>34,874,085</b>	<b>(15,409,541)</b>	<b>(744,575)</b>	<b>(1,833,431)</b>	<b>--</b>	<b>2,510,915</b>	<b>102,252,882</b>
Accumulated other comprehensive income of financial instruments, net of taxes	23.i	--	--	--	--	--	--	1,325,763	73,854	--	--	--	1,399,617
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	(6,300,688)	(1,594)	--	--	--	(6,302,282)
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(238,293)	--	--	--	(238,293)
Cash flow hedge	23.i	--	--	--	--	--	--	--	(34,659)	--	--	--	(34,659)
Share-based payment transactions		--	--	718	--	--	--	--	--	44,257	--	--	44,975
Expired dividend/interest on own capital		--	--	--	--	--	--	--	--	--	4,743	--	4,743
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(35)	--	--	--	--	--	35	--	--
Change in noncontrolling interest		--	--	--	--	--	--	--	--	--	--	13,033	13,033
Net income	23.h	--	--	--	--	--	--	--	--	--	8,212,093	--	8,212,093
Interest on instruments qualifying to common equity		--	--	--	--	--	--	--	--	--	(124,049)	--	(124,049)
Unrealized gains		--	--	--	--	--	(31,828)	--	--	--	31,828	--	--
Allocation - Reserves	23.g	--	--	--	--	405,993	7,250,681	--	--	--	(7,656,674)	--	--
- Interest on own capital	23.g	--	--	--	--	--	(2,829,592)	--	--	--	(467,976)	--	(3,297,568)
<b>Balances at Jun 30, 2019</b>		<b>67,000,000</b>	<b>8,100,000</b>	<b>15,410</b>	<b>2,205</b>	<b>8,144,490</b>	<b>39,263,346</b>	<b>(20,384,466)</b>	<b>(945,267)</b>	<b>(1,789,174)</b>	<b>--</b>	<b>2,523,948</b>	<b>101,930,492</b>
<b>Changes in the period</b>		<b>--</b>	<b>--</b>	<b>718</b>	<b>(35)</b>	<b>405,993</b>	<b>4,389,261</b>	<b>(4,974,925)</b>	<b>(200,692)</b>	<b>44,257</b>	<b>--</b>	<b>13,033</b>	<b>(322,390)</b>

See the accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS**

	Note	1st half/2019	1st half/2018
<b>Cash flows from operating activities</b>			
<b>Income before taxation and profit sharing</b>		<b>9,604,924</b>	<b>8,549,230</b>
<b>Adjustments to income before taxation and profit sharing</b>		<b>12,775,590</b>	<b>7,273,079</b>
Provision for credits, leasing and other credits	10.f and 10.g	9,533,822	10,781,537
Depreciation and amortization		1,419,135	1,489,445
(Revenues) Expenses from impairment	15 and 16	--	19,933
Exchange fluctuation in changes of intangible assets	16	5,009	(23,098)
Equity in earning (losses) in associates and joint ventures	14.a	(2,039,337)	(2,092,191)
(Gain) loss on the disposal of assets	22	(83,158)	(187,367)
Capital (gain) loss	22	46,447	(43,541)
Impairment of other assets	22	4,043	(10,406)
Amortization of goodwill	14.d	118,316	82,316
Expenses with civil, labor and tax provisions	27	4,721,651	2,309,428
Adjustment of actuarial assets/liabilities and surplus allocation funds	26	(395,094)	(727,677)
Commissions income deferred		(139,598)	(28,541)
Effect of changes in foreign exchange rates in cash and cash equivalents		767,596	(3,075,961)
Non-controlling interests		(820,565)	(765,073)
Other adjustments		(362,677)	(455,725)
<b>Income adjusted before taxation and profit sharing</b>		<b>22,380,514</b>	<b>15,822,309</b>
<b>Changes in assets and liabilities</b>		<b>23,931,572</b>	<b>12,716,671</b>
(Increase) decrease in short-term interbank investments		(92,742,778)	(46,701,416)
(Increase) decrease in trading securities and derivative financial instruments		(2,009,753)	2,180,511
(Increase) decrease in interbank and interdepartmental accounts		(1,690,222)	(1,777,396)
(Increase) decrease in compulsory deposits with Banco Central do Brasil		(3,442,903)	(1,162,431)
(Increase) decrease in loans		3,282,397	(14,436,114)
(Increase) decrease in leasing transactions		3,685	100,885
(Increase) decrease in other receivables net of deferred taxes		2,950,225	1,988,931
(Increase) decrease in other assets		5,184	89,014
Income tax and social contribution paid		(2,724,475)	(2,197,188)
(Decrease) increase in deposits		19,478,338	25,309,056
(Decrease) increase in securities sold under repurchase agreements		93,667,427	47,868,995
(Decrease) increase in funds from issuance of securities		6,588,950	516,684
(Decrease) increase in borrowings and onlendings		(7,079,817)	472,698
(Decrease) increase in other liabilities		7,865,715	459,167
(Decrease) increase in deferred income		(220,401)	5,275
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>46,312,086</b>	<b>28,538,980</b>
<b>Cash flows from investing activities</b>			
Acquisition of securities available for sale		(71,518,006)	(59,106,224)
Proceeds from sale of securities available for sale		51,530,889	42,841,127
Acquisition of securities held to maturity		(271,345)	(5,236,108)
Proceeds from sale of securities held to maturity		128,253	1,481,911
Dividends received from associates and joint ventures		1,379,059	1,489,294
Acquisition of property, plant and equipment in use		(642,265)	(520,316)
Disposal of property, plant and equipment in use		40,478	4,372
(Acquisition) disposal of investments		574,077	128,368
Acquisition of intangible assets		(2,041,625)	(275,222)
Disposal of intangible assets/deferred assets		1,450,148	7,265
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>(19,370,337)</b>	<b>(19,185,533)</b>
<b>Cash flows from financing activities</b>			
Change in non-controlling interests		13,033	(68,323)
(Decrease) increase in subordinated debts		(9,230,440)	(3,395,948)
(Decrease) increase in equity and debt hybrid securities		(360,776)	1,143,994
(Acquisition) disposal of treasury shares		44,257	6,830
Interest on own capital paid		(3,698,552)	(1,714,170)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(13,232,478)</b>	<b>(4,027,617)</b>
<b>Net variation of cash and cash equivalents</b>		<b>13,709,271</b>	<b>5,325,830</b>
At the beginning of the period		60,349,122	47,183,948
Effect of changes in foreign exchange rates in cash and cash equivalents		(767,596)	3,075,961
At the end of the period		73,290,797	55,585,739
<b>Increase (decrease) in cash and cash equivalents</b>		<b>13,709,271</b>	<b>5,325,830</b>

See the accompanying notes to the financial statements.

**STATEMENT OF VALUE ADDED**

	Note	1st half/2019		1st half/2018	
<b>Income</b>		<b>62,612,596</b>		<b>71,848,203</b>	
Income from financial intermediation		63,128,151		72,051,816	
Income from service and bank fees		14,234,277		13,345,751	
Allowance for loan losses		(9,533,822)		(10,781,537)	
Capital gains	22	107,261		104,186	
Other income/(expenses)		(5,323,271)		(2,872,013)	
<b>Expenses from financial intermediation</b>		<b>(35,492,955)</b>		<b>(46,721,727)</b>	
<b>Inputs purchased from third parties</b>		<b>(3,520,986)</b>		<b>(3,671,488)</b>	
Materials, water, electric power and gas	21.c	(315,893)		(309,590)	
Expenses with outsourced services	21.c	(430,292)		(439,435)	
Communications	21.c	(381,956)		(437,451)	
Data processing	21.c	(207,114)		(203,024)	
Transportation	21.c	(401,618)		(487,318)	
Security services	21.c	(566,394)		(570,725)	
Financial system services	21.c	(380,020)		(372,406)	
Advertising and marketing	21.c	(161,450)		(169,868)	
Maintenance and upkeep	21.c	(379,905)		(339,455)	
Other		(296,344)		(342,216)	
<b>Gross added value</b>		<b>23,598,655</b>		<b>21,454,988</b>	
Depreciation and amortization	21.c	(1,534,035)		(1,571,760)	
<b>Value added produced by entity</b>		<b>22,064,620</b>		<b>19,883,228</b>	
<b>Value added received through transfer</b>		<b>2,039,337</b>		<b>2,092,191</b>	
Equity in associates and joint ventures		2,039,337		2,092,191	
<b>Added value to distribute</b>		<b>24,103,957</b>	<b>100.00%</b>	<b>21,975,419</b>	<b>100.00%</b>
<b>Value added distributed</b>		<b>24,103,957</b>	<b>100.00%</b>	<b>21,975,419</b>	<b>100.00%</b>
<b>Personnel</b>		<b>11,179,149</b>	<b>46.38%</b>	<b>9,792,096</b>	<b>44.56%</b>
Salaries and fees		7,304,662		6,211,945	
Employee and directors profit sharing		1,051,725		747,656	
Benefits and staff training		1,619,662		1,589,068	
FGTS (Government severance indemnity fund for employees)		381,627		374,638	
Other charges		821,473		868,789	
<b>Taxes, rates and contributions</b>		<b>3,217,892</b>	<b>13.35%</b>	<b>4,865,463</b>	<b>22.14%</b>
Federal		2,366,357		4,038,752	
State		799		698	
Municipal		850,736		826,013	
<b>Interest on third parties' capital</b>		<b>674,258</b>	<b>2.80%</b>	<b>668,968</b>	<b>3.04%</b>
Rent	21.c	674,258		668,968	
<b>Interest on own capital</b>	23.g	<b>9,032,658</b>	<b>37.47%</b>	<b>6,648,892</b>	<b>30.26%</b>
Federal government's interest on own capital		1,672,704		903,612	
Other shareholders' interest on own capital		1,624,864		877,768	
Interest on the instrument eligible to the federal government's common equity tier 1 capital		124,049		102,816	
Retained earnings		4,790,476		3,999,623	
Non-controlling interest in retained earnings		820,565		765,073	

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 4,595/1964, 13,303/2016 and the respective ruling Decree. The Brazilian Federal Government controls the Bank. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Federal District, Brazil. The Bank's business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil's National Financial System.

The Bank also acts as an agent for execution of the Brazilian Federal Government's credit and financial policies, Brazilian Law, specifically those under article 19 of Law 4,595/1964:

- (i) act as financial agent for the National Treasury;
- (ii) provide banking services on behalf of the Federal Government and other governmental agencies;
- (iii) collect voluntary deposits from financial institutions in the form of cash or due from banks;
- (iv) provide clearing services for checks and other documents;
- (v) buy and sell foreign currencies as determined by the CMN for the Bank's own account and for the account of the Brazilian Central Bank (Bacen);
- (vi) provide receipt and payment services for Bacen, in addition to other services;
- (vii) finance the purchase and development of small and medium-sized farms; and
- (viii) disseminate and provide credit.

With a history of more than 200 years, the Bank operates in a responsible manner to promote social inclusion through the generation of jobs and income.

The Bank finances the production and commercialization of agricultural products; foster rural investments such as storage, processing, industrialization of agricultural products and modernization of machinery and implements; and adjust rural properties to environmental law. Accordingly, the Bank supports the Brazilian agribusiness in all stages of the production chain.

The Bank offers to micro and small companies working capital, financings for investments, and foreign trade solutions, in addition to several other options related to cash flow, social security, pension plan, and services. The Bank provides financing alternatives and business models that promote the transition to an inclusive economy to several companies, including Individual Microentrepreneurs (Microempreendedores Individuais – MEI).

In foreign trade financing, the Bank operates government policy instruments regarding productive development, entrepreneurship, social and financial inclusion, including the Income Generation Program (Programa de Geração e Renda – Proger) and the Export Financing Program (Programa de Financiamento às Exportações – Proex). The Bank is the exclusive agent of the federal government in Proex.

More information about the subsidiaries is included in Note 3, while Note 5 contains a description of the Bank's business segments.

## 2 - COMPANY RESTRUCTURING

### 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 S.A. (Patagonia) for the Bank was carried out.

The Bank became the holder of 578,116,870 book-entry Class B common shares and it will report 80.3894% of Banco Patagonia earnings. This transaction generated R\$ 606,414 thousand of goodwill.

	Sep 06, 2018
Amount paid for the shares acquisition	839,454
Shareholder's Equity	233,040
<b>Goodwill</b>	<b>606,414</b>

### Partnership Restructuring Agreement with BB Mapfre Group

On June 26, 2018, the Bank informed, hereby material fact, that its Board of Directors had approved a partnership restructuring agreement with BB Mapfre Group. On November 30, 2018, the Bank concluded the partnership restructuring concerning BB Seguros Participações S.A. (BB Seguros) and Mapfre Brasil Participações S.A. (Mapfre Brasil).

Jointly with BB Seguridade and BB Seguros, the Bank signed a binding Partnership Restructuring Agreement (Agreement) with Mapfre S.A., Mapfre Internacional S.A. and Mapfre Brasil, which resulted in a corporate reorganization, in accordance to the following acts:

- (i) Incorporation by Mapfre BB SH2 Participações S.A. (SH2) of all the shares representing the share capital of Mapfre Vida S.A., through a partial division of BB Mapfre SH1 Participações S.A. (SH1);
- (ii) Incorporation by SH1 of all the shares representing the share capital of Aliança do Brasil Seguros S.A. (ABS), through a partial division of SH2.

After these corporate acts, BB Seguros sold to Mapfre Brasil the totality of its investment in SH2 for R\$ 2.4 billion, which was reduced by dividends and interest on own capital distributed. After these deductions, BB Seguros received from Mapfre the amount of R\$ 2.4 billion, from which the dividends and interest on shareholders' equity distributed, as well as the capital reductions made by the insurers involved in the restructuring, were deducted. After these deductions, BB Seguros received from Mapfre Brasil the amount of R\$ 2.3 billion.

	Nov 30, 2018
Disposal value	2,274,189
Carrying amount of SH2 investment	1,486,516
<b>Gross gain recorded on disposal</b>	<b>787,673</b>

### Corporate Movement BB-BI and BB Elo

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.

On June 28, 2019, the interest in Cielo was transferred to BB Elo. Residual effect was recognized in the income of the companies. Residual effect was recognized in the income of the companies.

### **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 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 International Financial Reporting Standards - IFRS to improve the quality and transparency of these consolidated financial statements.

All the relevant information specific to the financial statements are disclosed and correspond to those used by Management in its administration.

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 which depends on Bacen's regulations results primarily in immaterial adjustments or in changes in disclosure, except the following pronouncements, which, if received by the regulator, may have significant prospective 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 August 05, 2019.



**a) Equity interest included in the consolidated financial statements, segregated by business segments:**

	Activity	Functional currency	June 30, 2019	Dec 31, 2018	June 30,2018
			% of Total Share		
Banking segment					
Banco do Brasil AG	Banking	Real	100.00%	100.00%	100.00%
BB Leasing S.A. - Arrendamento Mercantil	Leasing	Real	100.00%	100.00%	100.00%
BB Securities Asia Pte. Ltd.	Broker	Real	100.00%	100.00%	100.00%
Banco do Brasil Securities LLC.	Broker	Real	100.00%	100.00%	100.00%
BB Securities Ltd.	Broker	Real	100.00%	100.00%	100.00%
BB USA Holding Company, Inc.	Holding	Real	100.00%	100.00%	100.00%
BB Cayman Islands Holding	Holding	Real	100.00%	100.00%	100.00%
Banco do Brasil Americas	Banking	American Dollar	100.00%	100.00%	100.00%
Banco Patagonia S.A.	Banking	Argentinian Peso	80.39%	80.39%	58.97%
Investment segment					
BB Banco de Investimento S.A.	Investment bank	Real	100.00%	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%	100.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	99.62%	99.62%	99.62%
Segment of insurance, private pension fund and capitalization					
BB Seguridade Participações S.A. <sup>(1)</sup>	Holding	Real	66.36%	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. <sup>(1)</sup>	Broker	Real	66.36%	66.36%	66.36%
BB Seguros Participações S.A. <sup>(1)</sup>	Holding	Real	66.36%	66.36%	66.36%
Segment of payment methods					
BB Administradora de Cartões de Crédito S.A.	Service rendering	Real	100.00%	100.00%	100.00%
BB Elo Cartões Participações S.A.	Holding	Real	100.00%	100.00%	100.00%
Other segments					
Ativos S.A. Securitizadora de Créditos Financeiros	Credits acquisition	Real	100.00%	100.00%	100.00%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credits acquisition	Real	100.00%	100.00%	100.00%
BB Administradora de Consórcios S.A.	Consortium	Real	100.00%	100.00%	100.00%
BB Tur Viagens e Turismo Ltda. <sup>(2)</sup>	Tourism	Real	100.00%	100.00%	100.00%
BB Asset Management Ireland Limited	Credits acquisition	Real	100.00%	100.00%	100.00%
BB Tecnologia e Serviços <sup>(1)</sup>	IT	Real	99.99%	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 May/2019.

**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, and income from credit card receivables from groupage Other Operating Income to the grouping Credit Operations.

1st half/2018	Original report	Adjustments	Restated balances
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>	<b>71,911,901</b>	<b>139,915</b>	<b>72,051,816</b>
Loans	45,577,830	139,915	45,717,745
<b>NET INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>14,408,637</b>	<b>139,915</b>	<b>14,548,552</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>	<b>(6,124,464)</b>	<b>(139,915)</b>	<b>(6,264,379)</b>
Other administrative expenses	(6,879,347)	665,397	(6,213,950)
Other operating income	3,860,676	(139,915)	3,720,761
Other operating expenses	(5,786,513)	(665,397)	(6,451,910)

**Restated Balance Sheet**

Acquisition of receivables from credit cards from the grouping Other receivables for Interbank Accounts.

June 30, 2018	Original report	Adjustments	Restated balances
<b>INTERBANK ACCOUNTS/OTHER CREDITS</b>	<b>78,067,249</b>	<b>3,292,070</b>	<b>81,359,319</b>
Payments and receipts pending settlement	2,122,964	3,292,070	5,415,034
<b>OTHER RECEIVABLES</b>	<b>193,126,307</b>	<b>(3,292,070)</b>	<b>189,834,237</b>
Other receivables – Sundry – Receivables	168,344,350	(3,292,070)	165,052,280

Prepaid expenses from the grouping Other Assets to Other receivables.

Jun 30, 2018	Original report	Adjustments	Restated balances
<b>TOTAL ASSETS</b>	<b>1,450,252,875</b>	<b>(323,000)</b>	<b>1,449,929,875</b>
<b>Other assets</b>	<b>972,432</b>	<b>(323,000)</b>	<b>649,432</b>
Prepaid expenses	601,878	(323,000)	278,878
<b>TOTAL LIABILITIES</b>	<b>1,450,252,875</b>	<b>(323,000)</b>	<b>1,449,929,875</b>
<b>Other receivables</b>	<b>205,432,533</b>	<b>(323,000)</b>	<b>205,109,533</b>
Sundry	72,674,600	(323,000)	72,351,600

Prepaid expenses from the grouping Other Assets to Other receivables.

Dec 31, 2018	Original report	Adjustments	Restated balances
<b>TOTAL ASSETS</b>	<b>1,417,143,716</b>	<b>(242,250)</b>	<b>1,416,901,466</b>
<b>Other assets</b>	<b>908,637</b>	<b>(242,250)</b>	<b>666,387</b>
Prepaid expenses	513,179	(242,250)	270,929
<b>TOTAL LIABILITIES</b>	<b>1,417,143,716</b>	<b>(242,250)</b>	<b>1,416,901,466</b>
<b>Other receivables</b>	<b>209,666,230</b>	<b>(242,250)</b>	<b>209,423,980</b>
Sundry	78,730,337	(242,250)	78,488,087

#### **4 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting practices adopted by Banco do Brasil are applied consistently in all periods presented in these financial statements and applied to all the entities of the Group Banco do Brasil.

##### **a) Statement of income**

In accrual basis accounting, revenues and expenses are reported in the closing process of the period in which they are incurred, regardless of receipt or payment. The operations with floating rates are adjusted pro rata die, based on the variation of the indexes agreed, and operations with fixed rates are recorded at future redemption value, adjusted for the unearned income or prepaid expenses for future periods. The operations indexed to foreign currencies are converted at the reporting date using current rates.

##### **b) Present value measurement**

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of their interest income and expenses.

Non-contractual liabilities are primarily represented by provisions for lawsuit and legal obligations, for which the disbursement date is uncertain and is not under the Bank's control. They are measured at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

##### **c) Cash due from banks**

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, securities purchased under resale agreements – guaranteed by securities not repurchased/re-sold, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity at time of acquisition not exceeding 90 days.

##### **d) Interbank investments**

Interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustments for allowance for losses.

##### **e) Securities**

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three categories, according to Bacen Circular 3,068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to fair value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to 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 fair value methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the indicative price reported by Anbima (Brazilian Financial and Capital Markets Association), or relationship between the unit price and the latest business value in the last 30 day, or the net expected realizable value obtained through pricing models, using credit risk curves, expected credit losses, future values of interest rates, foreign exchange rates, price and currency indices, and similar financial instruments.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata 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 fair value methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the closing price, or adjustment, when applicable, on the day of calculation or, if not available, pricing models that estimate the expected net realizable value, or the price of a similar financial instrument, considering at least, the payment or maturity date, the credit risk and currency or index.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in the fair value or asset cash flow or financial liabilities, commitment or future transaction, are considered hedge instruments and are classified according to their nature:

Market Risk Hedge: increases or decreases in value of the financial instruments, as well as of the hedged item, are recorded in income/expense accounts for the period; and

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:

<b>Taxes</b>	<b>Rate</b>
Income tax (15.00% + additional 10.00%)	25.00%
Social Contribution on Net Income - CSLL <sup>(1)</sup>	15.00%
Social Integration Program/Public servant fund program(PIS/Pasep) <sup>(2)</sup>	0.65%
Contribution to Social Security Financing – (Cofins) <sup>(2)</sup>	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 insurance, private pension plans and capitalization. For others non-financial companies, the CSLL rate is 9%.

(2) For non-financial firms that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and 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.

## **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.

## **l) Employee benefits**

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CPC 33 (R1) - Employee benefits, approved by CVM Resolution 695/2012 and by the CMN Resolution 4,424/2015 (Note 26). The evaluations are performed semiannually.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the Bank's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk value of plan assets fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to the register of a liability when the amount of the actuarial obligation exceeds the value of plan assets, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or will be refundable in the future.

The Bank recognizes the components of defined benefit cost in the period in which the actuarial valuation was performed, in accordance with criteria established by CPC 33 (R1) - Employee benefits, as follows:

- the current service cost and the net interest on the net defined benefit liability (asset) are recognized in profit or loss; and
- the remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income, in the Bank's equity, net of tax effects.

Contributions to be paid by the Bank to medical assistance plans in some cases will continue after the employee's retirement. Therefore, the Bank's obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period in which the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

## **m) Deposits and Securities sold under repurchase agreements**

Deposits and Securities sold under repurchase agreements are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata die basis.

## **n) Provisions, contingent assets and liabilities and legal obligations**

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made in accordance with the criteria defined by CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution 3,823/2009 (Note 27).

Contingent assets are not recognized in the financial statements however when there is evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable, are recognized as assets.



Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated Method: cases that are similar and recurring in nature and whose values are not considered individually significant. Provisions are based on statistical data. It covers civil, tax or labor judicial proceedings (except labor claims filed by trade unions and all proceedings classified as strategic) with probable value of award, estimated by legal advisors, up to R\$ 1 million.

Individual Method: cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the financial statements, they are disclosed in notes, while those classified as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations provided in the legislation, regardless of the probability of success of lawsuits in progress, and have their amounts recognized in full in the financial statements.

#### **o) Debt instrument issue expense**

Expenses related to transactions involving the issue of debt instruments are capitalized and presented as a reduction of the corresponding liability. The expenses are recognized in the 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.)), 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 risks.

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**

	1st half/2019		1st half/2018	
	Brazil	Abroad	Brazil	Abroad
<b>Income from external customers</b>	<b>79,213,813</b>	<b>4,477,571</b>	<b>88,280,637</b>	<b>3,281,213</b>
<b>Income from financial intermediation</b>	<b>59,305,319</b>	<b>3,822,832</b>	<b>69,507,047</b>	<b>2,544,769</b>
Loans and leases	38,800,520	1,572,263	44,220,947	1,603,632
Securities	19,124,109	1,920,989	21,112,253	927,367
Derivative financial instruments	(228,604)	170,039	863,193	29,089
Foreign exchange results and reserve requirement	1,322,327	159,541	2,834,945	(22,036)
Sale or transfer of financial assets	286,967	--	475,709	6,717
<b>Other income</b>	<b>19,908,494</b>	<b>654,739</b>	<b>18,773,590</b>	<b>736,444</b>
Service fee income and bank fee income	13,667,307	566,970	12,693,457	652,294
Share of earnings of associates and joint ventures	2,039,337	--	2,092,191	--
Other	4,201,850	87,769	3,987,942	84,150
<b>Non-current assets <sup>(1)</sup></b>	<b>27,930,018</b>	<b>412,707</b>	<b>31,318,931</b>	<b>408,322</b>

(1) Except for financial instruments, deferred tax assets and post-employment benefit assets.

In the 1st half/2019 and in the 1st half/2018, revenues from abroad were mainly obtained by operations held by the branches in South America and in North America.

### h) Breakdown of managerial information by segment and accounting reconciliation

	1st half/2019									
	Managerial Information by Segment							Reconciliation to accounting information		
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments	Intersegment transactions	Management information	Consolidation Adjustments	BB Consolidated
<b>Income from financial intermediation</b>	<b>65,975,671</b>	<b>14,632</b>	<b>28,218</b>	<b>2,243,231</b>	<b>216,983</b>	<b>107,246</b>	<b>(175,885)</b>	<b>68,410,096</b>	<b>(5,281,945)</b>	<b>63,128,151</b>
Loans and leases	42,915,262	--	--	--	--	--	(5,035)	42,910,227	(2,537,444)	40,372,783
Securities	21,687,232	14,632	28,218	14,363	244,125	107,248	(236,559)	21,859,259	(814,161)	21,045,098
Derivative financial instruments	(290,289)	--	--	--	(27,142)	--	--	(317,431)	258,866	(58,565)
Foreign exchange results and reserve requirement	1,513,968	--	--	--	--	(2)	--	1,513,966	(32,098)	1,481,868
Sale or transfer of financial assets	149,498	--	--	--	--	--	--	149,498	137,469	286,967
Financial results from insurance, pension and capitalization operations	--	--	--	2,228,868	--	--	65,709	2,294,577	(2,294,577)	--
<b>Expenses from financial intermediation</b>	<b>(47,099,584)</b>	<b>(106,171)</b>	<b>--</b>	<b>(1,726,401)</b>	<b>(10,731)</b>	<b>(91,293)</b>	<b>339,778</b>	<b>(48,694,402)</b>	<b>3,667,625</b>	<b>(45,026,777)</b>
Deposits and securities sold under repurchase agreements	(34,596,281)	(106,171)	--	--	--	(90,544)	339,778	(34,453,218)	1,192,893	(33,260,325)
Borrowings, onlendings and leases	(2,013,152)	--	--	--	(10,731)	(749)	--	(2,024,632)	125,517	(1,899,115)
Allowance for loan losses	(10,156,636)	--	--	--	--	--	--	(10,156,636)	622,814	(9,533,822)
Sale or transfer of financial assets	(333,515)	--	--	--	--	--	--	(333,515)	--	(333,515)
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(1,726,401)	--	--	--	(1,726,401)	1,726,401	--
<b>Other income</b>	<b>15,070,234</b>	<b>646,379</b>	<b>1,244,437</b>	<b>3,647,569</b>	<b>2,504,480</b>	<b>1,480,983</b>	<b>(1,089,753)</b>	<b>23,504,329</b>	<b>(2,941,096)</b>	<b>20,563,233</b>
Service fee income and bank fee income	10,600,019	540,875	1,242,434	1,487,436	2,016,462	1,110,803	(770,364)	16,227,665	(1,993,388)	14,234,277
Share of earnings of associates and joint ventures	105,868	96,703	--	51,217	1,069	--	--	254,857	1,784,480	2,039,337
Results from insurance, pension plan and capitalization operations	--	--	--	1,886,571	--	--	109,706	1,996,277	(1,996,277)	--
Other	4,364,347	8,801	2,003	222,345	486,949	370,180	(429,095)	5,025,530	(735,911)	4,289,619
<b>Other expenses</b>	<b>(29,247,994)</b>	<b>(280,439)</b>	<b>(167,841)</b>	<b>(1,166,740)</b>	<b>(1,807,388)</b>	<b>(840,500)</b>	<b>925,860</b>	<b>(32,585,042)</b>	<b>3,525,359</b>	<b>(29,059,683)</b>
Personnel expenses	(11,370,352)	(28,998)	(49,673)	(168,141)	(109,140)	(188,446)	4,177	(11,910,573)	598,748	(11,311,825)
Other administrative expenses	(5,166,418)	(41,478)	(13,897)	(264,700)	(270,659)	(195,726)	694,649	(5,258,229)	616,743	(4,641,486)
Amortization	(874,430)	(40,637)	--	(38,594)	(12,616)	(2,152)	--	(968,429)	57,714	(910,715)
Depreciation	(621,136)	--	--	(5,552)	(1,706)	(10,673)	--	(639,067)	15,747	(623,320)
Tax expenses	(2,126,296)	(42,019)	(84,358)	(375,276)	(232,992)	(162,761)	--	(3,023,702)	510,752	(2,512,950)
Other	(9,089,362)	(127,307)	(19,913)	(314,477)	(1,180,275)	(280,742)	227,034	(10,785,042)	1,725,655	(9,059,387)
<b>Profit before taxation and profit sharing</b>	<b>4,698,327</b>	<b>274,401</b>	<b>1,104,814</b>	<b>2,997,659</b>	<b>903,344</b>	<b>656,436</b>	<b>--</b>	<b>10,634,981</b>	<b>(1,030,057)</b>	<b>9,604,924</b>
Income tax and social contribution	1,622,924	(101,081)	(441,999)	(1,056,913)	(288,819)	(208,989)	--	(474,877)	954,336	479,459
Employee and directors profit sharing	(1,099,059)	--	(1,089)	(12,586)	(11,918)	(2,794)	--	(1,127,446)	75,721	(1,051,725)
Non-controlling interests	(131,351)	--	--	(689,211)	--	(3)	--	(820,565)	--	(820,565)
<b>Net income</b>	<b>5,090,841</b>	<b>173,320</b>	<b>661,726</b>	<b>1,238,949</b>	<b>602,607</b>	<b>444,650</b>	<b>--</b>	<b>8,212,093</b>	<b>--</b>	<b>8,212,093</b>
<b>Balance sheet</b>										
Interbank investments	527,456,316	7,564	995,803	3,820,516	316,644	3,851,344	(11,668,560)	524,779,627	(3,517,766)	521,261,861
Securities and derivative financial instruments	182,426,610	1,095,203	48,661	217,782,485	6,780,636	102,812	(79,128)	408,157,279	(233,244,760)	174,912,519
Loans and leasing, net of allowance for losses	558,361,227	--	--	--	--	--	(15,000)	558,346,227	(22,271,673)	536,074,554
Investments	16,407,672	868,186	39,637	583,967	1,370,149	27	(15,368,409)	3,901,229	11,392,315	15,293,544
Other assets	295,137,260	2,321,148	479,772	9,677,172	24,936,499	1,711,558	(7,149,139)	327,114,270	(33,256,706)	293,857,564
<b>TOTAL ASSETS</b>	<b>1,579,789,085</b>	<b>4,292,101</b>	<b>1,563,873</b>	<b>231,864,140</b>	<b>33,403,928</b>	<b>5,665,741</b>	<b>(34,280,236)</b>	<b>1,822,298,632</b>	<b>(280,898,590)</b>	<b>1,541,400,042</b>
Liabilities	1,479,332,311	3,835,959	1,424,622	225,407,457	24,484,232	4,003,472	(18,119,913)	1,720,368,140	(280,898,590)	1,439,469,550
Deposits	511,942,530	2,822,150	--	--	--	--	(2,980,686)	511,783,994	(6,268,885)	505,515,109
Securities sold under repurchase agreements	514,087,821	--	--	--	--	--	(8,846,409)	505,241,412	(8,672,783)	496,568,629
Funds from issuance of securities	143,499,427	--	--	--	--	3,161,173	--	146,660,600	(15,253,154)	131,407,446
Onlendings	64,774,259	--	--	--	--	--	--	64,774,259	(798,235)	63,976,024
Technical provisions for insurance, pension plans and capitalization	--	--	--	217,640,933	--	--	(293)	217,640,640	(217,640,640)	--
Other liabilities	245,028,274	1,013,809	1,424,622	7,766,524	24,484,232	842,299	(6,292,525)	274,267,235	(32,264,893)	242,002,342
Shareholders' equity	100,456,774	456,142	139,251	6,456,683	8,919,696	1,662,269	(16,160,323)	101,930,492	--	101,930,492
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,579,789,085</b>	<b>4,292,101</b>	<b>1,563,873</b>	<b>231,864,140</b>	<b>33,403,928</b>	<b>5,665,741</b>	<b>(34,280,236)</b>	<b>1,822,298,632</b>	<b>(280,898,590)</b>	<b>1,541,400,042</b>

	1st half/2018									
	Managerial Information by Segment							Reconciliation to accounting information		
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments	Intersegment transactions	Management information	Consolidation Adjustments	BB Consolidated
<b>Income from financial intermediation</b>	<b>74,988,154</b>	<b>21,932</b>	<b>25,899</b>	<b>1,531,352</b>	<b>402,571</b>	<b>77,037</b>	<b>(157,364)</b>	<b>76,889,581</b>	<b>(4,837,765)</b>	<b>72,051,816</b>
Loans and leases	48,343,731	--	--	--	--	65,465	(69,932)	48,339,264	(2,514,685)	45,824,579
Securities	22,660,733	7,593	25,899	13,681	356,738	12,042	(153,917)	22,922,769	(883,149)	22,039,620
Derivative financial instruments	820,775	14,339	--	--	45,833	--	--	880,947	11,335	892,282
Foreign exchange results and reserve requirement	2,901,237	--	--	--	--	(470)	--	2,900,767	(87,858)	2,812,909
Sale or transfer of financial assets	261,678	--	--	--	--	--	--	261,678	220,748	482,426
Financial results from insurance, pension and capitalization operations	--	--	--	1,517,671	--	--	66,485	1,584,156	(1,584,156)	--
<b>Expenses from financial intermediation</b>	<b>(59,776,654)</b>	<b>(120,979)</b>	<b>--</b>	<b>(1,116,922)</b>	<b>(18,227)</b>	<b>(67,317)</b>	<b>333,844</b>	<b>(60,766,255)</b>	<b>3,262,991</b>	<b>(57,503,264)</b>
Deposits and securities sold under repurchase agreements	(33,025,069)	(120,979)	--	--	--	(66,435)	333,338	(32,879,145)	1,463,057	(31,416,088)
Borrowings, onlendings and leases	(15,427,293)	--	--	--	(18,227)	(882)	506	(15,445,896)	161,306	(15,284,590)
Allowance for loan losses	(11,302,195)	--	--	--	--	--	--	(11,302,195)	520,658	(10,781,537)
Sale or transfer of financial assets	(22,097)	--	--	--	--	--	--	(22,097)	1,048	(21,049)
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(1,116,922)	--	--	--	(1,116,922)	1,116,922	--
<b>Other income</b>	<b>14,306,228</b>	<b>622,508</b>	<b>1,165,606</b>	<b>4,030,689</b>	<b>2,656,019</b>	<b>1,279,700</b>	<b>(1,058,675)</b>	<b>23,002,075</b>	<b>(3,492,041)</b>	<b>19,510,034</b>
Service fee income and bank fee income	10,311,049	467,392	1,162,361	1,065,259	2,479,241	918,110	(720,291)	15,683,121	(2,337,370)	13,345,751
Share of earnings of associates and joint ventures	77,200	40,054	--	45,804	51,426	--	--	214,484	1,877,707	2,092,191
Results from insurance, pension plan and capitalization operations	--	--	--	2,755,325	--	--	84,785	2,840,110	(2,840,110)	--
Other	3,917,979	115,062	3,245	164,301	125,352	361,590	(423,169)	4,264,360	(192,268)	4,072,092
<b>Other expenses</b>	<b>(25,764,969)</b>	<b>(187,857)</b>	<b>(173,167)</b>	<b>(1,421,003)</b>	<b>(1,956,484)</b>	<b>(800,727)</b>	<b>882,195</b>	<b>(29,422,012)</b>	<b>3,912,656</b>	<b>(25,509,356)</b>
Personnel expenses	(10,210,485)	(27,970)	(46,183)	(268,782)	(114,188)	(186,859)	5,278	(10,849,189)	614,927	(10,234,262)
Other administrative expenses	(5,196,326)	(31,629)	(27,297)	(341,574)	(254,444)	(188,816)	726,185	(5,313,901)	671,711	(4,642,190)
Amortization	(921,846)	(70,848)	--	(51,158)	(51,698)	(1,473)	--	(1,097,023)	110,949	(986,074)
Depreciation	(584,448)	--	--	(8,171)	(6,216)	(8,709)	--	(607,544)	21,858	(585,686)
Tax expenses	(2,177,704)	(39,106)	(78,790)	(401,014)	(273,950)	(140,914)	--	(3,111,478)	588,518	(2,522,960)
Other	(6,674,160)	(18,304)	(20,897)	(350,304)	(1,255,988)	(273,956)	150,732	(8,442,877)	1,904,693	(6,538,184)
<b>Profit before taxation and profit sharing</b>	<b>3,752,759</b>	<b>335,604</b>	<b>1,018,338</b>	<b>3,024,116</b>	<b>1,083,879</b>	<b>488,693</b>	<b>--</b>	<b>9,703,389</b>	<b>(1,154,159)</b>	<b>8,549,230</b>
Income tax and social contribution	(38,074)	(136,541)	(457,058)	(1,120,475)	(345,654)	(145,072)	--	(2,242,874)	1,090,192	(1,152,682)
Employee and directors profit sharing	(781,426)	--	(1,754)	(18,656)	(8,115)	(1,672)	--	(811,623)	63,967	(747,656)
Non-controlling interests	(126,405)	--	--	(638,668)	--	--	--	(765,073)	--	(765,073)
<b>Net income</b>	<b>2,806,854</b>	<b>199,063</b>	<b>559,526</b>	<b>1,246,317</b>	<b>730,110</b>	<b>341,949</b>	<b>--</b>	<b>5,883,819</b>	<b>--</b>	<b>5,883,819</b>
<b>Balance sheet</b>										
Interbank investments	442,470,694	7,119	937,179	3,274,042	516,076	549,508	(9,108,996)	438,645,622	(9,905,899)	428,739,723
Securities and derivative financial instruments	160,577,617	844,676	33,635	198,040,626	6,825,718	340,372	(207,513)	366,455,131	(210,452,145)	156,002,986
Loans and leasing, net of allowance for losses	569,667,386	--	--	--	--	3,180,815	(3,180,815)	569,667,386	(21,071,587)	548,595,799
Investments	15,542,702	6,072,405	33,794	421,475	970,114	27	(18,886,526)	4,153,991	13,933,610	18,087,601
Other assets	300,319,561	1,002,313	429,534	13,274,744	21,677,794	1,531,312	(6,442,432)	331,792,826	(33,289,060)	298,503,766
<b>TOTAL ASSETS</b>	<b>1,488,577,960</b>	<b>7,926,513</b>	<b>1,434,142</b>	<b>215,010,887</b>	<b>29,989,702</b>	<b>5,602,034</b>	<b>(37,826,282)</b>	<b>1,710,714,956</b>	<b>(260,785,081)</b>	<b>1,449,929,875</b>
Liabilities	1,387,949,127	4,775,705	1,295,509	207,053,260	21,147,919	3,922,912	(18,067,307)	1,608,077,125	(260,785,081)	1,347,292,044
Deposits	481,771,533	3,837,522	--	--	--	--	(3,920,330)	481,688,725	(6,150,307)	475,538,418
Securities sold under repurchase agreements	443,115,055	--	--	--	--	--	(8,371,501)	434,743,554	(10,631,864)	424,111,690
Funds from issuance of securities	144,130,325	--	--	--	--	3,180,815	--	147,311,140	(13,028,659)	134,282,481
Onlendings	78,732,363	--	--	--	--	--	--	78,732,363	(1,188,947)	77,543,416
Technical provisions for insurance, pension plans and capitalization	--	--	--	198,831,400	--	--	(8,060)	198,823,340	(198,823,340)	--
Other liabilities	240,199,851	938,183	1,295,509	8,221,860	21,147,919	742,097	(5,767,416)	266,778,003	(30,961,964)	235,816,039
Shareholders' equity	100,628,833	3,150,808	138,633	7,957,627	8,841,783	1,679,122	(19,758,975)	102,637,831	--	102,637,831
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,488,577,960</b>	<b>7,926,513</b>	<b>1,434,142</b>	<b>215,010,887</b>	<b>29,989,702</b>	<b>5,602,034</b>	<b>(37,826,282)</b>	<b>1,710,714,956</b>	<b>(260,785,081)</b>	<b>1,449,929,875</b>

## 6 - CASH AND DUE FROM BANKS

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Cash and due from banks</b>	<b>13,129,054</b>	<b>13,614,866</b>	<b>12,867,715</b>
Local currency	8,614,603	7,267,009	7,938,724
Foreign currency	4,499,612	6,334,186	4,917,079
Investments in gold	14,839	13,671	11,912
<b>Interbank investments <sup>(1)</sup></b>	<b>60,161,743</b>	<b>46,734,256</b>	<b>42,718,024</b>
Interbank deposits	27,697,597	24,573,479	34,047,349
Securities purchased under resale agreement – securities not repledged / re-sold	32,464,146	22,160,777	8,670,675
<b>Total</b>	<b>73,290,797</b>	<b>60,349,122</b>	<b>55,585,739</b>

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in value.

## 7 - INTERBANK INVESTMENTS

### a) Breakdown

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Securities purchased under resale agreement</b>	<b>490,195,488</b>	<b>386,875,955</b>	<b>392,029,819</b>
<b>Reverse repos - own resources</b>	<b>32,477,162</b>	<b>22,177,706</b>	<b>8,683,320</b>
Treasury financial bills	545,044	20,804,199	7,839,499
National Treasury bills	30,455,291	--	434,749
National Treasury notes	--	915,411	20,155
Other securities	1,476,827	458,096	388,917
<b>Reverse repos - financed position</b>	<b>457,718,326</b>	<b>364,698,249</b>	<b>383,346,499</b>
Treasury financial bills	347,886,077	316,683,932	345,412,606
National Treasury bills	41,524,351	32,654,881	22,691,958
National Treasury notes	67,526,481	14,086,367	14,733,262
Other securities	781,417	1,273,069	508,673
<b>Interbank deposits</b>	<b>31,066,373</b>	<b>28,215,642</b>	<b>36,709,904</b>
<b>Total</b>	<b>521,261,861</b>	<b>415,091,597</b>	<b>428,739,723</b>
Current assets	519,368,381	412,306,070	426,698,705
Non-current assets	1,893,480	2,785,527	2,041,018

### b) Income from interbank investments

	1st half/2019	1st half/2018
<b>Income from securities purchased under resale agreement</b>	<b>14,528,128</b>	<b>13,146,707</b>
Own portfolio position	1,037,240	419,097
Funded position	13,490,888	12,727,610
<b>Income from investments in interbank deposits</b>	<b>501,851</b>	<b>369,468</b>
<b>Total <sup>(1)</sup></b>	<b>15,029,979</b>	<b>13,516,175</b>

(1) The values are included in the line-item Securities on statement of income.

## 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	Jun 30, 2019								Dec 31, 2018			Jun 30, 2018		
	Fair value					Total			Total			Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market
<b>1 - Trading securities</b>	<b>575,517</b>	<b>3,767,043</b>	<b>776,776</b>	<b>217,081</b>	<b>2,656,771</b>	<b>7,440,660</b>	<b>7,993,188</b>	<b>552,528</b>	<b>5,678,844</b>	<b>6,181,752</b>	<b>502,908</b>	<b>4,647,954</b>	<b>5,080,611</b>	<b>432,657</b>
<b>Federal government bonds</b>	--	<b>3,752,060</b>	<b>746,778</b>	<b>204,851</b>	<b>2,109,968</b>	<b>6,397,304</b>	<b>6,813,657</b>	<b>416,353</b>	<b>4,810,152</b>	<b>5,202,584</b>	<b>392,432</b>	<b>3,817,908</b>	<b>4,143,440</b>	<b>325,532</b>
Foreign Government bonds	--	3,749,990	512,503	73,987	439,541	4,375,052	4,776,021	400,969	2,609,657	2,988,485	378,828	2,528,646	2,854,478	325,832
National Treasury bills	--	2,070	223,472	86,235	896,040	1,200,205	1,207,817	7,612	1,783,835	1,796,917	13,082	748,643	753,019	4,376
National Treasury notes	--	--	--	--	389,364	381,769	389,364	7,595	20,632	21,255	623	8,754	8,545	(209)
Treasury financial bills	--	--	--	--	298,215	297,901	298,215	314	288,957	289,289	332	280,974	281,296	322
Brazilian foreign debt securities	--	--	3,699	34,076	26,924	64,870	64,699	(171)	28,623	28,528	(95)	50,916	49,002	(1,914)
Other	--	--	7,104	10,553	59,884	77,507	77,541	34	78,448	78,110	(338)	199,975	197,100	(2,875)
<b>Private securities</b>	<b>575,517</b>	<b>14,983</b>	<b>29,998</b>	<b>12,230</b>	<b>546,803</b>	<b>1,043,356</b>	<b>1,179,531</b>	<b>136,175</b>	<b>868,692</b>	<b>979,168</b>	<b>110,476</b>	<b>830,046</b>	<b>937,171</b>	<b>107,125</b>
Debentures	--	--	--	--	211,082	210,962	211,082	120	93,478	94,235	757	154,904	157,245	2,341
Shares in investment funds	531,270	--	29,300	--	--	442,450	560,570	118,120	659,808	764,409	104,601	579,473	696,199	116,726
Promissory notes	--	--	--	--	298,072	300,354	298,072	(2,282)	--	--	--	--	--	--
Rural product bills - commodities	--	--	--	--	5,444	5,585	5,444	(141)	--	--	--	--	--	--
Certificate of Banking Credit	--	--	--	--	5,411	5,518	5,411	(107)	--	--	--	--	--	--
Financial Bills	--	--	693	--	--	693	693	--	--	--	--	--	--	--
Shares	271	--	--	--	--	39	271	232	44	200	156	175	621	446
Certificate of Deposit	--	--	5	--	--	5	5	--	4	4	--	4	4	--
Other	43,976	14,983	--	12,230	26,794	77,750	97,983	20,233	115,358	120,320	4,962	95,490	83,102	(12,388)
<b>2 - Available for sale securities</b>	<b>1,889,379</b>	<b>182,056</b>	<b>3,455,808</b>	<b>15,355,096</b>	<b>124,845,297</b>	<b>145,583,670</b>	<b>145,727,636</b>	<b>143,966</b>	<b>126,054,816</b>	<b>124,375,558</b>	<b>(1,679,258)</b>	<b>141,393,252</b>	<b>138,414,153</b>	<b>(2,979,099)</b>
<b>Federal government bonds</b>	<b>--</b>	<b>2,507</b>	<b>355,973</b>	<b>12,751,055</b>	<b>95,484,397</b>	<b>107,445,697</b>	<b>108,593,932</b>	<b>1,148,235</b>	<b>93,097,048</b>	<b>93,072,027</b>	<b>(25,021)</b>	<b>111,551,469</b>	<b>110,061,450</b>	<b>(1,490,019)</b>
Treasury financial bills	--	--	--	12,397,049	75,604,960	87,980,289	88,002,009	21,720	74,249,320	74,268,661	19,341	67,245,031	67,258,357	13,326
National Treasury notes	--	--	--	--	7,837,614	7,270,586	7,837,614	567,028	2,128,474	2,101,303	(27,171)	6,575,109	6,184,844	(390,265)
National Treasury bills	--	--	--	239,352	6,344,271	6,346,320	6,583,623	237,303	7,737,404	7,858,819	121,415	27,496,863	26,906,126	(590,737)
Brazilian foreign debt securities	--	--	--	--	4,020,536	3,752,464	4,020,536	268,072	3,728,556	3,700,475	(28,081)	3,633,588	3,359,035	(274,553)
Foreign Government bonds	--	2,459	355,706	114,270	1,380,726	1,801,108	1,853,161	52,053	4,196,372	4,109,811	(86,561)	5,733,804	5,523,316	(210,488)
Agricultural debt securities	--	48	267	384	979	1,713	1,678	(35)	2,141	2,200	59	2,629	2,651	22
Other	--	--	--	--	295,311	293,217	295,311	2,094	1,054,781	1,030,758	(24,023)	864,445	827,121	(37,324)

Maturity in days	Jun 30, 2019								Dec 31, 2018			Jun 30, 2018		
	Fair value					Total			Total			Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market
<b>Private securities</b>	<b>1,889,379</b>	<b>179,549</b>	<b>3,099,835</b>	<b>2,604,041</b>	<b>29,360,900</b>	<b>38,137,973</b>	<b>37,133,704</b>	<b>(1,004,269)</b>	<b>32,957,768</b>	<b>31,303,531</b>	<b>(1,654,237)</b>	<b>29,841,783</b>	<b>28,352,703</b>	<b>(1,489,080)</b>
Debentures	58,231	--	226,702	555,498	25,711,401	27,899,844	26,551,832	(1,348,012)	25,004,427	23,589,395	(1,415,032)	23,333,001	22,315,073	(1,017,928)
Rural product bills - commodities	--	95,326	1,699,875	1,799,792	--	3,560,821	3,594,993	34,172	1,460,979	1,466,512	5,533	633,675	635,259	1,584
Shares in investment funds	1,808,984	84,223	128,096	147,768	318,166	1,863,432	2,487,237	623,805	1,854,444	2,213,833	359,389	668,476	741,723	73,247
Promissory notes	21,060	--	862,241	100,983	--	991,948	984,284	(7,664)	1,128,319	1,111,602	(16,717)	440,810	417,530	(23,280)
Certificates of agribusiness credit rights	--	--	--	--	206,510	204,246	206,510	2,264	125,007	128,029	3,022	--	--	--
Real estate receivables certificates	--	--	--	--	193,121	298,301	193,121	(105,180)	359,154	225,845	(133,309)	346,631	197,725	(148,906)
Certificate of Deposit	--	--	95,508	--	--	95,855	95,508	(347)	97,206	97,206	--	--	--	--
Shares	143	--	--	--	--	312	143	(169)	266	90	(176)	20,214	25,029	4,815
Credit notes	--	--	--	--	--	--	--	--	--	--	--	26,830	26,044	(786)
Other	961	--	87,413	--	2,931,702	3,223,214	3,020,076	(203,138)	2,927,966	2,471,019	(456,947)	4,372,146	3,994,320	(377,826)
<b>3 - Held to maturity securities</b>	<b>--</b>	<b>--</b>	<b>2,056,530</b>	<b>1,016,298</b>	<b>15,820,600</b>	<b>19,999,084</b>	<b>18,893,428</b>	<b>(1,105,656)</b>	<b>19,855,993</b>	<b>19,564,727</b>	<b>(291,266)</b>	<b>10,764,196</b>	<b>9,747,762</b>	<b>(1,016,434)</b>
<b>Federal government bonds</b>	<b>--</b>	<b>--</b>	<b>2,056,530</b>	<b>--</b>	<b>6,103,174</b>	<b>7,928,011</b>	<b>8,159,704</b>	<b>231,693</b>	<b>7,726,521</b>	<b>7,867,926</b>	<b>141,405</b>	<b>2,463,036</b>	<b>2,463,036</b>	<b>--</b>
National Treasury bills	--	--	2,056,530	--	3,334,947	5,391,477	5,391,477	--	5,171,362	5,304,520	133,158	--	--	--
Brazilian foreign debt securities	--	--	--	--	2,235,844	2,010,607	2,235,844	225,237	2,042,897	2,042,897	--	2,042,934	2,042,934	--
Foreign Government bonds	--	--	--	--	532,383	525,927	532,383	6,456	512,262	520,509	8,247	420,102	420,102	--
<b>Private securities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,016,298</b>	<b>9,717,426</b>	<b>12,071,073</b>	<b>10,733,724</b>	<b>(1,337,349)</b>	<b>12,129,472</b>	<b>11,696,801</b>	<b>(432,671)</b>	<b>8,301,160</b>	<b>7,284,726</b>	<b>(1,016,434)</b>
Debentures	--	--	--	497,441	8,969,527	10,686,305	9,466,968	(1,219,338)	10,362,485	10,097,133	(265,352)	6,687,188	5,907,031	(780,157)
Promissory notes	--	--	--	518,857	--	518,341	518,857	517	900,295	893,716	(6,579)	713,982	699,431	(14,551)
Financial letters	--	--	--	--	509,526	509,526	509,526	--	493,531	493,531	--	489,960	489,960	--
Real estate receivables certificates	--	--	--	--	238,373	356,902	238,373	(118,529)	373,161	212,421	(160,740)	410,030	188,304	(221,726)
<b>Total</b>	<b>2,464,896</b>	<b>3,949,099</b>	<b>6,289,114</b>	<b>16,588,475</b>	<b>143,322,668</b>	<b>173,023,415</b>	<b>172,614,252</b>	<b>(409,162)</b>	<b>151,589,653</b>	<b>150,122,037</b>	<b>(1,467,616)</b>	<b>156,805,402</b>	<b>153,242,526</b>	<b>(3,562,876)</b>

### a.2) Breakdown of the consolidated portfolio by financial statement classification and maturity date

Maturity in days	Jun 30, 2019								Dec 31, 2018			Jun 30, 2018		
	Fair value					Total			Total			Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market	Cost value	Fair value	Mark to market
Total by portfolio	2,464,896	3,949,099	6,289,114	16,588,475	143,322,668	173,023,415	172,614,252	(409,162)	151,589,653	150,122,037	(1,467,616)	156,805,402	153,242,526	(3,562,876)
Own portfolio	2,464,896	3,791,050	5,949,625	7,708,469	109,117,962	129,894,954	129,032,002	(862,951)	110,479,199	109,022,227	(1,456,972)	117,662,356	114,492,518	(3,169,838)
Subject to repurchase agreements	--	158,049	223,365	6,945,009	31,304,117	38,212,864	38,630,540	417,676	37,654,867	37,610,886	(43,981)	36,079,989	35,708,238	(371,751)
Pledged in guarantee	--	--	116,124	1,934,997	2,900,589	4,915,597	4,951,710	36,113	3,455,587	3,488,924	33,337	3,063,057	3,041,770	(21,287)

### a.3) Breakdown of the consolidated portfolio by category and maturity in years

Maturity in years	Jun 30, 2019						Dec 31, 2018		Jun 30, 2018		
	Fair value					Total		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	Fair value	Cost value	Fair value	Cost value	Fair value
Total by category	2,464,896	26,826,688	83,018,641	52,200,829	8,103,198	173,023,415	172,614,252	151,589,653	150,122,037	156,805,402	153,242,526
1 - Trading securities	575,517	4,760,900	2,024,296	583,867	48,608	7,440,660	7,993,188	5,678,844	6,181,752	4,647,954	5,080,611
2 - Available for sale securities	1,889,379	18,992,960	70,020,132	47,649,720	7,175,445	145,583,670	145,727,636	126,054,816	124,375,558	141,393,252	138,414,153
3 - Held to maturity securities	--	3,072,828	10,974,213	3,967,242	879,145	19,999,085	18,893,428	19,855,993	19,564,727	10,764,196	9,747,762



#### a.4) Summary of the consolidated portfolio by financial statement classification

	Jun 30, 2019			Dec 31, 2018			Jun 30, 2018		
	Book value			Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<b>Total by portfolio</b>	<b>31,948,355</b>	<b>141,771,553</b>	<b>173,719,908</b>	<b>21,704,747</b>	<b>128,708,556</b>	<b>150,413,303</b>	<b>19,244,476</b>	<b>135,014,484</b>	<b>154,258,960</b>
Own portfolio	22,570,810	107,746,960	130,317,770	19,892,244	89,416,471	109,308,715	16,651,896	98,856,338	115,508,234
Subject to repurchase agreements	7,326,424	31,124,004	38,450,428	1,543,982	36,071,681	37,615,663	2,419,864	33,289,092	35,708,956
Pledged in guarantee	2,051,121	2,900,589	4,951,710	268,521	3,220,404	3,488,925	172,716	2,869,054	3,041,770

#### a.5) Summary of the consolidated portfolio by category

	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
<b>Total by category</b>						
1 - Trading securities	7,993,188	5%	6,181,752	4%	5,080,611	3%
2 - Available for sale securities	145,727,636	84%	124,375,558	83%	138,414,153	90%
3 - Held to maturity securities	19,999,084	11%	19,855,993	13%	10,764,196	7%
<b>Portfolio book value</b>	<b>173,719,908</b>	<b>100%</b>	<b>150,413,303</b>	<b>100%</b>	<b>154,258,960</b>	<b>100%</b>
Mark to market - held to maturity	(1,105,655)	--	(291,266)	--	(1,016,434)	--
<b>Portfolio fair value</b>	<b>172,614,253</b>	<b>--</b>	<b>150,122,037</b>	<b>--</b>	<b>153,242,526</b>	<b>--</b>

**b) Income from operations with securities**

	1st half/2019	1st half/2018
Short-term interbank investments (Note 7.b)	15,029,979	13,516,175
Fixed-income securities	6,242,905	5,824,442
Variable-income securities	(227,786)	2,699,003
<b>Total</b>	<b>21,045,098</b>	<b>22,039,620</b>

**c) Reclassification of securities**

There was no reclassification of securities in the June 30, 2019.

In the first semester/2018, the following reclassification was made:

In order to meet business strategy to the management of asset and liability mismatches, on June 29, 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 June 28, 2019, was R\$ 173,496 thousand (R\$ 103,290 thousand on June 29, 2018).

Total credit exposure from swaps is R\$ 450,487 thousand on June 30, 2019 (R\$ 300,658 thousand on June 30, 2018).

**d.1) Breakdown of the portfolio of derivatives for trading by index**

By Index	Jun 30, 2019			Dec 31, 2018			Jun 30, 2018		
	Notional value	Cost value	Fair value	Notional value	Cost value	Fair value	Notional value	Cost value	Fair value
<b>Future contracts</b>									
<b>Purchase commitments</b>	<b>9,041,087</b>	--	--	<b>5,629,726</b>	--	--	<b>2,870,476</b>	--	--
Interbank deposits	2,204,718	--	--	3,139,411	--	--	2,237,688	--	--
Currencies	6,758,018	--	--	2,465,529	--	--	618,392	--	--
Bovespa Index	63,989	--	--	24,786	--	--	11,969	--	--
Commodities	14,362	--	--	--	--	--	2,427	--	--
<b>Sales commitments</b>	<b>10,056,572</b>	--	--	<b>14,801,489</b>	--	--	<b>24,397,760</b>	--	--
Interbank deposits	2,405,205	--	--	1,376,442	--	--	441,496	--	--
Currencies	221,309	--	--	320,925	--	--	1,312,170	--	--
T-Note	505,671	--	--	225,154	--	--	385,580	--	--
Libor	6,759,931	--	--	12,760,488	--	--	22,165,017	--	--
Commodities	164,456	--	--	118,480	--	--	93,497	--	--
<b>Forward operations</b>									
<b>Asset position</b>	<b>7,400,070</b>	<b>668,643</b>	<b>692,026</b>	<b>8,172,801</b>	<b>275,526</b>	<b>304,852</b>	<b>8,605,503</b>	<b>612,719</b>	<b>732,557</b>
Term securities	510,546	510,546	510,546	13,390	13,390	13,390	63,708	63,708	63,708
Term currencies	6,730,210	147,457	146,210	8,074,401	259,294	281,038	8,497,407	546,099	664,734
Term commodities	159,314	10,640	35,270	85,010	2,842	10,424	44,388	2,912	4,115
<b>Liability position</b>	<b>10,909,661</b>	<b>(913,045)</b>	<b>(783,567)</b>	<b>7,212,413</b>	<b>(363,019)</b>	<b>(313,727)</b>	<b>6,076,422</b>	<b>(390,064)</b>	<b>(421,515)</b>
Term securities	510,546	(510,546)	(510,546)	(13,390)	(13,390)	(13,390)	63,708	(63,708)	(63,708)
Term currencies	10,329,556	(391,745)	(261,561)	7,142,788	(330,032)	(289,313)	5,942,338	(322,033)	(351,110)
Term commodities	69,559	(10,754)	(11,460)	83,015	(19,597)	(11,024)	70,376	(4,323)	(6,697)
<b>Option market</b>									
<b>Purchase commitments - long position</b>	<b>16,755</b>	<b>524</b>	<b>59</b>	<b>92,995</b>	<b>3,436</b>	<b>2,756</b>	<b>371,023</b>	<b>15,008</b>	<b>24,407</b>
Foreign currency	16,755	524	59	92,995	3,436	2,756	371,023	15,008	24,407
<b>Sale commitments - long position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>263,800</b>	<b>55</b>	<b>2,425</b>	<b>138,905</b>	<b>144,712</b>	<b>138,905</b>
Interbank deposit	--	--	--	263,800	55	2,425	--	--	--
Shares	--	--	--	--	--	--	138,905	144,712	138,905
<b>Purchase commitments - short position</b>	<b>40,496</b>	<b>(3,442)</b>	<b>(4,512)</b>	<b>146,405</b>	<b>(8,574)</b>	<b>(11,386)</b>	<b>196,883</b>	<b>(19,064)</b>	<b>(18,068)</b>
Foreign currency	2,761	(96)	(165)	66,213	(1,333)	(817)	11,901	(985)	(1,588)
Bovespa Index	30,551	(2,459)	(3,275)	42,183	(3,620)	(6,723)	--	--	--
Interbank deposit	--	--	--	2,193	(9)	--	22,156	(2,046)	(1,700)
IPCA	6,865	(880)	(1,072)	35,566	(3,598)	(3,825)	162,432	(16,029)	(14,780)
Commodities	319	(7)	--	250	(14)	(21)	394	(4)	--
<b>Sale commitments - short position</b>	<b>203,890</b>	<b>(2,494)</b>	<b>(4,831)</b>	<b>572,457</b>	<b>(6,708)</b>	<b>(8,347)</b>	<b>782,996</b>	<b>(16,338)</b>	<b>(11,416)</b>
Foreign currency	26,347	(1,135)	(1,069)	122,979	(5,275)	(3,409)	597,186	(15,007)	(9,154)
Interbank deposit	162,248	(1,024)	(1,999)	432,057	(1,102)	(4,667)	175,665	(1,103)	(2,166)
Commodities	15,295	(335)	(1,763)	17,421	(331)	(271)	10,145	(228)	(96)
<b>Swaps contracts</b>									
<b>Asset position</b>	<b>6,469,540</b>	<b>346,767</b>	<b>353,180</b>	<b>9,804,366</b>	<b>204,028</b>	<b>238,048</b>	<b>10,883,287</b>	<b>659,607</b>	<b>678,707</b>
Interbank deposits	658,471	22,224	18,436	840,820	72,150	71,643	284,806	49,977	46,541
Foreign currency	3,874,847	245,127	230,816	7,552,293	105,454	112,687	10,202,276	601,393	622,771
Pre-fixed	1,936,222	79,416	103,928	1,411,253	26,424	53,718	396,205	8,237	9,395
<b>Liability position</b>	<b>12,946,303</b>	<b>(170,757)</b>	<b>(299,786)</b>	<b>7,351,207</b>	<b>(80,249)</b>	<b>(452,200)</b>	<b>8,928,752</b>	<b>(539,105)</b>	<b>(914,522)</b>
Interbank deposits	4,378,574	(85,916)	(94,903)	101,678	(19,786)	(19,713)	101,678	(16,943)	(13,461)
Foreign currency	8,117,537	(73,702)	(164,497)	5,417,413	(282,536)	(384,068)	6,788,315	(717,416)	(834,526)
Pre-fixed	414,192	(11,085)	(39,083)	1,832,116	222,073	(48,419)	1,742,377	218,051	(37,378)
IPCA	36,000	(54)	(1,303)	--	--	--	296,382	(22,797)	(29,157)
<b>Other Derivatives <sup>(1)</sup></b>									
<b>Asset position</b>									
Foreign currency	5,441,518	166,720	147,346	5,496,867	215,389	135,081	4,597,077	193,926	169,449
<b>Liability position</b>									
Foreign currency	2,724,612	(17,569)	(27,636)	3,739,922	(8,709)	(23,541)	2,266,969	(10,671)	(22,062)

(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	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Futures	932,856	10,623,527	2,369,574	5,171,702	19,097,659	20,431,215	27,268,236
Forwards	6,829,014	6,220,577	4,033,268	1,226,872	18,309,731	15,385,214	14,681,925
Options	32	82,442	168,380	10,287	261,141	1,075,657	1,489,807
Swaps	2,262,027	7,095,221	4,268,812	5,789,783	19,415,843	17,155,573	19,812,039
Other	1,953,521	5,652,481	560,128	--	8,166,130	9,236,789	6,864,046

**d.3) Breakdown of the derivative portfolio by trading market and counterparty (notional value on Jun 30, 2019)**

	Futures	Forwards	Option market	Swaps	Other
Stock Exchange					
B3	11,832,057	--	15,614	--	--
Abroad	7,265,602	--	--	--	--
Over-the-counter					
Clients	--	16,070,356	245,527	4,904,837	--
Financial Institutions	--	2,239,375	--	14,511,006	8,166,130

**d.4) Breakdown of margin given as guarantee for transactions with derivative financial instruments**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Treasury financial bills	2,250,600	651,185	485,804
<b>Total</b>	<b>2,250,600</b>	<b>651,185</b>	<b>485,804</b>

**d.5) Portfolio of derivatives designated as hedge accounting**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Market risk hedge</b>			
<b>Hedging instruments</b>			
<b>Assets</b>	--	--	<b>138,905</b>
Options	--	--	138,905
<b>Liabilities</b>	<b>(61,781)</b>	<b>(92,201)</b>	<b>(118,135)</b>
Swaps	(61,781)	(92,201)	(118,135)
<b>Hedged items</b>			
<b>Assets</b>	<b>1,138,077</b>	<b>664,473</b>	<b>449,188</b>
Interbank deposits	1,138,077	664,473	424,253
Securities	--	--	24,935
<b>Liabilities</b>	<b>(1,052,298)</b>	<b>(550,091)</b>	<b>(284,925)</b>
Foreign securities	(1,052,298)	(550,091)	(284,925)

In order to hedge against possible fluctuations in the interest and exchange rates on its securities and foreign investments, the Bank used swap (cross currency interest rate swaps) to hedge a foreign funding. In June 2018, BB-BI used option contracts to offset the risks arising from stock market variations, settled on November 30, 2018. 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**

	1st half/2019	1st half/2018
Hedge items losses	(114,209)	(12,057)
Hedging instruments gains	114,209	9,652
<b>Net effect</b>	<b>--</b>	<b>(2,405)</b>
Hedge items gains	102,550	--
Hedging instruments losses	(100,315)	--
<b>Net effect</b>	<b>2,235</b>	<b>--</b>

**d.7) Derivative financial instruments segregated by current and non-current**

	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
	Current	Non-current	Current	Non-current	Current	Non-current
<b>Assets</b>						
Forwards	665,262	26,764	289,450	15,402	695,063	37,494
Options	59	--	5,060	121	163,309	4
Swaps	64,558	288,622	178,681	59,367	650,655	28,052
Other Derivatives	147,346	--	134,872	209	168,544	905
<b>Total</b>	<b>877,225</b>	<b>315,386</b>	<b>608,063</b>	<b>75,099</b>	<b>1,677,571</b>	<b>66,455</b>
<b>Liabilities</b>						
Forwards	(747,856)	(35,711)	(303,887)	(9,840)	(409,553)	(11,962)
Options	(7,814)	(1,529)	(16,075)	(3,658)	(26,462)	(3,022)
Swaps	(129,358)	(170,428)	(250,133)	(202,067)	(651,383)	(263,139)
Other Derivatives	(27,636)	--	(23,413)	(128)	(20,608)	(1,454)
<b>Total</b>	<b>(912,664)</b>	<b>(207,668)</b>	<b>(593,508)</b>	<b>(215,693)</b>	<b>(1,108,006)</b>	<b>(279,577)</b>

**e) Income from derivative financial instruments**

	1st half/2019	1st half/2018
Swaps	261,187	405,485
Forwards	(62,128)	521,662
Options	(3,161)	31,227
Futures	(445,321)	(105,141)
Other Derivatives	190,858	39,049
<b>Total</b>	<b>(58,565)</b>	<b>892,282</b>

## 9 - INTERBANK ACCOUNTS

### a) Payments and receipts pending settlement

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Assets</b>			
<b>Rights against other participants of settlement systems <sup>(1)</sup></b>			
Bank checks and other instruments	2,648,043	983	484,100
Documents sent by other participants	1,967,619	--	1,638,864
<b>Transactions of payments</b>			
Acquisition of receivables from credit card (Note 10.a)	4,567,727	4,036,002	3,292,070
<b>Total</b>	<b>9,183,389</b>	<b>4,036,985</b>	<b>5,415,034</b>
Current assets	4,945,343	591,555	2,122,964
Non-current assets	4,238,046	3,445,430	3,292,070
<b>Liabilities</b>			
<b>Obligations to other participants of settlement systems <sup>(1)</sup></b>			
Remitted receipts	2,237,628	--	1,836,599
Bank checks and other instruments	547,855	--	509,467
Other receipts	7,999	1,638	8,136
<b>Total</b>	<b>2,793,482</b>	<b>1,638</b>	<b>2,354,202</b>
Current liabilities	2,793,482	1,638	2,354,202

(1) There was no operation of the service of clearing checks and other securities on December 31, 2018.

### b) Restricted deposits

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Compulsory deposits with Banco Central do Brasil</b>	<b>62,558,258</b>	<b>59,115,355</b>	<b>70,243,570</b>
Savings deposit requirements	34,942,088	34,757,756	33,199,880
Demand deposit requirements	13,672,213	10,221,107	14,214,739
Time deposit requirements	13,482,929	13,751,778	15,010,919
Resources for microfinance	282,857	204,459	320,628
Resources for rural credit <sup>(1)</sup>	--	--	7,408,359
Other	178,171	180,255	89,045
<b>Housing Finance System</b>	<b>2,604,862</b>	<b>2,734,134</b>	<b>2,868,849</b>
Compensation of wage changes fund	3,415,528	3,316,499	3,220,901
Allowances for losses	(822,676)	(596,639)	(363,169)
Other	12,010	14,274	11,117
<b>National Treasury - rural credit</b>	<b>31,265</b>	<b>53,648</b>	<b>18,453</b>
Rural credit - Proagro	31,265	53,648	18,453
<b>Total</b>	<b>65,194,385</b>	<b>61,903,137</b>	<b>73,130,872</b>
Current assets	65,184,351	61,888,022	73,129,401
Non-current assets	10,034	15,115	1,471

(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**

	1st half/2019	1st half/2018
<b>Deposits linked to the Banco Central do Brasil</b>	<b>1,232,360</b>	<b>1,301,071</b>
Savings deposit requirements	818,338	819,544
Time deposit requirements	414,022	481,527
<b>Deposits linked to real estate</b>	<b>100,038</b>	<b>90,299</b>
<b>Deposits linked to National Treasury - rural credit</b>	<b>1,902</b>	<b>913</b>
<b>Reversal/(Allowance) for losses on restricted deposits</b>	<b>(226,326)</b>	<b>(9,931)</b>
<b>Total</b>	<b>1,107,974</b>	<b>1,382,352</b>

**10 - LOANS**
**a) Portfolio by modality**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Loans</b>	<b>569,801,872</b>	<b>581,766,156</b>	<b>582,133,210</b>
Loans and discounted credit rights	213,771,106	205,752,015	200,208,651
Financing	129,958,051	147,396,273	155,758,729
Rural financing	170,157,634	171,849,281	169,786,072
Real estate financing	55,547,107	56,363,519	55,930,870
Financing of infrastructure and development	--	--	36
Loans sold under assignment <sup>(1)</sup>	367,974	405,068	448,852
<b>Other receivables with loan characteristics</b>	<b>56,294,199</b>	<b>59,871,020</b>	<b>55,256,917</b>
Credit card operations	26,156,833	28,079,268	24,093,616
Advances on exchange contracts <sup>(2)</sup>	17,685,326	18,974,290	17,260,702
Other receivables purchase under assignment <sup>(3)</sup>	5,623,480	6,124,782	8,533,573
Receivables acquisition	5,518,502	5,680,886	4,185,844
Guarantees honored	718,110	362,737	518,383
Other	591,948	649,057	664,799
<b>Leasing</b>	<b>226,127</b>	<b>233,714</b>	<b>286,898</b>
<b>Total loan portfolio</b>	<b>626,322,198</b>	<b>641,870,890</b>	<b>637,677,025</b>
<b>(Allowance for loan losses)</b>	<b>(35,546,921)</b>	<b>(34,350,503)</b>	<b>(35,181,131)</b>
(Allowance for loan losses - loans)	(33,947,159)	(32,778,037)	(33,812,531)
(Allowance for other losses - other receivables) <sup>(4)</sup>	(1,593,476)	(1,562,212)	(1,356,822)
(Allowance for lease losses - leasing transactions)	(6,286)	(10,254)	(11,778)
<b>Total loan portfolio net of provisions</b>	<b>590,775,277</b>	<b>607,520,387</b>	<b>602,495,894</b>

(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\$ 17,472 thousand as of June 30, 2019 (R\$ 12,930 thousand as of December 31, 2018 and R\$ 12,430 thousand as of June 30, 2018) related to allowance for interbank onlendings losses.



**b) Loans and leasing transactions income**

	1st half/2019	1st half/2018
<b>Loans income</b>	<b>40,313,415</b>	<b>45,717,745</b>
Loans and discounted credit rights	23,051,331	22,270,774
Rural financing	5,328,540	5,351,417
Financing	3,503,025	9,858,431
Recovery of loans previously written-off as loss <sup>(1)</sup>	3,219,460	2,756,171
Real estate financing	2,158,694	2,144,956
Equalization of rates - agricultural crop- Law 8,427/1992	1,597,437	1,666,138
Export financing	861,787	1,071,179
Income from foreign currency financing	184,601	325,126
Receivables acquisition	172,969	139,915
Advances to depositors	160,846	94,056
Guarantees honored	52,687	16,227
Other	22,038	23,355
<b>Leasing transactions income (Note 10.i)</b>	<b>59,368</b>	<b>106,834</b>
<b>Total</b>	<b>40,372,783</b>	<b>45,824,579</b>

(1) The amount of R\$ 117,622 thousand in the 1st half of 2019 (with impact on the income of R\$ 67,291 thousand, net of taxes) and R\$ 56,945 thousand in the 1st half of 2018 (with impact on the income of R\$ 29,863 thousand, net of taxes) 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\$ 129,555 thousand and R\$ 126,510 thousand, respectively.

### c) Breakdown of the loan portfolio by sector

	Jun 30, 2019	%	Dec 31, 2018	%	Jun 30, 2018	%
<b>Public sector</b>	<b>62,231,412</b>	<b>10.0</b>	<b>75,047,238</b>	<b>11.7</b>	<b>78,707,307</b>	<b>12.2</b>
Public administration	43,145,922	6.9	45,139,798	7.1	45,418,509	7.1
Oil sector	11,325,050	1.8	21,010,203	3.3	23,147,978	3.6
Electricity	5,827,747	0.9	6,755,892	1.0	7,939,523	1.2
Services	681,606	0.1	815,804	0.1	948,140	0.1
Other activities	1,251,087	0.3	1,325,541	0.2	1,253,157	0.2
<b>Private sector <sup>(1)</sup></b>	<b>564,090,786</b>	<b>90.0</b>	<b>566,823,652</b>	<b>88.3</b>	<b>558,969,718</b>	<b>87.8</b>
<b>Individuals</b>	<b>360,311,691</b>	<b>57.5</b>	<b>349,076,508</b>	<b>54.5</b>	<b>338,375,456</b>	<b>53.1</b>
<b>Companies</b>	<b>203,779,095</b>	<b>32.5</b>	<b>217,747,144</b>	<b>33.8</b>	<b>220,594,262</b>	<b>34.7</b>
Agribusiness of plant origin	32,678,699	5.2	33,394,294	5.2	35,274,652	5.5
Mining and metallurgy	18,251,542	2.9	20,615,867	3.2	20,246,611	3.2
Services	17,276,306	2.8	17,499,373	2.7	16,916,679	2.7
Transportation	15,797,314	2.5	16,953,618	2.6	18,002,932	2.8
Agribusiness of animal origin	14,318,928	2.3	15,159,180	2.4	14,206,801	2.2
Automotive sector	13,179,609	2.1	15,524,039	2.4	16,484,650	2.6
Retail commerce	9,558,978	1.5	9,405,030	1.5	8,983,423	1.4
Real estate agents	8,897,530	1.4	10,849,172	1.7	12,260,350	1.9
Fuel	7,971,285	1.3	10,126,554	1.6	8,887,581	1.4
Agricultural inputs	7,856,305	1.3	7,743,193	1.2	6,995,854	1.1
Financial services	7,605,723	1.2	6,720,936	1.0	6,429,944	1.0
Electricity	7,345,221	1.2	7,824,041	1.2	8,954,907	1.4
Specific activities of construction	6,689,177	1.1	7,113,723	1.1	7,075,285	1.1
Wholesale and various industries	5,907,667	0.9	5,851,250	0.9	5,418,448	0.9
Chemical	5,835,993	0.9	5,829,299	0.9	5,305,136	0.8
Textile and clothing	5,533,472	0.9	5,660,458	0.9	5,517,596	0.9
Electronics	4,939,495	0.8	6,081,327	0.9	5,615,162	0.9
Woodworking and furniture market	3,879,439	0.6	3,707,152	0.6	4,149,193	0.6
Pulp and paper	3,239,362	0.5	4,143,109	0.6	3,688,033	0.6
Heavy construction	2,302,694	0.4	2,503,080	0.4	2,888,298	0.5
Telecommunications	1,845,612	0.3	1,749,995	0.3	4,224,482	0.7
Other activities	2,868,744	0.4	3,292,454	0.5	3,068,245	0.5
<b>Total</b>	<b>626,322,198</b>	<b>100.0</b>	<b>641,870,890</b>	<b>100.0</b>	<b>637,677,025</b>	<b>100.0</b>

(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	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Loans not past due</b>												
<b>Installments falling due</b>												
01 to 30	15,467,861	6,997,987	14,031,060	8,033,206	512,247	114,471	36,209	26,208	222,884	45,442,133	45,651,419	44,942,768
31 to 60	10,820,341	4,877,547	5,963,853	2,713,164	256,798	74,467	243,486	23,573	169,884	25,143,113	25,969,888	24,378,721
61 to 90	10,536,264	3,725,715	4,738,034	2,221,516	229,219	87,514	41,959	20,671	178,607	21,779,499	17,615,291	23,076,931
91 to 180	29,011,130	9,141,422	11,166,934	5,286,437	657,082	268,941	246,455	155,034	560,790	56,494,225	57,917,402	52,716,466
181 to 360	41,604,166	8,359,475	18,948,919	7,970,085	1,079,398	334,010	133,341	258,407	681,969	79,369,770	88,129,072	80,119,834
More than 360	197,876,561	37,281,946	84,687,327	26,604,349	4,905,216	3,173,268	1,325,662	1,067,400	8,362,372	365,284,101	379,698,937	381,679,324
<b>Installments overdue</b>												
Up to 14 days	453,611	834,821	634,800	266,468	43,942	28,145	78,678	5,726	68,999	2,415,190	2,625,733	2,316,907
Other <sup>(1)</sup>	--	--	--	--	--	--	--	--	--	--	426,573	418,589
<b>Subtotal</b>	<b>305,769,934</b>	<b>71,218,913</b>	<b>140,170,927</b>	<b>53,095,225</b>	<b>7,683,902</b>	<b>4,080,816</b>	<b>2,105,790</b>	<b>1,557,019</b>	<b>10,245,505</b>	<b>595,928,031</b>	<b>618,034,315</b>	<b>609,649,540</b>
<b>Loans past due</b>												
<b>Installments falling due</b>												
01 to 30	--	--	30,996	200,358	86,210	96,427	73,872	47,342	179,970	715,175	612,593	928,951
31 to 60	--	--	16,984	62,335	46,743	47,322	41,787	35,442	99,185	349,798	401,080	392,777
61 to 90	--	--	14,954	55,660	44,590	30,450	55,515	22,618	94,807	318,594	342,938	364,815
91 to 180	--	--	40,575	142,117	122,734	126,867	132,690	63,324	304,036	932,343	899,427	1,033,419
181 to 360	--	--	98,439	291,186	258,168	213,926	267,614	118,753	549,838	1,797,924	1,764,358	1,925,421
More than 360	--	--	1,307,287	2,253,994	1,505,773	2,718,151	5,327,635	1,049,601	4,578,642	18,741,083	12,893,848	15,276,456
<b>Installments overdue</b>												
01 to 14	--	--	53,778	23,320	20,481	14,438	12,353	10,080	34,449	168,899	157,766	169,370
15 to 30	--	--	98,065	174,507	62,980	23,694	39,174	13,650	64,566	476,636	438,363	583,835
31 to 60	--	--	98,745	512,646	95,534	73,496	135,802	28,601	163,674	1,108,498	732,680	1,635,348
61 to 90	--	--	209	45,168	220,359	106,401	212,498	42,244	235,841	862,720	635,151	668,699
91 to 180	--	--	--	18,523	48,327	380,631	373,636	310,631	446,666	1,578,414	1,376,944	1,539,559
181 to 360	--	--	--	--	293	116,469	96,983	89,021	1,530,686	1,833,452	2,057,965	2,130,383
More than 360	--	--	5	108	--	49,364	322,642	1,176	1,137,336	1,510,631	1,523,462	1,378,452
<b>Subtotal</b>	<b>--</b>	<b>--</b>	<b>1,760,037</b>	<b>3,779,922</b>	<b>2,512,192</b>	<b>3,997,636</b>	<b>7,092,201</b>	<b>1,832,483</b>	<b>9,419,696</b>	<b>30,394,167</b>	<b>23,836,575</b>	<b>28,027,485</b>
<b>Total</b>	<b>305,769,934</b>	<b>71,218,913</b>	<b>141,930,964</b>	<b>56,875,147</b>	<b>10,196,094</b>	<b>8,078,452</b>	<b>9,197,991</b>	<b>3,389,502</b>	<b>19,665,201</b>	<b>626,322,198</b>	<b>641,870,890</b>	<b>637,677,025</b>

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procerá, FAT, BNDES and FCO.

### e) Allowance for loan losses by risk level

Level of risk	% Minimum provision	Jun 30, 2019				Dec 31, 2018				Jun 30, 2018			
		Value of loans	Minimum required allowance	Supplementary allowance <sup>(1)</sup>	Total	Value of loans	Minimum required allowance	Supplementary allowance <sup>(1)</sup>	Total	Value of loans	Minimum required allowance	Supplementary allowance <sup>(1)</sup>	Total
AA		305,769,934	--	--	--	332,129,630	--	--	--	328,641,514	--	--	--
A	0.5	71,218,913	356,095	43,178	399,273	66,602,825	333,014	38,158	371,172	69,288,748	346,444	42,478	388,922
B	1	141,930,964	1,419,310	490,176	1,909,486	138,889,276	1,388,893	485,427	1,874,320	132,267,977	1,322,680	484,244	1,806,924
C	3	56,875,147	1,706,254	1,238,591	2,944,845	54,055,411	1,621,662	1,103,894	2,725,556	53,899,076	1,616,972	1,045,035	2,662,007
D	10	10,196,094	1,019,609	171,240	1,190,849	13,105,910	1,310,591	596,342	1,906,933	11,881,986	1,188,199	106,482	1,294,681
E	30	8,078,452	2,423,536	6,673	2,430,209	8,995,030	2,698,509	16,269	2,714,778	12,694,977	3,808,493	327,916	4,136,409
F	50	9,197,991	4,598,996	33,056	4,632,052	4,398,717	2,199,359	44,732	2,244,091	4,763,515	2,381,758	57,888	2,439,646
G	70	3,389,502	2,372,651	2,355	2,375,006	3,943,771	2,760,640	2,693	2,763,333	5,966,523	4,176,566	3,267	4,179,833
H	100	19,665,201	19,665,201	--	19,665,201	19,750,320	19,750,320	--	19,750,320	18,272,709	18,272,709	--	18,272,709
<b>Total</b>		<b>626,322,198</b>	<b>33,561,652</b>	<b>1,985,269</b>	<b>35,546,921</b>	<b>641,870,890</b>	<b>32,062,988</b>	<b>2,287,515</b>	<b>34,350,503</b>	<b>637,677,025</b>	<b>33,113,821</b>	<b>2,067,310</b>	<b>35,181,131</b>

(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.

	1st half/2019	1st half/2018
<b>Opening balance</b>	<b>34,350,503</b>	<b>36,703,142</b>
Addition/(reversal)	9,906,807	10,567,989
Minimum required allowance	10,209,053	10,575,829
Supplementary allowance <sup>(1)</sup>	(302,246)	(7,840)
Exchange fluctuation - foreign allowances	(35,406)	101,977
Write off	(8,674,983)	(12,191,977)
<b>Closing balance</b>	<b>35,546,921</b>	<b>35,181,131</b>

(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.

	1st half/2019	1st half/2018
<b>Opening balance</b>	<b>2,418,364</b>	<b>1,741,733</b>
Addition/(reversal)	(372,985)	213,548
Exchange fluctuation - foreign allowances	(2,437)	(14,549)
Write-off/other adjustments	(278)	(104,412)
<b>Closing balance</b>	<b>2,042,664</b>	<b>1,836,320</b>

**h) Leasing portfolio by maturity**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Up to 1 year <sup>(1)</sup>	115,303	113,772	157,360
More than 1 year and up to 5 years	110,709	119,921	129,395
Over 5 years	115	21	143
<b>Total present value</b>	<b>226,127</b>	<b>233,714</b>	<b>286,898</b>

(1) Includes amounts related to overdue installments.

**i) Income from leasing transactions**

	1st half/2019	1st half/2018
<b>Lease revenue</b>	<b>59,368</b>	<b>106,834</b>
Leasing	59,368	106,834
<b>Lease expenses</b>	<b>(36,033)</b>	<b>(68,833)</b>
Leasing	(35,249)	(68,315)
Operating leases	(749)	(376)
Loss on disposal of leased assets	(35)	(142)
<b>Total</b>	<b>23,335</b>	<b>38,001</b>

**j) Concentration of loans**

	Jun 30, 2019	% of credit portfolio	Dec 31, 2018	% of credit portfolio	Jun 30, 2018	% of credit portfolio
Largest debtor	12,227,946	2.0	21,860,093	3.4	23,894,328	3.7
10 largest debtors	60,160,687	9.6	72,193,449	11.2	75,325,013	11.8
20 largest debtors	80,493,432	12.9	95,302,551	14.8	99,537,224	15.6
50 largest debtors	112,055,748	17.9	129,787,796	20.2	137,468,927	21.6
100 largest debtors	132,458,027	21.1	153,481,111	23.9	161,260,461	25.3

**k) Renegotiated credits**

	1st half/2019	1st half/2018
<b>Credits renegotiated during the period <sup>(1)</sup></b>	<b>37,103,596</b>	<b>26,577,511</b>
Renegotiated when past due <sup>(2)</sup>	5,072,324	4,284,885
Renovated <sup>(3)</sup>	32,031,272	22,292,626
<b>Changes on credits renegotiated when past due</b>		
<b>Opening balance</b>	<b>22,874,209</b>	<b>25,297,378</b>
Contracts <sup>(2)</sup>	5,072,324	4,284,885
Interest (received) and appropriated	(2,281,142)	(2,178,092)
Write off	(2,996,598)	(4,490,105)
<b>Closing balance <sup>(4)</sup></b>	<b>22,668,793</b>	<b>22,914,066</b>
Allowance for loan losses of the portfolio renegotiated when past due	12,165,134	10,866,920
(%) Allowance for loan losses on the portfolio	53.7%	47.4%
90 days default of the portfolio renegotiated when past due	3,583,776	4,489,762
(%) Portfolio default	15.8%	19.6%

- (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\$ 40,709 thousand (R\$ 57,481 thousand as of June 30, 2018) related to renegotiated rural credits. The amount of R\$ 10,361,646 thousand (R\$ 8,926,598 thousand as of June 30, 2018), related to deferred credits from rural portfolio governed by specific legislation, is not included.

**l) Supplementary information**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Undrawn credit lines	122,018,217	119,813,167	125,367,594
Guarantees provided <sup>(1)</sup>	5,831,823	5,885,173	6,658,392
Confirmed export credit	261,562	279,492	271,508
Contracted credit opened for import	493,354	332,259	233,404
Linked resources	1,352,140	1,381,302	2,371,227

- (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 <sup>(1)</sup>	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Loans and discounted securities</b>		<b>883,495</b>	<b>1,495,697</b>	<b>1,487,085</b>
Proger Urbano Capital de Giro	01/2016	878,426	1,487,878	1,476,740
FAT Turismo - Capital de Giro	02/2012	5,069	7,819	10,345
<b>Financing</b>		<b>1,922,336</b>	<b>2,141,543</b>	<b>2,137,139</b>
Proger Urbano Investimento	18/2005	1,677,980	1,846,351	1,797,228
FAT Taxista	02/2009	210,735	249,554	279,397
FAT Turismo - Investimento	01/2012	24,024	35,382	48,885
Proger Exportação	27/2005	9,597	10,256	11,629
<b>Rural financing</b>		<b>8,780</b>	<b>10,589</b>	<b>27,001</b>
Pronaf Investimento	05/2005	6,133	7,401	21,617
Proger Rural Investimento	13/2005	2,182	2,553	3,978
Pronaf Custeio	04/2005	461	621	1,237
Proger Rural Custeio	02/2006	4	14	169
<b>Total</b>		<b>2,814,611</b>	<b>3,647,829</b>	<b>3,651,225</b>

- (1) TADE - Allocation Term of Special Deposits.

## 11 - FOREIGN EXCHANGE PORTFOLIO

### a) Breakdown

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Other receivables</b>			
Exchange purchases pending settlement	21,623,962	24,070,311	20,747,427
Bills of exchange and time drafts in foreign currency	47,308	47,834	47,599
Receivables from sales of foreign exchange	16,368,528	8,113,897	10,320,875
(Advances received in national/foreign currency)	(13,271,920)	(7,412,677)	(8,569,353)
Foreign currency receivables	6,115	5,376	1,174
Income receivable on advances granted and on financed imports	291,944	288,800	302,446
<b>Total</b>	<b>25,065,937</b>	<b>25,113,541</b>	<b>22,850,168</b>
Current assets	25,057,089	25,103,044	22,850,168
Non-current assets	8,848	10,497	--
<b>Other liabilities</b>			
Exchange sales pending settlement	16,893,903	9,224,512	11,932,369
(Financed imports)	(615)	(1,336)	(2,710)
Exchange purchase liabilities	21,778,315	23,415,484	18,553,345
(Advances on exchange contracts)	(17,005,396)	(18,180,023)	(16,522,427)
Foreign currency payables	51,966	54,690	57,801
Unearned income on advances granted	8,032	9,530	8,227
<b>Total</b>	<b>21,726,205</b>	<b>14,522,857</b>	<b>14,026,605</b>
Current liabilities	17,696,292	12,067,141	9,653,058
Non-current liabilities	4,029,913	2,455,716	4,373,547
<b>Net foreign exchange portfolio</b>	<b>3,339,732</b>	<b>10,590,684</b>	<b>8,823,563</b>
<b>Off balance accounts</b>			
Credit opened for imports	576,761	436,790	351,584
Confirmed export credit	261,562	279,492	271,508

### b) Foreign exchange results

	1st half/2019	1st half/2018
Exchange income	4,287,761	6,013,595
Exchange expenses	(3,913,867)	(4,583,038)
<b>Foreign exchange results</b>	<b>373,894</b>	<b>1,430,557</b>

## 12 - OTHER RECEIVABLES

### a) Specific credits

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Extension of rural credits - National Treasury <sup>(1)</sup>	392,414	392,414	380,773
Other	493	493	493
<b>Total</b>	<b>392,907</b>	<b>392,907</b>	<b>381,266</b>
Current assets	493	493	493
Non-current assets	392,414	392,414	380,773

(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

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Deferred tax asset (Note 24.e)	45,343,927	38,643,121	40,052,341
Sundry debtors from escrow deposits - contingencies (Note 27.g.1)	36,307,740	37,644,645	38,242,802
Credit card operations (Note 10.a)	26,156,833	28,079,268	24,093,616
Sundry debtors from escrow deposits - lawsuit (Note 27.h.1)	18,905,281	18,668,426	18,426,098
Income tax and social contribution to offset	9,911,649	9,026,643	8,460,591
Fund of allocation of surplus - Previ (Note 26.f)	9,648,559	9,511,761	9,751,487
Credit linked to acquired operations (Note 10.a) <sup>(1)</sup>	5,623,480	6,124,782	8,533,573
Sundry debtors - domestic	2,880,693	2,159,822	2,622,111
National Treasury - interest rate equalization - agricultural crop - Law 8,427/1992	1,882,536	140,435	120,592
Receivables - other	1,790,050	2,165,405	1,798,515
Receivables from related companies <sup>(2)</sup>	1,603,486	1,592,642	1,630,240
Receivables acquisition (Note 10.a)	950,775	1,644,884	893,774
Receivables - National Treasury <sup>(3)</sup>	764,672	811,616	1,242,230
Receivables - non-financial companies	361,550	302,225	268,240
Sundry debtors - foreign	307,048	314,145	316,267
Receivables - ECT - Banco Postal	171,946	333,381	484,798
Salary advances and other advances	170,731	285,076	176,172
Actuarial assets (Note 26.e)	123,671	3,771,509	7,064,500
Sundry debtors from escrow deposits - other	43,022	61,127	93,430
Sundry debtors for purchasing assets	4,429	2,181	3,425
Rights for acquisition of royalties and government credits	--	--	395,315
Advances to cards transactions processing's companies	--	--	39,670
Other	237,843	260,016	342,493
<b>Total</b>	<b>163,189,921</b>	<b>161,543,110</b>	<b>165,052,280</b>
Current assets	99,034,275	104,477,547	98,997,100
Non-current assets	64,155,646	57,065,563	66,055,180

(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.

(3) Includes on June 30, 2019 the amount of R\$ 1,732,689 thousand related to the sale of Neoenergia shares owned by BB-BI.

(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**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Assets not for own use</b>	<b>574,204</b>	<b>490,288</b>	<b>450,176</b>
Assets in special regime <sup>(1)</sup>	--	--	180,916
Real estate	301,247	307,303	121,733
Residential properties	264,263	174,007	118,699
Machinery and equipment	1,471	1,471	1,525
Vehicles	336	336	349
Other	6,887	7,171	26,954
<b>Materials in stock</b>	<b>58,975</b>	<b>60,988</b>	<b>66,472</b>
<b>Subtotal</b>	<b>633,179</b>	<b>551,276</b>	<b>516,648</b>
<b>(Impairment) <sup>(2)</sup></b>	<b>(158,813)</b>	<b>(155,818)</b>	<b>(146,094)</b>
<b>Prepaid expenses</b>	<b>265,952</b>	<b>270,929</b>	<b>278,878</b>
Personnel and other administrative expenses	145,510	176,199	140,205
Entities abroad	55,314	60,173	77,793
Tax expenses	40,539	27	37,983
Unearned insurance premiums	12,454	13,670	9,047
Promotion and public relations	8,554	--	7,000
Rent	2,755	3,646	4,538
Premiums for purchased payroll credits <sup>(3)</sup>	41	119	200
Other	785	17,095	2,112
<b>Total</b>	<b>740,318</b>	<b>666,387</b>	<b>649,432</b>
Current assets	725,668	654,597	628,793
Non-current assets	14,650	11,790	20,639

(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 1st half/2019, allowance expenses for impairment losses of assets not in use in the amount of R\$ 4,043 thousand (reversal of allowance in the amount of R\$ 10,406 thousand in the 1st half/2018).

(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) - 1st half/2019	Number of shares (in thousands)		Ownership interest in share capital %	Book value	Changes – 1st half/2019			Book value		Equity income
				Common	Preferred		Dec 31, 2018	Dividends	Other events <sup>(1)</sup>	Equity income	Jun 30, 2019	Jun 30, 2018	1st half/2018
<b>Domestic</b>							<b>16,181,548</b>	<b>(1,667,835)</b>	<b>(2,002,285)</b>	<b>2,039,337</b>	<b>14,550,765</b>	<b>17,845,232</b>	<b>2,092,283</b>
Banco Votorantim S.A. <sup>(2)</sup>	8,130,372	9,745,035	688,006	43,114,693	9,581,043	50.00%	4,686,715	(200,000)	41,717	344,086	4,872,518	4,674,172	255,548
Cateno Gestão de Contas de Pagamento S.A. <sup>(3)</sup>	414,000	12,187,588	296,331	2,397,200	1,198,600	30.00%	3,661,905	(94,528)	--	88,899	3,656,276	3,686,033	101,673
Cielo S.A. <sup>(2)(4)</sup>	5,700,000	10,465,061	972,270	778,320	--	28.68%	3,072,049	(348,609)	36,407	241,815	3,001,662	3,310,073	452,862
BB Mapfre SH1 Participações S.A. <sup>(5)</sup>	1,422,278	1,701,370	701,286	1,039,908	2,079,400	74.99%	1,277,205	(518,698)	(3,146)	520,497	1,275,858	1,847,499	696,279
Mapfre BB SH2 Participações S.A. <sup>(5)</sup>	--	--	--	--	--	--	--	--	--	--	--	1,330,537	(92,544)
Brasilprev Seguros e Previdência S.A. <sup>(2) (5)</sup>	1,418,669	3,035,283	661,584	572	1,145	74.99%	2,136,459	(377,656)	(15,416)	496,900	2,240,287	2,087,598	421,373
Neoenergia S.A. <sup>(6)</sup>	--	--	--	--	--	--	1,749,313	--	(1,841,897)	92,584	--	1,693,484	48,699
Elo Participações S.A. <sup>(7)</sup>	1,052,000	2,829,580	308,274	525,895	--	49.99%	1,157,461	--	7,130	148,109	1,312,700	1,098,761	120,652
Brasilcap Capitalização S.A. <sup>(5)</sup>	231,264	455,197	55,063	107,989	107,989	66.66%	254,055	(7,602)	20,278	36,705	303,436	243,180	31,951
Other investments							1,032,693	(120,742)	(210,447)	69,742	771,246	729,369	55,790
Goodwill/(bargain) purchase on acquisition of investments							186,599	--	(97,333)	--	89,266	261,836	--
Unrealised profits on transactions with equity-accounted investees <sup>(8)</sup>							(3,032,906)	--	60,422	--	(2,972,484)	(3,117,310)	--
<b>Overseas</b>							<b>572,809</b>	<b>--</b>	<b>(112,547)</b>	<b>--</b>	<b>460,262</b>	<b>29,008</b>	<b>(92)</b>
Other equity abroad							--	--	--	--	--	--	(92)
Goodwill on acquisition of investments abroad							572,809	--	(112,547)	--	460,262	29,008	--
<b>Total investments in associates and joint ventures</b>							<b>16,754,357</b>	<b>(1,667,835)</b>	<b>(2,114,832)</b>	<b>2,039,337</b>	<b>15,011,027</b>	<b>17,874,240</b>	<b>2,092,191</b>
(Allowance for losses)							(40,462)	--	14,183	--	(26,279)	(11,213)	--

(1) These basically refer to the write-off of the investments and the equity valuation adjustments of available-for-sale securities.

(2) Excluded unrealised profits on transactions with the Banco do Brasil.

(3) Indirect interest of the Bank in Cateno, through its subsidiary BB Elo Cartões Participações S.A. The total share of the Bank is 50.07% (Cielo S.A. holds 70% of direct 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) Investment was sold in June 2019, resulting in a receivable in the amount of R\$ 1,732,689 thousand (Note 12.b). The transaction had no impact on current cash flows of the Company until June 30, 2019 and, consequently, on the consolidated statement of cash flows.

(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 November 1<sup>st</sup>, 2017, between BB Elo Cartões and Bradescard.

(8) Unrealised 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	Jun 30, 2019						
	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
<b>Total assets</b>	<b>277,463,543</b>	<b>93,580,445</b>	<b>12,705,781</b>	<b>14,059,195</b>	<b>90,891,142</b>	<b>33,198,248</b>	<b>521,898,354</b>
Cash and due from banks	8,192	306,441	153	53,857	30,056	997,746	1,396,445
Short-term interbank investments	--	6,744,610	292,415	--	5,405	5,151,275	12,193,705
Securities and derivative financial instruments	274,886,341	26,027,439	1,804,299	6,082,711	8,659,603	9,255,414	326,715,807
Loans	--	44,415,571	--	--	--	23,257	44,438,828
Other credits and other assets	2,334,426	13,562,193	699,695	7,685,916	71,038,446	14,837,784	110,158,460
Permanent assets	234,584	2,524,191	9,909,219	236,711	11,157,632	2,932,772	26,995,109
<b>Total liabilities</b>	<b>274,428,260</b>	<b>83,835,410</b>	<b>518,193</b>	<b>12,357,825</b>	<b>80,426,081</b>	<b>24,238,286</b>	<b>475,804,055</b>
Deposits, securities, borrowings, derivative financial instruments and others onlendings	--	67,973,195	--	--	64,937,830	15,071	132,926,096
Other liabilities	274,428,260	15,862,215	518,193	12,357,825	15,488,251	24,223,215	342,877,959
Technical provisions for insurance, pension plans and capitalization	272,659,600	--	--	9,720,745	--	17,471,554	299,851,899
Subordinated debts and equity and debt hybrid securities	--	3,029,735	--	--	--	3,220,497	6,250,232
Other	1,768,660	12,832,480	518,193	2,637,080	15,488,251	3,531,164	36,775,828
<b>Shareholders' equity</b>	<b>3,035,283</b>	<b>9,745,035</b>	<b>12,187,588</b>	<b>1,701,370</b>	<b>10,465,061</b>	<b>8,959,962</b>	<b>46,094,299</b>
% of Total Share	74.99%	50.00%	30.00%	74.99%	28.68%	--	--
<b>Shareholders' equity (proportional to the equity interest)</b>	<b>2,276,310</b>	<b>4,872,518</b>	<b>3,656,276</b>	<b>1,275,858</b>	<b>3,001,662</b>	<b>2,847,087</b>	<b>17,929,711</b>
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	81,275	469,814	549,528
Other amounts <sup>(1)</sup>	(36,023)	--	(2,972,484)	--	--	(459,705)	(3,468,212)
<b>Investment book value</b>	<b>2,238,726</b>	<b>4,872,518</b>	<b>683,792</b>	<b>1,275,858</b>	<b>3,082,937</b>	<b>2,857,196</b>	<b>15,011,027</b>

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Statements of income	1st half/2019						
	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
Income from financial intermediation	352,321	1,918,255	--	236,008	325,590	1,049,187	3,881,361
Service fee income	1,362,100	259,965	1,470,542	--	3,067,664	1,732,357	7,892,628
Other administrative expenses	(130,024)	(665,605)	(431,288)	(121,235)	(371,629)	(1,519,735)	(3,239,516)
Other operating income/expenses	(479,646)	(356,668)	(586,399)	890,537	(1,721,930)	996,652	(1,257,454)
Non-operating income	(470)	435	--	(40)	(6,653)	(8,986)	(15,714)
<b>Net income before tax</b>	<b>1,104,281</b>	<b>1,156,382</b>	<b>452,855</b>	<b>1,005,270</b>	<b>1,293,042</b>	<b>2,249,475</b>	<b>7,261,305</b>
Income tax and profit sharing	(442,697)	(468,376)	(156,524)	(303,984)	(320,772)	(187,335)	(1,879,688)
<b>Net income</b>	<b>661,584</b>	<b>688,006</b>	<b>296,331</b>	<b>701,286</b>	<b>972,270</b>	<b>2,062,140</b>	<b>5,381,617</b>
% of Total Share	74.99%	50.00%	30.00%	74.99%	28.68%	--	--
<b>Net income (proportional to the equity interest)</b>	<b>496,155</b>	<b>344,003</b>	<b>88,899</b>	<b>525,894</b>	<b>278,873</b>	<b>379,310</b>	<b>2,113,134</b>
Other amounts <sup>(1)</sup>	745	83	--	(5,397)	(37,058)	(32,170)	(73,797)
<b>Equity income</b>	<b>496,900</b>	<b>344,086</b>	<b>88,899</b>	<b>520,497</b>	<b>241,815</b>	<b>347,140</b>	<b>2,039,337</b>

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Balance sheet	Dec 31, 2018						
	Brasileprev 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
<b>Total assets</b>	<b>261,344,248</b>	<b>101,819,911</b>	<b>12,910,719</b>	<b>13,659,046</b>	<b>82,995,433</b>	<b>51,968,205</b>	<b>524,697,562</b>
Cash and due from banks	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
<b>Total liabilities</b>	<b>258,468,650</b>	<b>92,446,315</b>	<b>704,370</b>	<b>11,955,879</b>	<b>71,710,458</b>	<b>29,521,923</b>	<b>464,807,595</b>
Deposits, securities, borrowings, 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
<b>Shareholders' equity</b>	<b>2,875,598</b>	<b>9,373,596</b>	<b>12,206,349</b>	<b>1,703,167</b>	<b>11,284,975</b>	<b>22,446,282</b>	<b>59,889,967</b>
% of Total Share	74.99%	50.00%	30.00%	74.99%	28.68%	--	--
<b>Shareholders' equity (proportional to the equity interest)</b>	<b>2,156,555</b>	<b>4,686,798</b>	<b>3,661,905</b>	<b>1,277,205</b>	<b>3,236,023</b>	<b>2,207,965</b>	<b>17,226,451</b>
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	162,550	598,419	759,408
Other amounts <sup>(1)</sup>	(20,096)	(83)	(3,032,906)	--	(163,974)	1,985,557	(1,231,502)
<b>Investment book value</b>	<b>2,134,898</b>	<b>4,686,715</b>	<b>628,999</b>	<b>1,277,205</b>	<b>3,234,599</b>	<b>4,791,941</b>	<b>16,754,357</b>

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Balance sheet	Jun 30, 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.	Cielo S.A.	Other	Total
<b>Total assets</b>	<b>246,866,093</b>	<b>98,155,019</b>	<b>12,689,983</b>	<b>13,601,376</b>	<b>14,235,539</b>	<b>80,401,463</b>	<b>50,267,261</b>	<b>516,216,734</b>
Cash and due from banks	6,369	92,029	11	13,937	29,134	15,155	518,068	674,703
Interbank investments	--	20,657,521	207,427	--	--	170,017	6,057,532	27,092,497
Securities and derivative financial instruments	244,407,478	19,959,289	1,565,846	6,540,715	4,800,165	8,433,625	9,973,836	295,680,954
Loans	--	41,901,520	--	--	--	--	46,513	41,948,033
Other credits and other assets	2,217,487	13,898,207	628,183	6,659,942	9,105,072	61,004,795	12,462,161	105,975,847
Permanent assets	234,759	1,646,453	10,288,516	386,782	301,168	10,777,871	21,209,151	44,844,700
<b>Total liabilities</b>	<b>244,054,654</b>	<b>88,806,445</b>	<b>498,523</b>	<b>11,137,715</b>	<b>11,222,264</b>	<b>68,376,559</b>	<b>26,614,160</b>	<b>450,710,320</b>
Deposits, securities, borrowings, derivative financial instruments and others onlendings	--	69,285,641	--	--	--	64,928,845	1,906,392	136,120,878
Other liabilities	244,054,654	19,520,804	498,523	11,137,715	11,222,264	3,447,714	24,707,768	314,589,442
Technical provisions for insurance, pension plans and capitalization	225,947,586	--	--	8,249,245	7,566,393	--	18,793,617	260,556,841
Subordinated debts and equity and debt hybrid securities	--	3,673,691	--	--	--	--	--	3,673,691
Other	18,107,068	15,847,113	498,523	2,888,470	3,655,871	3,447,714	5,914,151	50,358,910
<b>Shareholders' equity</b>	<b>2,811,439</b>	<b>9,348,574</b>	<b>12,191,460</b>	<b>2,463,661</b>	<b>3,013,275</b>	<b>12,024,904</b>	<b>23,653,101</b>	<b>65,506,414</b>
% of Total Share	74.99%	50.00%	30.00%	74.99%	50.00%	28.67%	--	--
<b>Shareholders' equity (proportional to the equity interest)</b>	<b>2,108,439</b>	<b>4,674,287</b>	<b>3,657,438</b>	<b>1,847,499</b>	<b>1,506,638</b>	<b>3,448,021</b>	<b>2,021,816</b>	<b>19,267,518</b>
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	--	233,398	59,006	290,845
Other amounts <sup>(1)</sup>	(20,841)	(115)	(3,088,715)	--	(176,101)	(137,948)	1,742,977	(1,684,123)
<b>Investment book value</b>	<b>2,086,037</b>	<b>4,674,172</b>	<b>568,723</b>	<b>1,847,499</b>	<b>1,330,537</b>	<b>3,543,471</b>	<b>3,823,801</b>	<b>17,874,240</b>

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

Statements of income	1st half/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. <sup>(1)</sup>	Cielo S.A.	Other	Total
Income from financial intermediation	173,751	1,661,013	--	186,591	160,201	933,668	1,608,055	4,723,279
Service fee income	1,285,718	253,557	1,459,609	--	1,571	3,657,195	1,474,660	8,132,310
Other administrative expenses	(117,807)	(620,071)	(433,415)	(111,406)	(231,537)	(366,181)	(459,000)	(2,339,417)
Other operating income/expenses	(346,798)	(495,227)	(513,037)	1,455,934	(212,686)	(2,109,325)	(959,278)	(3,180,417)
Non-operating income	(32)	(4,988)	--	376	317	(4,836)	47,607	38,444
<b>Net income before tax</b>	<b>994,832</b>	<b>794,284</b>	<b>513,157</b>	<b>1,531,495</b>	<b>(282,134)</b>	<b>2,110,521</b>	<b>1,712,044</b>	<b>7,374,199</b>
Income tax and profit sharing	(467,352)	(283,245)	(174,247)	(584,275)	105,156	(843,829)	(230,790)	(2,478,582)
<b>Net income</b>	<b>527,480</b>	<b>511,039</b>	<b>338,910</b>	<b>947,220</b>	<b>(176,978)</b>	<b>1,266,692</b>	<b>1,481,254</b>	<b>4,895,617</b>
% of Total Share	74.99%	50.00%	30.00%	74.99%	50.00%	28.67%	--	--
<b>Net income (proportional to the equity interest)</b>	<b>395,584</b>	<b>255,520</b>	<b>101,673</b>	<b>710,320</b>	<b>(88,489)</b>	<b>363,211</b>	<b>312,905</b>	<b>2,050,724</b>
Other amounts <sup>(2)</sup>	25,789	28	--	(14,041)	(4,055)	89,651	(55,905)	41,467
<b>Equity income</b>	<b>421,373</b>	<b>255,548</b>	<b>101,673</b>	<b>696,279</b>	<b>(92,544)</b>	<b>452,862</b>	<b>257,000</b>	<b>2,092,191</b>

(1) Mapfre BB SH2 was sold in November 2018.

(2) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financial Institutions - Cosif.

**c) Other investments**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Tax incentive investments	56,051	56,051	43,289
Equity securities	57	57	57
Stocks and shares	84,263	84,380	84,467
Other investments	3,752	3,811	3,928
Other equity abroad	179,527	129,853	100,770
<b>Total</b>	<b>323,650</b>	<b>274,152</b>	<b>232,511</b>
(Allowance for losses)	(14,854)	(14,856)	(7,937)

**d) Goodwill arising on acquisition of investments**

Changes of goodwill	1st half/2019	1st half/2018
<b>Opening balance</b>	<b>761,060</b>	<b>384,845</b>
Amortizations <sup>(1)</sup>	(118,316)	(82,316)
Foreign exchange fluctuation <sup>(2)</sup>	(91,655)	(10,125)
<b>Closing balance</b>	<b>551,089</b>	<b>292,404</b>

(1) Booked in other administrative expenses.

(2) Relates to the goodwill from Banco Patagonia.

**e) Expected goodwill amortization**

	2019	2020	2021	After 2021	Total
<b>Banco do Brasil</b>	<b>22,329</b>	<b>36,451</b>	<b>36,451</b>	<b>184,831</b>	<b>280,062</b>
Banco Patagonia <sup>(1)</sup>	22,329	36,451	36,451	184,831	280,062
<b>Other investments</b>					
<b>BB Elo Cartões Participações S.A. <sup>(2)</sup></b>	<b>81,274</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>81,274</b>
Cielo	81,274	--	--	--	81,274
<b>BB Seguros</b>	<b>4,301</b>	<b>1,432</b>	<b>1,432</b>	<b>2,388</b>	<b>9,553</b>
Brasilcap	3,585	--	--	--	3,585
IRB-Brasil Resseguros S.A.	716	1,432	1,432	2,388	5,968
<b>BB Consolidated</b>	<b>107,904</b>	<b>37,883</b>	<b>37,883</b>	<b>187,219</b>	<b>370,889</b>
Tax effects <sup>(3)</sup>	(42,904)	(15,067)	(15,067)	(74,745)	(147,783)
<b>Net total</b>	<b>65,000</b>	<b>22,816</b>	<b>22,816</b>	<b>112,474</b>	<b>223,106</b>

(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.

(3) Cielo's goodwill was transferred from BB BI to BB Elo Cartões in 2019 (Note 2).

(3) 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.

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 entity below was 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 entity. 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. <sup>(1)</sup>	Discount rate p.a. <sup>(2)</sup>
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, were determined by the net realizable value through sale, based on the share price of the companies on B3.

Entity (cash-generating unit)	Share price <sup>(1)</sup>
BB Seguridade (BBSE3)	R\$ 24.10
Cielo (CIEL3)	R\$ 12.25

(1) Share price quoted at September 28, 2018.

In the first half 2019 and in the first half 2018, there was no impairment loss on goodwill arising on the acquisition of investments.

## 15- PROPERTY AND EQUIPMENT

	Dec 31, 2018	1st half/2019		Jun 30, 2019			Jun 30, 2018	
	Book value	Changes	Depreciation	Cost value	Accumulated Depreciation	Accumulated impairment	Book value	Book value
Buildings	3,512,153	127,687	(196,283)	7,879,737	(4,389,482)	(46,698)	3,443,557	3,643,455
Furniture and equipment in use	1,517,566	160,073	(145,210)	3,672,549	(2,139,967)	(153)	1,532,429	1,460,355
Data processing systems	1,239,174	210,612	(239,826)	3,806,011	(2,596,051)	--	1,209,960	1,093,433
Constructions in progress	531,844	80,631	--	612,475	--	--	612,475	389,367
Land	340,175	(3,525)	--	336,975	--	(325)	336,650	345,907
Facilities	153,841	12,699	(15,829)	1,009,790	(859,079)	--	150,711	157,256
Security systems	134,587	12,050	(14,400)	397,704	(265,467)	--	132,237	136,032
Communication systems	101,785	2,197	(11,289)	274,759	(182,039)	(27)	92,693	112,192
Transport systems	4,837	121	(483)	11,159	(6,684)	--	4,475	5,898
Furniture and equipment in stock	1,655	(758)	--	897	--	--	897	1,665
<b>Total</b>	<b>7,537,617</b>	<b>601,787</b>	<b>(623,320)</b>	<b>18,002,056</b>	<b>(10,438,769)</b>	<b>(47,203)</b>	<b>7,516,084</b>	<b>7,345,560</b>

## 16 - INTANGIBLE ASSETS

### a) Changes and breakdown

	Dec 31, 2018	1st half/2019				Jun 30, 2019			Jun 30, 2018	
	Book value	Acquisitions	Exchange fluctuation	Write offs	Amortization	Cost value	Accumulated amortization	Accumulated impairment	Book value	Book value
Rights to manage payroll <sup>(1)</sup>	3,428,484	1,793,949	--	(1,430,910)	(646,563)	7,570,176	(4,402,706)	(22,510)	3,144,960	3,986,799
Software	2,266,420	247,676	(5,009)	(19,238)	(162,615)	4,759,500	(2,432,266)	--	2,327,234	2,192,407
Other intangible assets	87,128	--	--	--	(26,225)	454,464	(373,628)	(19,933)	60,903	114,886
<b>Total</b>	<b>5,782,032</b>	<b>2,041,625</b>	<b>(5,009)</b>	<b>(1,450,148)</b>	<b>(835,403)</b>	<b>12,784,140</b>	<b>(7,208,600)</b>	<b>(42,443)</b>	<b>5,533,097</b>	<b>6,294,092</b>

(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.

### b) Estimate for amortization

	2nd half/2019	2020	2021	2022	2023	After 2023	Total
Amounts to be amortized	798,558	1,350,459	1,171,805	572,706	299,457	1,340,112	<b>5,533,097</b>

## 17 - DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

### a) Deposits

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Demand deposits</b>	<b>67,429,161</b>	<b>67,810,697</b>	<b>66,780,241</b>
Individuals	33,619,803	35,414,939	35,760,070
Corporations	18,047,439	22,071,825	18,529,499
Government	1,491,948	1,826,142	1,637,880
Restricted <sup>(1)</sup>	10,622,403	5,543,457	8,214,890
Foreign currency	689,307	587,532	646,782
Associated	1,928,837	662,097	596,007
Financial system institutions	538,807	582,305	581,396
National Treasury Special	305,160	226,368	526,467
Domiciled abroad	33,573	228,760	56,730
Other	151,884	667,272	230,520
<b>Saving deposits</b>	<b>174,480,318</b>	<b>174,854,743</b>	<b>167,089,234</b>
Individuals	167,542,308	167,501,857	159,530,686
Corporations	6,531,454	6,960,602	7,154,180
Associated	391,054	376,425	391,787
Financial system institutions	15,502	15,859	12,581
<b>Interbank deposits</b>	<b>32,373,575</b>	<b>33,668,595</b>	<b>30,790,106</b>
<b>Time deposits</b>	<b>231,039,776</b>	<b>209,491,504</b>	<b>210,709,870</b>
Judicial	159,915,454	135,481,016	134,246,248
National currency	42,022,495	43,657,658	45,844,713
Foreign currency	20,764,738	22,495,385	23,999,014
Fundo de Amparo ao Trabalhador - FAT (Note 17.e)	3,308,698	4,284,560	4,060,688
Funproger (Note 17.f)	433,773	402,693	376,409
Third party collaterals <sup>(2)</sup>	1,478,019	1,268,631	1,128,268
Special Regime <sup>(3)</sup>	1,987,454	866,648	109,943
Other	1,129,145	1,034,913	944,587
<b>Other deposits</b>	<b>192,279</b>	<b>211,232</b>	<b>168,967</b>
<b>Total</b>	<b>505,515,109</b>	<b>486,036,771</b>	<b>475,538,418</b>
Current liabilities	462,509,343	442,285,753	431,877,317
Non-current liabilities	43,005,766	43,751,018	43,661,101

(1) Includes the amount of R\$ 55,316 thousand (R\$ 55,316 thousand as of December 31, 2018), 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.

(2) Cooperation agreements made between Court houses and councils to attend Brazilian Justice National Council Resolution No. 98/2009.

(3) Special deposits for the Justice Courts, to comply with the Constitucional Transitory Acts pursuant to Constitutional Amendment No. 99/2017.

### b) Deposits by liability date

	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Time deposits <sup>(1)</sup>	168,225,242	15,952,643	8,020,219	17,197,831	21,643,841	231,039,776	209,491,504	210,709,870
Saving deposits	174,480,318	--	--	--	--	174,480,318	174,854,743	167,089,234
Demand deposits	67,429,161	--	--	--	--	67,429,161	67,810,697	66,780,241
Interbank deposits	--	13,781,718	14,428,338	1,032,894	3,130,625	32,373,575	33,668,595	30,790,106
Other deposits	192,279	--	--	--	--	192,279	211,232	168,967
<b>Total</b>	<b>410,327,000</b>	<b>29,734,361</b>	<b>22,448,557</b>	<b>18,230,725</b>	<b>24,774,466</b>	<b>505,515,109</b>	<b>486,036,771</b>	<b>475,538,418</b>

(1) Includes the amount of R\$ 39,606,641 thousand (R\$ 42,414,052 thousand as of December 31, 2018 and R\$ 44,326,949 thousand as of Jun 30, 2018), of time deposits with early repurchase clause (liquidity commitment), classified based on the contractual maturity dates.

**c) Securities sold under repurchase agreements**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Own portfolio</b>	<b>39,653,309</b>	<b>39,570,367</b>	<b>41,140,889</b>
Private securities	12,403,092	17,417,544	20,435,800
National Treasury bills	22,817	9	--
Treasury financial bills	26,144,730	21,114,864	19,726,112
Securities abroad	1,082,670	1,037,950	978,977
<b>Third-party portfolio</b>	<b>456,915,320</b>	<b>363,330,835</b>	<b>382,970,801</b>
Treasury financial bills	347,841,425	316,612,217	345,406,346
National Treasury bills	41,553,066	32,645,031	22,831,179
National Treasury notes	67,520,829	14,073,569	14,733,262
Securities abroad	--	18	14
<b>Total</b>	<b>496,568,629</b>	<b>402,901,202</b>	<b>424,111,690</b>
Current liabilities	488,464,163	393,556,860	414,770,898
Non-current liabilities	8,104,466	9,344,342	9,340,792

**d) Deposits and securities sold under repurchase agreements expenses**

	1st half/2019	1st half/2018
<b>Deposits</b>	<b>(13,262,070)</b>	<b>(11,663,237)</b>
Saving deposits	(5,183,413)	(4,574,005)
Judicial deposits	(5,101,401)	(4,547,934)
Time deposits	(2,411,796)	(2,175,935)
Interbank deposits <sup>(1)</sup>	(565,460)	(365,363)
<b>Securities sold under repurchase agreements</b>	<b>(14,574,425)</b>	<b>(13,831,445)</b>
Third-party portfolio	(13,184,215)	(12,503,890)
Own portfolio	(1,390,210)	(1,327,555)
<b>Funds from acceptance and issuance of securities <sup>(2)</sup></b>	<b>(3,853,256)</b>	<b>(4,389,034)</b>
Agribusiness letters of credit	(2,223,035)	(2,391,302)
Financial bills	(552,092)	(1,041,086)
Securities issued abroad	(684,889)	(553,791)
Letters of credit – real estate	(393,240)	(402,855)
<b>Subordinated debt abroad <sup>(3)</sup></b>	<b>(328,738)</b>	<b>(292,966)</b>
<b>Equity and debt hybrid securities <sup>(4)</sup></b>	<b>(997,602)</b>	<b>(949,722)</b>
<b>Other</b>	<b>(244,233)</b>	<b>(289,685)</b>
<b>Total</b>	<b>(33,260,324)</b>	<b>(31,416,088)</b>

(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 <sup>(1)</sup>	Repayment of FAT Funds		Jun 30, 2019			Dec 31, 2018			Jun 30, 2018		
		Type <sup>(2)</sup>	Initial date	Available TMS <sup>(3)</sup>	Invested TJLP and TLP <sup>(4)</sup>	Total	Available TMS <sup>(3)</sup>	Invested TJLP and TLP <sup>(4)</sup>	Total	Available TMS <sup>(3)</sup>	Invested TJLP and TLP <sup>(4)</sup>	Total
<b>Proger Rural and Pronaf</b>				<b>1,057</b>	<b>17,729</b>	<b>18,786</b>	<b>7,179</b>	<b>18,608</b>	<b>25,787</b>	<b>6,993</b>	<b>25,914</b>	<b>32,907</b>
Pronaf Custeio	04/2005	RA	11/2005	16	169	185	234	213	447	85	583	668
Pronaf Investimento	05/2005	RA	11/2005	854	15,972	16,826	6,527	16,641	23,168	6,513	22,899	29,412
Rural Custeio	02/2006	RA	11/2005	--	4	4	14	3	17	2	44	46
Rural Investimento	13/2005	RA	11/2005	187	1,584	1,771	404	1,751	2,155	393	2,388	2,781
<b>Proger Urbano</b>				<b>479,781</b>	<b>2,518,531</b>	<b>2,998,312</b>	<b>640,350</b>	<b>3,254,914</b>	<b>3,895,264</b>	<b>467,970</b>	<b>3,160,518</b>	<b>3,628,488</b>
Urbano Investimento	18/2005	RA	11/2005	96,525	1,630,193	1,726,718	123,221	1,763,470	1,886,691	69,187	1,693,233	1,762,420
Urbano Capital de Giro	01/2016	RA	06/2016	383,256	888,338	1,271,594	517,129	1,491,444	2,008,573	398,783	1,467,285	1,866,068
<b>Other</b>				<b>51,095</b>	<b>240,505</b>	<b>291,600</b>	<b>75,693</b>	<b>287,816</b>	<b>363,509</b>	<b>70,461</b>	<b>328,832</b>	<b>399,293</b>
Exports	27/2005	RA	11/2005	1,890	9,223	11,113	2,434	9,728	12,162	7,765	10,628	18,393
FAT Taxista	02/2009	RA	09/2009	41,839	207,773	249,612	64,055	243,947	308,002	53,165	271,009	324,174
FAT Turismo Investimento	01/2012	RA	08/2012	7,366	23,509	30,875	9,204	34,141	43,345	9,531	47,195	56,726
<b>Total</b>				<b>531,933</b>	<b>2,776,765</b>	<b>3,308,698</b>	<b>723,222</b>	<b>3,561,338</b>	<b>4,284,560</b>	<b>545,424</b>	<b>3,515,264</b>	<b>4,060,688</b>

(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 January 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 Jun 30, 2019 is R\$ 433,773 thousand (R\$ 402,693 thousand as of Dec 31, 2018 and R\$ 376,409 thousand as of Jun 30, 2018).

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	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Banco do Brasil</b>						<b>128,125,371</b>	<b>121,468,280</b>	<b>130,811,197</b>
<b>Global Medium - Term Notes Program</b>						<b>12,716,563</b>	<b>10,498,690</b>	<b>14,818,326</b>
	USD	500,000	6.00%	2010	2020	1,966,200	1,987,453	1,977,097
	EUR	1,000,000	3.75%	2013/2014	2018	--	--	4,659,506
	CHF	275,000	2.50%	2013	2019	--	1,097,028	1,068,778
	USD	1,000,000	4.63%	2017	2025	3,892,359	3,933,679	3,912,417
	BRL	293,085	10.15%	2017	2027	356,408	325,581	284,925
	USD	750,000	4.88%	2018	2023	2,898,677	2,930,439	2,915,603
	COP	160,000,000	8.51%	2018	2025	239,172	224,510	--
	USD	750,000	4.75%	2019	2024	2,907,028	--	--
	BRL	398,000	9.50%	2019	2026	456,719	--	--
<b>"Senior Notes"</b>						<b>6,966,686</b>	<b>7,039,710</b>	<b>7,000,720</b>
	USD	1,809,700 <sup>(1)</sup>	3.88%	2012	2022	6,966,686	7,039,710	7,000,720
<b>Structured notes</b>						<b>83,935</b>	<b>82,316</b>	<b>82,648</b>
	EUR	18,400	2.21 to 3.55%		2021	80,087	82,316	82,648
	USD	1,000	4.75%		2020	3,848	--	--
<b>Certificates of deposits <sup>(2)</sup></b>						<b>3,807,388</b>	<b>2,108,603</b>	<b>2,870,449</b>
Short term			1.65 to 4.32%			2,550,134	1,968,914	2,703,298
Long term			2.35 to 3.80%		2022	1,257,254	139,689	167,151
<b>Certificates of structured operations</b>						<b>76,194</b>	<b>133,809</b>	<b>126,160</b>
Short term			5.89% to 9.35% of DI			76,194	116,426	101,128
Long term			7.73 to 10.07% of DI		2022	--	17,383	25,032
<b>Letters of credit - real estate</b>			<b>50.00 to 95.00% of DI TR + 7.7151%</b>			<b>15,168,629</b>	<b>17,264,716</b>	<b>16,576,968</b>
Short term						4,613,476	4,704,521	4,095,425
Long term					2026	10,555,153	12,560,195	12,481,543
<b>Letters of credit agribusiness</b>			<b>70.00 to 98.00% of DI Fixed 6.00%</b>			<b>83,656,743</b>	<b>78,937,444</b>	<b>84,004,618</b>
Short term						51,791,346	24,403,914	14,304,088
Long term					2022	31,865,397	54,533,530	69,700,530
<b>Financial letters</b>			<b>98.25 to 102.00% of DI 4.50 to 5.30% + IPCA Fixed 7.20 to 12.50%</b>			<b>5,649,233</b>	<b>5,402,992</b>	<b>5,331,308</b>
Short term						4,504,343	148,375	244,160
Long term					2021	1,144,890	5,254,617	5,087,148
<b>Banco Patagonia</b>			<b>Fixed 25.77 to 45.00% 299 to 417 pts + Badlar</b>			<b>139,845</b>	<b>173,067</b>	<b>372,801</b>
Short term	ARS					111,432	125,185	250,980
Long term	ARS				2020	28,413	47,882	121,821
<b>Special Purpose Entities - SPE abroad <sup>(3)</sup></b>						<b>3,161,173</b>	<b>3,197,379</b>	<b>3,180,814</b>
Structured notes <sup>(3)</sup>								
	USD	500,000	Libor 6m + 2.50%	2014/2015	2034	1,932,425	1,954,501	1,944,029
	USD	320,000	Libor 6m + 3.20%	2015	2030	1,228,748	1,242,878	1,236,785
<b>Eliminated amount on consolidation <sup>(4)</sup></b>						<b>(18,943)</b>	<b>(20,230)</b>	<b>(82,331)</b>
<b>Total</b>						<b>131,407,446</b>	<b>124,818,496</b>	<b>134,282,481</b>
Current liabilities						65,606,886	32,565,915	27,379,750
Non-current liabilities						65,800,560	92,252,581	106,902,731

(1) Refers to the outstanding value since partial repurchases occurred.

(2) Securities issued abroad in USD.

(3) The Special Purpose Entity (SPE) "Loans Finance Company Limited" was organized under the laws of the Cayman Islands. The liabilities arising from securities issued by this entity are paid using the funds accumulated in your 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 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	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Overseas</b>	<b>4,667,710</b>	<b>9,848,594</b>	<b>1,935,615</b>	<b>210,529</b>	<b>16,662,448</b>	<b>20,986,748</b>	<b>23,386,992</b>
Borrowings from bankers abroad	4,628,365	9,760,827	1,935,615	210,529	16,535,336	20,897,987	23,280,807
Imports	39,345	87,767	--	--	127,112	88,761	103,512
Exports	--	--	--	--	--	--	2,673
<b>Total</b>	<b>4,667,710</b>	<b>9,848,594</b>	<b>1,935,615</b>	<b>210,529</b>	<b>16,662,448</b>	<b>20,986,748</b>	<b>23,386,992</b>
Current liabilities					14,516,304	18,179,594	20,480,971
Non-current liabilities					2,146,144	2,807,154	2,906,021

### b) Onlendings

#### Domestic - official institutions

Programs	Finance charges	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>National Treasury - rural credit</b>		<b>126,774</b>	<b>165,557</b>	<b>158,633</b>
Pronaf	TMS (if available) Fixed 0.50% p.a. to 4.60% p.a. (if applied)	25,183	11,020	36,403
Cacau (cocoa)	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or Fixed 6.35% p.a.	87,945	105,780	106,545
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	10,770	10,859
Other		2,876	37,987	4,826
<b>BNDES</b>	<b>Fixed 0.00% p.a. to 8.00% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 7.02% 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 + 1.30% p.a. to 2.10% p.a.</b>	<b>19,332,948</b>	<b>21,764,812</b>	<b>24,320,845</b>
<b>Caixa Econômica Federal</b>	<b>Fixed 4.91% p.a. (average)</b>	<b>30,357,868</b>	<b>29,413,089</b>	<b>28,102,921</b>
<b>Finame</b>	<b>Fixed 0.00% p.a. to 11.00% p.a. TJLP + 0.50% p.a. to 5.50% p.a. FX Variation + 1.40% 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.</b>	<b>13,885,347</b>	<b>15,138,554</b>	<b>17,507,627</b>
<b>Other official institutions</b>		<b>273,087</b>	<b>249,052</b>	<b>7,452,913</b>
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)	273,059	249,024	44,527
Other		28	28	27
<b>Total</b>		<b>63,976,024</b>	<b>66,731,064</b>	<b>77,542,939</b>
Current liabilities		37,849,851	38,148,447	44,895,521
Non-current liabilities		26,126,173	28,582,617	32,647,418



**Overseas**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Special Fund for Support to Small and Medium Manufacturing Companies	--	477	477
<b>Total</b>	<b>--</b>	<b>477</b>	<b>477</b>
Current liabilities	--	95	95
Non-current liabilities	--	382	382

**c) Expense on borrowings and onlendings**

	1st half/2019	1st half/2018
<b>Borrowings expenses</b>	<b>(182,413)</b>	<b>(6,183,840)</b>
<b>Onlendings expenses</b>	<b>(1,860,701)</b>	<b>(6,747,453)</b>
Foreign	(130,229)	(4,809,231)
BNDES	(769,621)	(965,198)
Caixa Econômica Federal	(755,631)	(690,537)
Finame	(151,121)	(186,198)
National Treasury	(25,893)	(69,616)
Other	(28,206)	(26,673)
<b>Expenses for obligations with bankers abroad</b>	<b>304,631</b>	<b>(2,468,374)</b>
<b>Expenses for financial and development funds liabilities</b>	<b>(270,315)</b>	<b>(1,391,901)</b>
<b>Foreign exchange profit/(loss) on overseas investments <sup>(1)</sup></b>	<b>145,716</b>	<b>1,575,811</b>
<b>Total</b>	<b>(1,863,082)</b>	<b>(15,215,757)</b>

(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

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Legal liabilities (Note 27.h1) <sup>(1)</sup>	6,571,673	6,571,673	6,571,673
Deferred tax liabilities (Note 24.d)	2,032,839	1,252,259	2,685,919
Taxes and contributions payable	1,179,238	1,307,373	1,123,323
Provision for taxes and contributions on net income	1,093,768	393,007	1,096,526
Taxes and contributions on net income payable	621,219	2,032,805	434,022
<b>Total</b>	<b>11,498,737</b>	<b>11,557,117</b>	<b>11,911,463</b>
Current liabilities	10,944,393	10,788,134	9,980,063
Non-current liabilities	554,344	768,983	1,931,400

(1) Refers to tax losses of income tax and social contribution negative bases / social contribution recoverable from legal liability.

### b) Financial and development funds

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Marinha Mercante	7,634,996	8,754,178	8,614,403
Fundo Constitucional do Centro Oeste - FCO <sup>(1)</sup>	2,710,954	1,249,914	--
Fundo de Desenvolvimento do Nordeste - FDNE	1,748,753	1,836,454	1,933,397
Pasep <sup>(2)</sup>	1,299,924	1,529,567	3,313,008
Fundo de Desenvolvimento do Centro Oeste - FDCO	1,148,443	1,206,319	1,150,726
Funds from Governo do Estado de São Paulo	844,684	857,284	817,786
Fundo Nacional de Aviação Civil - FNAC	47,951	48,148	52,564
Other	45,265	40,557	65,629
<b>Total</b>	<b>15,480,970</b>	<b>15,522,421</b>	<b>15,947,513</b>
Current liabilities	8,633,612	9,855,261	9,494,039
Non-current liabilities	6,847,358	5,667,160	6,453,474

(1) CMN Resolution No. 4,679/2018 limited the use of FCO resources which are considered tier II of the Referential Equity – RE (Note 20.c). The amount disclosed refers to what exceed this value in the amount of R\$ 2,301,574 thousand and 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\$ 409,380 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).

(2) The Bank is administrator of the Public Servant Heritage Formation Program (Pasep), guaranteeing a minimum return equal to the Long-Term Interest Rate - TJLP.

**c) Subordinated debts**

Funding		Issued value	Remuneration p.a.	Issue date	Maturity	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Banco do Brasil</b>								
FCO – Resources from Fundo Constitucional do Centro-Oeste						29,336,898	29,336,898	29,336,898
Subordinated debt abroad						11,402,142	11,522,511	11,459,556
	USD	660,000	5.38%	2010	2021	2,588,913	2,616,710	2,602,886
	USD	1,500,000	5.88%	2011	2022	5,873,535	5,934,900	5,901,826
	USD	750,000	5.88%	2012	2023	2,939,694	2,970,901	2,954,844
Subordinated letters of credit						8,893,311	18,006,049	19,184,626
		4,844,900	111.50% of CDI 1.06% to 1.11% + CDI 5.24% to 5.56% + IPCA Fixed 10.51%	2012	2018	--	--	1,814,472
		215,000	112.00% of CDI	2012	2019	--	437,979	423,075
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	320,665	308,977	296,998
		4,680,900	111.00% of CDI	2013	2019	--	9,000,459	8,696,879
		540,623	112.00% to 114.00% of CDI	2014	2020	942,206	910,169	878,754
		3,868,384	113.00% to 115.00% of CDI	2014	2021	6,839,993	6,605,387	6,375,403
		400,000	8.08% + IPCA	2014	2022	790,447	743,078	699,045
<b>Total subordinated debt issued by Banco do Brasil</b>						<b>49,632,351</b>	<b>58,865,458</b>	<b>59,981,080</b>
Eliminated amount on consolidation						(34,007)	(36,674)	(34,731)
<b>Total subordinated debt issued consolidated <sup>(1)(2)</sup></b>						<b>49,598,344</b>	<b>58,828,784</b>	<b>59,946,349</b>
Current liabilities						2,958,155	9,440,498	11,219,363
Non-current liabilities						46,640,189	49,388,286	48,726,986

(1) R\$36,182,995 thousand (R\$ 38,925,975 thousand as of December 31, 2018 and R\$ 39,433,416 thousand as of June 30, 2018) of the total balance is considered tier II of the Referential Equity (RE).

(2) Includes the amount of R\$ 8,572,646 thousand, relating to subordinated debt recorded in the line Debt Instruments eligible as capital.

**d) Equity and debt hybrid securities**

Funding		Issued value <sup>(1)</sup>	Remuneration p.a.	Issue date	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Perpetual bonds</b>							
	USD	898,512	8.50%	10/2009	3,498,617	3,536,595	3,518,344
	USD	1,298,727	9.25%	01 and 03/2012	5,162,277	5,221,040	5,196,821
	USD	1,988,000	6.25%	01/2013	7,700,311	7,783,964	7,743,834
	BRL	8,100,000	5.50% <sup>(2)</sup>	09/2012	8,224,049	8,307,033	8,154,098
	USD	2,169,700	9.00%	06/2014	8,320,368	8,410,702	8,367,290
<b>Total Banco do Brasil</b>					<b>32,905,622</b>	<b>33,259,334</b>	<b>32,980,387</b>
Eliminated amount on consolidation					(31,285)	(24,221)	(17,314)
Total reclassified to shareholders' equity (Note 23.c)					(8,100,000)	(8,100,000)	(8,100,000)
<b>Total BB Consolidated</b>					<b>24,774,337</b>	<b>25,135,113</b>	<b>24,863,073</b>
Current liabilities					61,270	62,168	283,908
Non-current liabilities					24,713,067	25,072,945	24,579,165

(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\$ 23,855,445 thousand of the Perpetual Bonds is included in the Referential Equity (R\$ 24,120,630 thousand as of December 31, 2018, and R\$ 24,002,355 thousand as of June 30, 2018). Of this amount, R\$ 20,598,075 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 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

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Credit/debit card operations	24,742,293	24,940,764	21,691,704
Actuarial liabilities (Note 26.e)	19,272,614	12,677,088	11,060,480
Legal liabilities – Provision for tax risks (Note 27.h1)	11,557,018	11,095,690	10,240,143
Provisions for civil claims (Note 27.e1)	7,587,893	6,997,444	7,292,607
Sundry creditors - domestic <sup>(1)</sup>	5,090,278	6,291,128	4,489,768
Provisions for pending payments	4,342,435	4,562,840	4,329,105
Provision for labor claims (Note 27.e1)	3,441,620	2,520,968	2,561,756
Third party payment obligations	2,914,388	1,833,703	2,304,685
Funds linked to loan operations	1,352,140	1,381,302	2,371,227
Liabilities for official agreements	1,351,215	1,180,708	1,323,294
Creditors of resources to be disbursed	584,543	668,186	976,373
Sundry creditors - abroad	503,964	754,839	652,880
Provision for tax litigation (Note 27.e1)	428,610	262,724	245,016
Liabilities for operations linked to assignments	367,749	404,844	448,768
Provisions for guarantees provided (Note 20.f)	354,317	358,552	192,190
Liabilities for premiums granted under customer loyalty schemes	354,082	434,399	449,345
Allowance for losses with the Fundo de Compensação de Variação Salarial - FCVS	185,151	133,971	203,608
Liabilities for assets acquisition	181,166	272,522	179,367
Liabilities for shares in investment funds	12,950	12,748	38,416
Guarantees on credits assignment	488	--	650
Other	1,490,690	1,703,667	1,300,218
<b>Total</b>	<b>86,115,604</b>	<b>78,488,087</b>	<b>72,351,600</b>
Current liabilities	72,223,284	64,117,330	58,428,527
Non-current liabilities	13,892,320	14,370,757	13,923,073

(1) Includes the amount of R\$508,784 thousand (R\$533,353 thousand at June 30, 2018), 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**

	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
	Guaranteed values	Allowance	Guaranteed values	Allowance	Guaranteed values	Allowance
Guarantees related to bidding, auctions, service rendering or execution of works	1,139,650	149,399	950,285	121,827	2,744,570	49,138
Other financial guarantees provided <sup>(1)</sup>	1,519,471	142,694	1,239,539	175,137	1,537,648	83,691
Other bank guarantees	2,758,558	4,630	2,532,441	5,098	1,233,741	4,193
Sureties or guarantees in lawsuits and in tax-based administrative proceedings	317,396	57,527	1,034,800	56,358	1,017,581	55,070
Linked to the distribution of securities by public offering	32,000	--	32,000	--	32,000	--
Guarantees related to the supply of goods	17,054	57	18,985	59	27,194	63
Guarantees related to international trade of goods	46,170	10	75,570	73	64,082	35
Other guarantees	1,524	--	1,553	--	1,576	--
<b>Total</b>	<b>5,831,823</b>	<b>354,317</b>	<b>5,885,173</b>	<b>358,552</b>	<b>6,658,392</b>	<b>192,190</b>

(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**

	1st half/2019	1st half/2018
Account fee	3,766,921	3,572,676
Fund management	3,136,883	2,979,938
Commissions on Insurance, pension plans and capitalization	1,769,670	1,468,099
Card income	1,059,075	943,731
Loans and guarantees provided	899,321	979,336
Billing	634,130	663,380
Consortium management fees	587,302	430,668
Collection	557,581	556,218
Capital market income	461,881	415,454
National Treasury and official funds management	202,714	269,892
Interbank	73,495	72,813
Other	1,085,304	993,546
<b>Total</b>	<b>14,234,277</b>	<b>13,345,751</b>

**b) Personnel expenses**

	1st half/2019	1st half/2018
Wages and salaries	(5,020,753)	(4,819,701)
Social charges	(1,555,270)	(1,552,866)
Benefits	(1,550,092)	(1,519,772)
Labor lawsuits	(1,524,727)	(449,093)
Personnel administrative provisions	(1,209,065)	(1,433,322)
Pension plans	(399,483)	(408,646)
Training	(29,956)	(26,633)
Director's and officer's remuneration	(22,479)	(24,229)
<b>Total</b>	<b>(11,311,825)</b>	<b>(10,234,262)</b>

**c) Other administrative expenses**

	1st half/2019	1st half/2018
Amortization	(910,715)	(986,074)
Rent	(674,258)	(668,968)
Depreciation	(623,320)	(585,686)
Security services	(566,394)	(570,725)
Expenses with outsourced services	(430,292)	(439,435)
Transport	(401,618)	(487,318)
Communications	(381,956)	(437,451)
Financial system services	(380,020)	(372,406)
Maintenance and upkeep	(379,905)	(339,455)
Water, electricity and gas	(268,693)	(257,058)
Data processing	(207,114)	(203,024)
Specialized technical services	(192,028)	(216,899)
Advertising and marketing	(161,450)	(169,868)
Promotion and public relations	(62,232)	(71,776)
Materials	(47,200)	(52,532)
Domestic travel	(42,084)	(53,541)
Other	(446,242)	(301,734)
<b>Total</b>	<b>(6,175,521)</b>	<b>(6,213,950)</b>

**d) Other operating income**

	1st half/2019	1st half/2018
Recovery of charges and expenses	1,052,850	1,085,578
Update of deposits in guarantee	1,008,613	1,029,782
Surplus allocation update - Previ Plan 1 (Note 26.f)	467,480	480,250
Cards transactions	432,864	267,493
Reversal of provisions - administrative and personnel expenses	199,531	84,442
Defined benefit plan income	181,329	240,840
Adjustment of tax recoverable	113,272	37,660
From non-financial subsidiaries	107,566	112,610
Income on receivables	76,972	68,392
Dividends received	5,810	3,560
Income from specific credits and special operations - National Treasury	365	15,493
Other	292,045	294,661
<b>Total</b>	<b>3,938,697</b>	<b>3,720,761</b>

**e) Other operating expenses**

	1st half/2019	1st half/2018
Civil and tax claims	(3,690,656)	(1,378,316)
Business relationship bonus	(849,024)	(494,930)
Cards transactions	(824,578)	(835,129)
Actuarial liabilities update	(606,307)	(626,894)
Discounts granted on renegotiations	(473,693)	(571,543)
Adjustment of the provision for deposit in court (Note 27.h)	(461,328)	(343,523)
Expenses with outsourced services	(391,893)	(473,268)
From non-financial subsidiaries	(211,809)	(188,768)
Compensation for transactions of banking correspondents	(138,559)	(247,338)
INSS - Social Security	(112,573)	(96,408)
ATM Network	(98,672)	(189,740)
Compliance bonus	(84,211)	(109,287)
Compensation for transactions of Banco Postal	(74,300)	(121,400)
Life insurance premium - consumer credit	(72,319)	(62,128)
Failures/frauds and other losses	(65,615)	(114,779)
Update of interest on own capital/dividends	(18,165)	(8,513)
Fees for the use of Sisbacen - Banco Central do Brasil System	(10,208)	(11,789)
Other	(579,199)	(578,157)
<b>Total</b>	<b>(8,763,109)</b>	<b>(6,451,910)</b>

**22 - NON-OPERATING INCOME AND EXPENSES**

	1st half/2019	1st half/2018
<b>Non-operating income</b>	<b>350,922</b>	<b>351,331</b>
Profit on disposal of assets	203,073	193,288
Capital gains	107,261	104,186
Vendor's reimbursement	14,607	7,069
Reversal of provision for devaluation of other assets	13,775	26,617
Rental income	5,240	5,853
Other non-operating income	6,966	14,318
<b>Non-operating expenses</b>	<b>(296,278)</b>	<b>(86,274)</b>
Capital losses	(153,708)	(60,645)
Loss on disposal of assets	(119,915)	(8,238)
Devaluation of other assets	(17,818)	(16,211)
Other non-operating expenses	(4,837)	(1,180)
<b>Total</b>	<b>54,644</b>	<b>265,057</b>

**23- SHAREHOLDERS' EQUITY**
**a) Book value and market value per common share**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Shareholders' equity - Banco do Brasil	91,685,951	91,989,546	91,567,645
Book value per share (R\$) <sup>(1)</sup>	32.90	33.02	32.88
Fair value per share (R\$)	53.94	46.49	28.65
Shareholders' equity - consolidated	101,930,492	102,252,882	102,637,831

(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 June 30, 2018) is fully subscribed and paid-in and consists of 2,865,417,020 common shares with no par value. The Federal Government is the largest shareholder and holds a majority of the Bank's voting shares.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its capital up to the limit of R\$ 120,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

**c) Instruments Qualifying as Common Equity Tier 1 Capital**

The Bank signed a loan agreement with the federal government on September 26, 2012, as hybrid capital and debt instrument, in the amount up to R\$ 8,100,000 thousand, whose resources were designated to finance agribusiness. The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

As result of the amendment, the interest rate was changed to variable rate, and the interest period was changed to match the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment/interest on own capital for the fiscal year.

The interest payment must be made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, no interest will be paid on the loan. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities. There will be no preferred interest on the loan under any circumstances, including in relation to other equity instruments included in Reference Equity.

As the instrument is qualifying as Common Equity Tier I Capital, its balance is reclassified to the Shareholders' Equity, for disclosure purposes.

**d) Revaluation reserves**

The revaluation reserves, totaling R\$ 2,205 thousand (R\$ 2,336 thousand as of June 30, 2018), refer to revaluations of assets made by the associates/subsidiaries.

In the first half of 2019, there was a reserve realization of R\$ 35 thousand (R\$ 35 thousand in the first half of 2018), 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**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Capital reserves	15,410	14,692	14,692
Profit reserves	47,407,836	42,612,582	39,163,283
Legal reserve	8,144,490	7,738,497	7,397,589
Statutory reserves	39,263,346	34,874,085	31,765,694
Operating margin	36,058,425	30,657,730	27,701,262
Equalization of dividends	3,204,921	4,216,355	4,064,432

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**

	1st half/2019	1st half/2018
Net income Banco do Brasil (R\$ thousand)	8,119,872	5,835,115
Weighted average number of shares (basic)	2,786,507,649	2,785,480,091
Weighted average number of shares (diluted)	2,786,183,611	2,785,109,432
Earnings per share (basic and diluted) (R\$)	2.91	2.10

**g) Interest on own capital/dividends and destination of the income**

Calculation base of dividends and the destination of the income of the period are shown below:

	1st half/2019	1st half/2018
<b>1) Net income - Banco do Brasil</b>	<b>8,119,872</b>	<b>5,835,115</b>
Domestic	6,857,830	5,375,409
Overseas	1,262,042	459,706
<b>2) Interest on instrument qualifying as common equity tier 1 capital</b>	<b>124,049</b>	<b>102,817</b>
<b>3) Calculation base of dividends (item 1 + item 2)</b>	<b>8,243,921</b>	<b>5,937,932</b>
Dividends - payout	3,297,568	1,781,380
Minimum required dividend	1,929,664	1,358,045
Additional dividend	1,367,904	423,335
<b>4) Allocation</b>		
Net income	8,119,872	5,835,115
Retained earnings/losses	4,778	(117,031)
Distributed income	8,124,650	5,718,085
Legal reserve	405,993	285,905
Dividends and interest on own capital	3,297,568	1,781,380
Statutory reserves	7,250,681	3,650,800
Statutory reserves used for equalization of dividends	(2,829,592)	--

Payment schedule of interest on own capital and dividends:

	Amount	Amount per share (R\$)	Base date of payment	Payment date
<b>1st quarter/2019</b>				
Interest on own capital <sup>(1)</sup>	435,000	0.156	Mar 11, 2019	Mar 29, 2019
Complementary Interest on own capital <sup>(1)</sup>	1,155,939	0.415	May 21, 2019	May 31, 2019
<b>2nd quarter/2019</b>				
Interest on own capital <sup>(1)</sup>	476,640	0.171	Jun 11, 2019	Jun 28, 2019
Complementary Interest on own capital <sup>(1)</sup>	1,229,989	0.441	Aug 21, 2019	Aug 30, 2019
<b>Total allocated to the shareholders</b>	<b>3,297,568</b>	<b>1.183</b>		

(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
<b>1st quarter/2018</b>				
Interest on own capital <sup>(1)</sup>	227,559	0.082	Mar 12, 2018	Mar 29, 2018
Complementary Interest on own capital <sup>(1)</sup>	595,914	0.214	May 21, 2018	May 30, 2018
<b>2nd quarter/2018</b>				
Interest on own capital <sup>(1)</sup>	215,030	0.077	Jun 11, 2018	Jun 29, 2018
Complementary Interest on own capital <sup>(1)</sup>	742,877	0.267	Aug 21, 2018	Aug 31, 2018
<b>Total allocated to the shareholders</b>	<b>1,781,380</b>	<b>0.640</b>		

(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.

In compliance with the income tax as well as social contribution legislation, the interest on own capital is calculated based on adjusted net equity value. It 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, being deductible in the calculation of the taxable income.

The total interest on own capital in the first half of 2019, provided an expense reduction on tax charges totaling R\$ 1,319,027 thousand (R\$ 801,621 thousand in the first half of 2018).

## h) Reconciliation of net income and shareholders' equity

	Net income		Shareholders' equity		
	1st half/2019	1st half/2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Banco do Brasil</b>	<b>8,119,872</b>	<b>5,835,115</b>	<b>91,685,951</b>	<b>91,989,546</b>	<b>91,567,645</b>
Instruments qualifying to common equity tier 1 capital <sup>(1)</sup>	124,049	102,817	8,100,000	8,100,000	8,100,000
Unrealized gains <sup>(2)</sup>	(31,828)	(54,113)	(379,407)	(347,579)	(359,163)
Non-controlling interests	--	--	2,523,948	2,510,915	3,329,349
<b>BB Consolidated</b>	<b>8,212,093</b>	<b>5,883,819</b>	<b>101,930,492</b>	<b>102,252,882</b>	<b>102,637,831</b>

(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**

	1st half/2019				1st half/2018			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
<b>Securities available for sale</b>								
Banco do Brasil	(1,323,828)	1,815,889	(490,126)	1,935	(706,035)	(1,974,768)	572,129	(2,108,674)
Subsidiary abroad	2,559	44,170	(8,995)	37,734	56,303	(34,026)	4,351	26,628
Associates and subsidiaries	(743)	46,436	(7,757)	37,936	61,003	77,633	(28,327)	110,309
<b>Cash flow hedge</b>								
Associates and subsidiaries	(49,784)	(57,762)	23,103	(84,443)	(10,337)	42,947	(21,139)	11,471
<b>Foreign Exchange Variation in Investments Abroad</b>								
Subsidiary abroad	(753,367)	(234,863)	--	(988,230)	(184,653)	(276,108)	--	(460,761)
Associates and subsidiaries	56,760	(14,537)	11,107	53,330	6,877	73,110	(24,857)	55,130
<b>Actuarial gains/(losses) on pension plans</b>								
Banco do Brasil	(14,085,713)	(10,504,518)	4,203,830	(20,386,401)	(12,442,883)	2,802,020	(1,121,856)	(10,762,719)
Associates and subsidiaries	--	(2,415)	821	(1,594)	--	--	--	--
<b>Total</b>	<b>(16,154,116)</b>	<b>(8,907,600)</b>	<b>3,731,983</b>	<b>(21,329,733)</b>	<b>(13,219,725)</b>	<b>710,808</b>	<b>(619,699)</b>	<b>(13,128,616)</b>

**j) Noncontrolling interests**

	Net income		Shareholders' equity		
	1st half/2019	1st half/2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Banco Patagonia S.A. <sup>(1)</sup>	131,352	126,405	352,035	374,176	652,575
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	--	25	26	26
BB Tecnologia e Serviços	4	--	39	35	35
BB Seguridade S.A.	689,210	638,668	2,171,849	2,136,678	2,676,713
<b>Non-controlling interest</b>	<b>820,565</b>	<b>765,073</b>	<b>2,523,948</b>	<b>2,510,915</b>	<b>3,329,349</b>

(1) Reduction on Shareholders' equity 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	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
	Shares	% Total	Shares	% Total	Shares	% Total
Federal government	1,453,493,742	50.7	1,453,493,742	50.7	1,453,493,742	50.7
Tesouro Nacional	1,453,493,742	50.7	1,453,493,742	50.7	1,453,493,742	50.7
Caixa de Previdência dos Funcionários do Banco do Brasil - Previ	145,280,214	5.1	181,160,514	6.3	222,591,414	7.8
Treasury shares <sup>(1)</sup>	78,936,493	2.8	79,886,296	2.8	80,181,562	2.8
Other shareholders	1,187,706,571	41.4	1,150,876,468	40.2	1,109,150,302	38.7
<b>Total</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>
Resident shareholders	2,162,779,438	75.5	2,207,072,639	77.0	2,225,797,680	77.7
Non resident shareholders	702,637,582	24.5	658,344,381	23.0	639,619,340	22.3

(1) Includes, on June 30, 2019, 32,900 shares of the Bank held by BB DTVM (38,294 on June 30, 2018).

Number of shares issued by the Bank, held by the Board of Directors, the Executive Board and the Audit Committee:

	Common shares (ON) <sup>(1)</sup>		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Board of Directors (except for Bank's CEO, listed in the Bank's Executive Committee)	3,581	147	144
Executive Committee	103,882	175,800	211,546
Audit Committee	18	18	18

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.004% of the Bank's capital stock.

## I) Movement of shares outstanding/free float

	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
	Total	%	Total	%	Total	%
Free float at the period date	1,331,861,026	46.5	1,282,433,554	44.8	1,282,433,554	44.8
Disposal of shares by FFIE - Fundo Fiscal de Investimento e Estabilização	--		48,880,900		48,880,900	
Other changes <sup>(1)</sup>	1,018,287		546,572		215,563	
Free float at the period date <sup>(2)</sup>	1,332,879,313	46.5	1,331,861,026	46.5	1,331,530,017	46.5
<b>Outstanding shares</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>

(1) It includes 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 Conglomerate had 78,936,493 shares in treasury on June 30, 2019, representing R\$ 1,789,174 thousand. Of the total amount, 70,501,551 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, 359,529 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
<b>2015 Program</b>					
Banco do Brasil	342,134	19.92	247,539	68,426	Mar 2020
<b>Total shares to be distributed</b>				<b>68,426</b>	
BB DTVM	26,109	19.92	20,889	5,220	Mar 2020
<b>Total shares to be distributed</b>				<b>5,220</b>	
<b>2016 Program</b>					
Banco do Brasil	99,348	33.78	59,656	19,846	Mar 2020
				19,846	Mar 2021
<b>Total shares to be distributed</b>				<b>39,692</b>	
BB DTVM	10,397	32.84	6,241	2,078	Mar 2020
				2,078	Mar 2021
<b>Total shares to be distributed</b>				<b>4,156</b>	
<b>2017 Program</b>					
Banco do Brasil	193,976	42.65	77,689	38,763	Mar 2020
				38,762	Mar 2021
				38,762	Mar 2022
<b>Total shares to be distributed</b>				<b>116,287</b>	
BB DTVM	20,270	42.65	8,114	4,052	Mar 2020
				4,052	Mar 2021
				4,052	Mar 2022
<b>Total shares to be distributed</b>				<b>12,156</b>	
<b>2018 Program</b>					
Banco do Brasil	127,860	53.44	25,636	25,556	Mar 2020
				25,556	Mar 2021
				25,556	Mar 2022
				25,556	Mar 2023
<b>Total shares to be distributed</b>				<b>102,224</b>	
BB DTVM	14,218	53.44	2,850	2,842	Mar 2020
				2,842	Mar 2021
				2,842	Mar 2022
				2,842	Mar 2023
<b>Total shares to be distributed</b>				<b>11,368</b>	

### The Program of Gratified Performance (PDG):

The Program of Gratified Performance is a semiannual reward aiming to strengthen the partnership between the employees and the Bank, recognition of the participants' effort in the results attainment and the alignment of these results with the Bank strategies.

The qualification and classification of the participants 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 determines that 50% of the reward should be paid in shares of the Bank and 50% in the Alelo reward card. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. In the first half of 2019, 709,575 treasury shares were distributed.

## 24 – TAXES

The period of the rate of 20% to social contribution expense (CSLL) ended at December 31, 2018, which returned the rate to 15% since January 1, 2019, of financial institutions and private insurance and capitalization companies, according Law 13,169/2015.

### a) Breakdown of income tax (IR) and social contribution expenses (CSLL)

	1st half/2019	1st half/2018
<b>Current values</b>	<b>(1,691,254)</b>	<b>(1,544,576)</b>
Domestic income tax and social contribution	(1,336,730)	(1,294,820)
Foreign income tax	(354,524)	(249,756)
<b>Deferred values</b>	<b>2,170,713</b>	<b>391,894</b>
<b>Deferred tax liabilities</b>	<b>(478,930)</b>	<b>(198,769)</b>
Leasing - portfolio adjustment and accelerated depreciation	4,689	15,979
Fair value	(50,604)	(57,812)
Interest and inflation adjustment of fiscal judicial deposits	(94,742)	(105,318)
Foreign profits	(291,874)	(87,228)
Transactions carried out on the futures market	618	4,798
Recovered term credits	(47,017)	30,812
<b>Deferred tax assets</b>	<b>2,649,643</b>	<b>590,663</b>
Temporary differences	775,619	(1,071,421)
Tax losses/CSLL negative bases	1,948,486	1,513,336
Fair value	(117,293)	148,748
Transactions carried out on the futures market	42,831	--
<b>Total</b>	<b>479,459</b>	<b>(1,152,682)</b>

### b) Reconciliation of income tax and social contribution charges

	1st half/2019	1st half/2018
<b>Profit before taxation and profit sharing</b>	<b>9,604,924</b>	<b>8,549,230</b>
Total charges of IR (25%) and CSLL (15%)	(3,841,970)	(3,847,154)
Charges upon interest on own capital	1,319,027	801,621
Share of earnings of associates and joint ventures	769,783	941,486
Employee profit sharing	417,353	329,603
Other amounts	1,815,266	621,762
<b>Income tax and social contribution</b>	<b>479,459</b>	<b>(1,152,682)</b>

**c) Tax expenses**

	1st half/2019	1st half/2018
Cofins	(1,418,334)	(1,450,702)
ISSQN	(593,689)	(544,746)
PIS/Pasep	(242,951)	(245,312)
Other	(257,976)	(282,200)
<b>Total</b>	<b>(2,512,950)</b>	<b>(2,522,960)</b>

**d) Deferred tax liabilities**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Arising from mark-to-market	768,442	306,327	222,749
Arising from interest and inflation adjustment of fiscal judicial deposits	316,489	316,489	592,661
Arising from recovered term credits	472,651	425,634	366,280
Overseas entities	104,920	88,938	63,477
Arising from leasing portfolio adjustment	17,274	21,963	35,959
Related to foreign profit	291,874	--	87,228
Arising from positive adjustments of benefits plans	8,650	39,676	1,247,008
Arising from futures market transactions	--	693	1,244
Other	52,539	52,539	69,313
<b>Total deferred tax liabilities</b>	<b>2,032,839</b>	<b>1,252,259</b>	<b>2,685,919</b>
Income tax	1,195,779	769,721	1,326,650
Social contribution	752,613	445,160	825,122
Cofins	72,642	32,153	459,481
PIS/Pasep	11,805	5,225	74,666

**e) Deferred tax assets (Tax credit)**

	Dec 31, 2018	2nd quarter/2018		Jun 30, 2019	Jun 30, 2018
	Balance	Constitution	Write off	Balance	Balance
Temporary differences	36,609,071	11,806,332	(7,034,905)	41,380,498	37,434,115
Allowance for loan losses	21,786,705	4,646,200	(4,627,676)	21,805,229	23,322,520
Provisions	10,112,491	2,440,857	(1,625,496)	10,927,852	9,865,364
Negative adjustments of benefits plans	2,277,287	4,172,804	(91,736)	6,358,355	1,381,579
Mark to Market (MTM)	826,847	80,149	(154,062)	752,934	1,318,800
Other provisions	1,605,741	466,322	(535,935)	1,536,128	1,545,852
CSLL written to 18% (MP 2,158/2001)	667,060	--	--	667,060	667,060
Tax losses/excess depreciation	62,021	--	(11,179)	50,842	75,263
Tax losses/negative bases	1,304,969	2,251,825	(311,267)	3,245,527	1,875,903
<b>Total deferred tax assets</b>	<b>38,643,121</b>	<b>14,058,157</b>	<b>(7,357,351)</b>	<b>45,343,927</b>	<b>40,052,341</b>
Income tax	23,950,263	8,516,754	(4,293,926)	28,173,091	24,094,396
Social contribution	14,602,362	5,534,634	(3,044,994)	17,092,002	15,830,565
Cofins	77,846	5,807	(15,839)	67,814	109,574
PIS/Pasep	12,650	962	(2,592)	11,020	17,806

**f) Deferred tax assets (Tax credit - not recorded)**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Overseas deferred tax assets	931,387	930,845	939,256
Portion of tax losses/negative bases	15,247	949,078	9,392
Temporary differences	10,158	253	1
<b>Total deferred tax assets</b>	<b>956,792</b>	<b>1,880,176</b>	<b>948,649</b>
Income tax	600,774	1,176,171	593,932
Social contribution	356,018	704,005	354,717



### Realization projection

The expectation of realization of the deferred tax assets (tax credits) is based on a technical study, prepared in June 30, 2019, and the present value is determined based on the average rate of funding of Banco do Brasil.

	Future value	Present value
In 2019	8,502,908	8,060,469
In 2020	17,148,133	15,724,034
In 2021	15,702,110	13,847,727
In 2022	835,935	706,447
In 2023	998,926	812,560
In 2024	1,258,835	983,522
In 2025	816,548	615,163
In 2026	4,735	3,059
In 2027	17,751	12,443
In 2028	307	176
In 2029	57,739	37,474
<b>Total deferred tax assets on Jun 30, 2019</b>	<b>45,343,927</b>	<b>40,803,074</b>

In the first half 2019 it was possible to observe the realization of the deferred tax assets at Banco do Brasil, in the amount of R\$ 6,947,505 thousand corresponding to 45.41% of the projection of use for the period of 2019 contained in the technical study prepared on December 31, 2018.

The realization of the nominal value of the deferred tax assets registered, considering the recovery of those written-off during the lawsuits (Note 27.h), based on a technical study conducted by Banco do Brasil on June 30, 2019, is projected for 10 years in the following proportions:

	Tax losses/CSLL recoverable <sup>(1)</sup>	Differences intertemporal <sup>(2)</sup>
In 2019	1%	20%
In 2020	1%	40%
In 2021	9%	37%
In 2022	17%	1%
In 2023	23%	1%
From 2024	49%	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:

	1st half/2019	1st half/2018
<b>Short-term benefits</b>	<b>29,209</b>	<b>36,014</b>
Fees and social security contributions	16,841	20,323
Executive Board	16,677	20,120
Board of Directors	164	203
Variable remuneration (cash) and social charges	10,986	14,153
Other <sup>(1)</sup>	1,382	1,538
<b>Termination benefits</b>	<b>521</b>	<b>345</b>
<b>Share-based payment benefits</b>	<b>15,290</b>	<b>14,913</b>
<b>Total</b>	<b>45,020</b>	<b>51,272</b>

(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, as disclosed in other notes.

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, 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 Union and made advance of employer's contributions with sponsored entity Cassi. Also signed an amendment to the Credit Assignment Agreement arising from the Renegotiation of Rural Debt signed between the Union and Bank on June 29, 2001. The Union paid to Bank funds resulting from the reconciliation of PESA operations provided by Bank 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 and Fundo Contábil do PROCERA.

In the 1st half/2019 the Bank established Companies Credit Card Ceiling to pay Cielo S.A. bills under usual financial market conditions.

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 the 1st half/2019, the Bank's contributions to FBB totaled R\$ 47,260 thousand (R\$ 30,784 thousand in the 1st half/2018).

#### **c) Acquisition of portfolio of loans transferred by Banco Votorantim**

	<b>1st half/2019</b>	<b>1st half/2018</b>
Assignment with substantial retention of risks and rewards (with co-obligation)	1,994,500	2,017,324
Unrealized result, net of tax effects (balance)	--	115

**d) Summary of related party transactions**

	Jun 30, 2019				
	Controller <sup>(1)</sup>	Joint ventures and associates <sup>(2)</sup>	Key management personnel <sup>(3)</sup>	Other related parties <sup>(4)</sup>	Total
<b>Assets</b>					
Interbank deposits	--	460,775	--	1,054,716	1,515,491
Securities	--	3,414,777	--	398,278	3,813,055
Loans <sup>(5)</sup>	--	5,619,565	2,621	16,916,504	22,538,690
Receivables from related companies	--	261,333	--	9,199	270,532
Other assets <sup>(6)</sup>	3,429,847	607,463	--	646,966	4,684,276
Guarantees received <sup>(7)</sup>	--	31,888	--	2,790,233	2,822,121
<b>Liabilities</b>					
Demand deposits	1,049,228	214,316	1,043	570,981	1,835,568
Saving deposits	8,794	--	648	226,654	236,096
Remunerated time deposits	3,300,138	516,322	321	12,721,644	16,538,425
Securities sold under repurchase agreements	41,187	17,271	--	22,905,994	22,964,452
Borrowings and onlendings	126,774	--	--	63,849,250	63,976,024
Other liabilities <sup>(8)</sup>	1,506,562	11,972,778	18,202	1,338,004	14,835,546
Guarantees given and other coobligations <sup>(9)</sup>	--	5,011,400	--	25,612	5,037,012
<b>1st half/2019</b>					
Income from financial intermediation	1,598,181	398,180	218	884,526	2,881,105
Service fee income	20,957	2,027,863	--	156,743	2,205,563
Other income <sup>(10)</sup>	34,320	438,299	--	8,955	481,574
Expenses from financial intermediation	(100,174)	(16,922)	(548)	(2,052,422)	(2,170,066)
Other expenses	--	(299,880)	--	(474,579)	(774,459)

(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\$ 169 thousand as allowance for losses on loans on transactions with related parties. The constitution for allowance was R\$ 128 thousand in the 1st half/2019.

(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) Mainly include derivate financial instruments and financial bills. Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

(10) Includes the amount of R\$202,154 thousand in the 1st half/2019 related recoveries of costs and expenses from the structure sharing.

	Jun 30, 2018				
	Controller <sup>(1)</sup>	Joint ventures and associates <sup>(2)</sup>	Key management personnel <sup>(3)</sup>	Other related parties <sup>(4)</sup>	Total
<b>Assets</b>					
Interbank deposits	--	712,726	--	252,748	965,474
Securities	--	3,428,269	--	495,330	3,923,599
Loans <sup>(5)</sup>	--	11,100,570	2,624	29,842,654	40,945,848
Receivables from related companies	--	211,890	--	9,207	221,097
Other assets <sup>(6)</sup>	3,963,641	660,778	--	667,144	5,291,563
Guarantees received <sup>(7)</sup>	--	2,003,536	--	3,728,203	5,731,739
<b>Liabilities</b>					
Demand deposits	526,467	29,241	552	648,634	1,204,894
Saving deposits	--	--	543	346,130	346,673
Remunerated time deposits	16,154	669,939	81	16,459,301	17,145,475
Securities sold under repurchase agreements	--	645,218	--	14,976,281	15,621,499
Borrowings and onlendings	158,633	--	--	69,930,998	70,089,631
Other liabilities <sup>(8)</sup>	431,732	11,319,550	17,693	3,051,161	14,820,136
Guarantees given and other coobligations <sup>(9)</sup>	--	6,802,185	--	742,276	7,544,461
<b>1st half/2018</b>					
Income from financial intermediation	1,666,138	663,037	141	1,310,691	3,640,007
Service fee income	38,960	2,302,708	--	221,147	2,562,815
Other income <sup>(10)</sup>	153,132	721,096	--	9,048	883,276
Expenses from financial intermediation	(69,616)	(4,578)	(474)	(2,162,857)	(2,237,525)
Other expenses	--	(149,032)	--	(451,050)	(600,082)

(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\$ 2 thousand as allowance for losses on loans on transactions with related parties. The reversal of expense for allowance was R\$ 22 thousand in the 1st half/2018. The loans with key management personnel were contracted before the effectiveness of the mandates.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).

(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.

(8) Mainly include derivate financial instruments and financial bills. Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

(10) Includes the amount of R\$ 190,361 thousand in the 1st half/2018 related recoveries of costs and expenses from the structure sharing.

## 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

	Jun 30, 2019			Dec 31, 2018			Jun 30, 2018		
	Number of participants			Number of participants			Number of participants		
	Active	Retired/ users	Total	Active	Retired/ users	Total	Active	Retired/ users	Total
<b>Retirement and pension plans</b>	<b>99,303</b>	<b>118,532</b>	<b>217,835</b>	<b>100,027</b>	<b>118,699</b>	<b>218,726</b>	<b>101,548</b>	<b>118,784</b>	<b>220,332</b>
Plano de Benefícios 1 - Previ	9,323	98,761	108,084	9,694	98,902	108,596	9,996	98,993	108,989
Plano Previ Futuro	76,790	1,814	78,604	77,111	1,700	78,811	78,292	1,606	79,898
Plano Informal	--	2,767	2,767	--	2,870	2,870	--	2,964	2,964
Other plans	13,190	15,190	28,380	13,222	15,227	28,449	13,260	15,221	28,481
<b>Health care plans</b>	<b>100,044</b>	<b>105,401</b>	<b>205,445</b>	<b>100,990</b>	<b>105,701</b>	<b>206,691</b>	<b>101,779</b>	<b>105,840</b>	<b>207,619</b>
Cassi	89,495	98,517	188,012	90,390	98,721	189,111	91,126	98,801	189,927
Other plans	10,549	6,884	17,433	10,600	6,980	17,580	10,653	7,039	17,692

### Bank's contributions to benefit plans

	1st half/2019	1st half/2018
<b>Retirement and pension plans</b>	<b>822,341</b>	<b>781,734</b>
Plano de Benefícios 1 - Previ <sup>(1)</sup>	330,681	330,977
Plano Previ Futuro	324,657	300,969
Plano Informal	76,046	79,916
Other plans	90,957	69,872
<b>Health care plans</b>	<b>617,526</b>	<b>931,853</b>
Cassi	534,502	851,130
Other plans	83,024	80,723
<b>Total</b>	<b>1,439,867</b>	<b>1,713,587</b>

(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 until 2018 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 second half of 2019 will be approximately R\$ 922,616 thousand.

### Values recognized in income

	1st half/2019	1st half/2018
<b>Retirement and pension plans</b>	<b>(396,874)</b>	<b>(347,302)</b>
Plano de Benefícios 1 - Previ	94,063	125,735
Plano Previ Futuro	(324,657)	(300,969)
Plano Informal	(54,615)	(62,863)
Other plans	(111,665)	(109,205)
<b>Health care plans</b>	<b>(784,697)</b>	<b>(787,881)</b>
Cassi	(695,548)	(705,138)
Other plans	(89,149)	(82,743)
<b>Total</b>	<b>(1,181,571)</b>	<b>(1,135,183)</b>

For further details regarding defined benefit plans, see section d.4 of this Note.

### 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 were 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, Fusc 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, Fusc 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 June 30, 2019, December 31, 2018 and June 30, 2018.

### d.1) Changes in present value of defined benefit actuarial obligations

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018
<b>Opening balance</b>	<b>(172,028,674)</b>	<b>(155,258,787)</b>	<b>(155,258,787)</b>	<b>(940,374)</b>	<b>(959,692)</b>	<b>(959,692)</b>	<b>(9,394,601)</b>	<b>(8,724,130)</b>	<b>(8,724,130)</b>	<b>(9,719,429)</b>	<b>(8,900,039)</b>	<b>(8,900,039)</b>
Interest cost	(7,819,489)	(16,703,376)	(7,918,198)	(40,437)	(94,775)	(45,800)	(447,989)	(980,982)	(467,766)	(443,203)	(956,491)	(452,738)
Current service cost	(156,869)	(399,287)	(213,410)	--	--	--	(48,698)	(85,096)	(44,428)	(11,666)	(23,534)	(12,322)
Past service cost	--	--	--	(14,178)	(33,431)	(17,064)	--	--	--	--	--	--
Benefits paid using plan assets	6,215,852	11,988,879	6,008,947	76,046	166,952	79,916	335,642	730,087	335,186	318,825	668,778	308,067
Remeasurements of actuarial gain/(losses)	(21,535,533)	(11,656,103)	5,937,495	(157,240)	(19,428)	41,076	(2,812,795)	(334,480)	488,292	(1,306,960)	(508,143)	451,695
Experience adjustment	(2,297,045)	(311,951)	(813,343)	(91,565)	4,685	13,417	(1,123,449)	415,728	87,936	(217,989)	(122,439)	(24,686)
Changes to biometric assumptions	--	(4,209,120)	--	--	(536)	--	--	(303,405)	--	--	30,496	--
Changes to financial assumptions	(19,238,488)	(7,135,032)	6,750,838	(65,675)	(23,577)	27,659	(1,689,346)	(446,803)	400,356	(1,088,971)	(416,200)	476,381
<b>Closing balance</b>	<b>(195,324,713)</b>	<b>(172,028,674)</b>	<b>(151,443,953)</b>	<b>(1,076,183)</b>	<b>(940,374)</b>	<b>(901,564)</b>	<b>(12,368,441)</b>	<b>(9,394,601)</b>	<b>(8,412,846)</b>	<b>(11,162,433)</b>	<b>(9,719,429)</b>	<b>(8,605,337)</b>
Present value of actuarial liabilities with surplus	(188,991,543)	(172,028,674)	(151,443,953)	--	--	--	(242,250)	(242,250)	(323,000)	(6,881,798)	(6,045,154)	(5,817,970)
Present value of actuarial liabilities without surplus	(6,333,170)	--	--	(1,076,183)	(940,374)	(901,564)	(12,126,191)	(9,152,351)	(8,089,846)	(4,280,635)	(3,674,275)	(2,787,367)

## d.2) Changes in fair value of plan assets

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans <sup>(1)</sup>		
	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018
Opening balance	179,197,455	164,024,626	164,024,626	--	--	--	242,250	--	--	6,045,154	5,713,736	5,713,736
Interest income	8,164,485	17,990,770	8,383,078	--	--	--	--	--	--	275,625	632,690	291,400
Advance of consideration <sup>(2)</sup>	--	--	--	--	--	--	--	242,250	323,000	--	--	--
Contributions received <sup>(3)</sup>	600,885	891,384	330,977	76,046	166,952	79,916	335,642	730,087	335,186	139,870	220,828	102,154
Benefits paid using plan assets	(6,215,852)	(11,988,879)	(6,008,947)	(76,046)	(166,952)	(79,916)	(335,642)	(730,087)	(335,186)	(318,825)	(668,778)	(308,067)
Actuarial gain/(loss) on plan assets	7,244,570	8,279,554	(1,566,908)	--	--	--	--	--	--	739,974	146,678	18,747
Closing balance	188,991,543	179,197,455	165,162,826	--	--	--	242,250	242,250	323,000	6,881,798	6,045,154	5,817,970

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmias (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.

(3) In Plano 1 – Previ, in the 1st semester of 2019, refers to the contributions of participants (R\$ 270,204 thousand) and the sponsor (R\$ 330,681 thousand - including R\$ 60,477 thousand referring to the Contract 97 and Grupo Especial).

## d.3) Amounts recognized in the balance sheet

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
1) Fair value of the plan assets	188,991,543	179,197,455	165,162,826	--	--	--	242,250	242,250	323,000	6,881,798	6,045,154	5,817,970
2) Present value of actuarial liabilities	(195,324,713)	(172,028,674)	(151,443,953)	(1,076,183)	(940,374)	(901,564)	(12,368,441)	(9,394,601)	(8,412,846)	(11,162,433)	(9,719,429)	(8,605,337)
3) Surplus/(deficit) (1+2)	(6,333,170)	7,168,781	13,718,873	(1,076,183)	(940,374)	(901,564)	(12,126,191)	(9,152,351)	(8,089,846)	(4,280,635)	(3,674,275)	(2,787,367)
4) Net actuarial asset/(liability) <sup>(1)</sup>	(3,166,585)	3,584,390	6,859,437	(1,076,183)	(940,374)	(901,564)	(12,126,191)	(9,152,351)	(8,089,846)	(2,779,984)	(2,397,244)	(1,864,007)

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

#### d.4) 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	
	1st half/2019	1st half/2018	1st half/2019	1st half/2018	1st half/2019	1st half/2018	1st half/2019	1st half/2018
Current service cost	(78,435)	(106,705)	--	--	(48,698)	(44,428)	(5,833)	(6,161)
Interest cost	(3,909,744)	(3,959,099)	(40,437)	(45,799)	(447,989)	(467,766)	(246,552)	(250,315)
Expected yield on plan assets	4,082,242	4,191,539	--	--	--	--	137,503	145,387
Unrecognized past service cost	--	--	(14,178)	(17,064)	--	--	--	--
Expense with active employees	--	--	--	--	(198,861)	(192,944)	(88,803)	(83,979)
Other adjustments/reversals	--	--	--	--	--	--	2,871	3,120
<b>(Expense)/income recognized in the statement of income</b>	<b>94,063</b>	<b>125,735</b>	<b>(54,615)</b>	<b>(62,863)</b>	<b>(695,548)</b>	<b>(705,138)</b>	<b>(200,814)</b>	<b>(191,948)</b>

#### d.5) Amounts recognized in the shareholders' equity

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018	1st half/2019	2018	1st half/2018
<b>Opening balance</b>	<b>(11,560,758)</b>	<b>(10,280,378)</b>	<b>(10,280,378)</b>	<b>(119,938)</b>	<b>(108,281)</b>	<b>(108,281)</b>	<b>(1,377,520)</b>	<b>(1,176,832)</b>	<b>(1,176,832)</b>	<b>(1,027,497)</b>	<b>(877,392)</b>	<b>(877,392)</b>
Accumulated other comprehensive income	(7,175,720)	(2,133,967)	2,019,805	(157,241)	(19,428)	41,075	(2,812,794)	(334,480)	488,292	(358,763)	(249,809)	252,848
Tax effects	2,870,288	853,587	(807,922)	62,896	7,771	(16,430)	1,125,118	133,792	(195,317)	145,528	99,704	(102,187)
<b>Closing balance</b>	<b>(15,866,190)</b>	<b>(11,560,758)</b>	<b>(9,068,495)</b>	<b>(214,283)</b>	<b>(119,938)</b>	<b>(83,636)</b>	<b>(3,065,196)</b>	<b>(1,377,520)</b>	<b>(883,857)</b>	<b>(1,240,732)</b>	<b>(1,027,497)</b>	<b>(726,731)</b>

#### d.6) Maturity profile of defined benefit actuarial obligations

	Duration <sup>(1)</sup>	Expected benefit payments <sup>(2)</sup>				
		Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Plano 1 (Previ)	10.86	13,314,398	13,234,210	13,182,864	296,649,279	336,380,751
Plano Informal (Previ)	5.85	161,976	144,126	127,726	953,981	1,387,809
Plano de Associados (Cassi)	11.28	843,440	841,260	839,199	20,322,028	22,845,927
Regulamento Geral (Economus)	11.56	495,849	501,272	503,496	13,511,164	15,011,781
Regulamento Complementar 1 (Economus)	13.92	2,305	2,585	2,658	131,424	138,972
Plus I e II (Economus)	13.81	40,523	41,900	43,221	1,707,936	1,833,580
Grupo B' (Economus)	9.99	18,575	18,470	18,350	375,473	430,868
Prevmais (Economus)	14.56	13,889	14,586	15,239	699,761	743,475
Multifuturo I (Fusesc)	16.54	6,487	6,590	6,709	396,497	416,283
Plano I (Fusesc)	9.21	41,341	42,277	41,557	716,500	841,675
Plano BEP (Prevbep)	11.54	4,859	4,938	5,494	146,965	162,256

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.

(2) Amounts considered without discounting at present value.

#### d.7) Composition of the plan assets

	Plano 1 - Previ			Other plans		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Fixed income	85,424,177	74,008,549	73,035,002	5,419,948	4,734,172	4,705,521
Equity securities and similar instruments <sup>(1)</sup>	86,236,841	88,864,018	74,835,276	567,622	530,688	335,396
Real estate investments	10,318,938	9,802,101	10,405,258	290,655	266,761	257,229
Loans and financing	5,764,242	5,465,522	5,731,150	156,127	140,399	131,923
Other	1,247,345	1,057,265	1,156,140	447,446	373,134	387,901
<b>Total</b>	<b>188,991,543</b>	<b>179,197,455</b>	<b>165,162,826</b>	<b>6,881,798</b>	<b>6,045,154</b>	<b>5,817,970</b>
<b>Amounts listed in fair value of plan assets</b>						
In the entity's own financial instruments	9,735,907	10,296,587	10,005,903	31,535	31,463	30,998
In properties or other assets used by the entity	91,321	148,139	155,230	33,983	8,449	7,485

(1) Includes, in Plano 1 – Previ, the amount of R\$ 51,707,464 thousand (R\$ 54,975,138 thousand on December 31, 2018 and R\$ 53,517,127 thousand on June 30, 2018), related to the assets that are not quoted in active markets.

#### d.8) Main actuarial assumptions adopted

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Inflation rate (p.a.)	4.51%	4.42%	6.05%	4.35%	4.39%	5.77%	4.53%	4.43%	6.08%	4.52%	4.42%	6.08%
Real discount rate (p.a.)	3.96%	4.83%	5.80%	3.74%	4.64%	5.61%	3.97%	4.86%	5.81%	3.97%	4.86%	5.82%
Nominal rate of return on investments (p.a.)	8.65%	9.46%	12.20%	--	--	--	--	--	--	8.66%	9.50%	12.25%
Real rate of expected salary growth (p.a.)	0.77%	0.77%	0.93%	--	--	--	--	--	--	0.95%	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 (CNPc) and the Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are in the definition of the assumptions used in Plano 1 – Previ.

#### d.9) Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	3.96%	5.00%
Evaluation of assets		
Federal Government securities	Fair value	Amortized Cost
Equity stakes	Fair Value or Discounted Cash Flow	Weighted Average <sup>(1)</sup> 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.10) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

	Plan assets			Actuarial liabilities			Effect in surplus/(deficit)		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Value determined - Previ</b>	<b>162,427,472</b>	<b>160,882,240</b>	<b>137,616,543</b>	<b>(157,620,556)</b>	<b>(154,506,120)</b>	<b>(149,700,778)</b>	<b>4,806,916</b>	<b>6,376,120</b>	<b>(12,084,235)</b>
Incorporation of values from agreement 97	13,029,381	13,190,867	13,369,141	(13,029,381)	(13,190,867)	(13,369,141)	--	--	--
Incorporation of values from Grupo Especial	1,086,336	1,091,011	1,097,056	(1,086,336)	(1,091,011)	(1,097,056)	--	--	--
Adjustment in the value of plan assets <sup>(1)</sup>	12,448,354	4,033,337	13,080,086	--	--	--	12,448,354	4,033,337	13,080,086
Adjustment in the liabilities - discount rate/capitalization method	--	--	--	(23,588,440)	(3,240,676)	12,723,022	(23,588,440)	(3,240,676)	12,723,022
<b>Value determined - Bank</b>	<b>188,991,543</b>	<b>179,197,455</b>	<b>165,162,826</b>	<b>(195,324,713)</b>	<b>(172,028,674)</b>	<b>(151,443,953)</b>	<b>(6,333,170)</b>	<b>7,168,781</b>	<b>13,718,873</b>

(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.11) 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.

The table below presents the sensitivity analysis of the most relevant actuarial assumptions, showing the increase/(decrease) in defined benefit obligations, with variations reasonably possible on the actuarial valuation date.

	Discount rate		Life expectancy		Salary increase	
	+0.25%	-0.25%	+1 age	-1 age	+0.25%	-0.25%
Plano 1 (Previ)	(5,369,195)	5,641,573	2,511,105	(2,503,542)	76,086	(75,648)
Plano Informal (Previ)	(16,003)	16,515	38,560	(37,592)	--	--
Plano de Associados (Cassi)	(311,183)	326,313	216,255	(213,614)	1,024	(1,000)
Regulamento Geral (Economus)	(244,005)	256,126	156,768	(160,410)	--	--
Regulamento Complementar 1 (Economus)	(2,615)	2,751	(1,452)	1,472	--	--
Plus I e II (Economus)	(31,486)	33,377	37,910	(36,542)	33,494	(31,770)
Grupo B' (Economus)	(6,521)	6,800	6,487	(6,613)	--	--
Prevmais (Economus)	(11,124)	11,752	1,999	(1,869)	2,077	(2,041)
Multifuturo I (Fusesc)	(6,952)	7,475	1,379	(1,382)	3,431	(3,261)
Plano I (Fusesc)	(12,229)	12,735	12,709	(12,775)	--	--
Plano BEP (Prevbep)	(2,658)	2,796	1,630	(1,657)	96	(95)

#### e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets			Actuarial liabilities		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Plano 1 (Previ)	--	3,584,390	6,859,437	(3,166,585)	--	--
Plano Informal (Previ)	--	--	--	(1,076,183)	(940,374)	(901,564)
Plano de Associados (Cassi)	--	--	--	(12,126,191)	(9,152,351)	(8,089,846)
Regulamento Geral (Economus)	--	--	--	(1,714,397)	(1,555,593)	(1,226,199)
Regulamento Complementar 1 (Economus)	--	--	648	(7,863)	(501)	--
Plus I e II (Economus)	--	--	--	(915,343)	(807,388)	(635,862)
Grupo B' (Economus)	--	--	--	(266,052)	(220,881)	(207,009)
Prevmais (Economus)	44,823	67,671	59,703	--	--	--
Multifuturo I (Fusesc)	43,363	72,806	78,560	--	--	--
Plano I (Fusesc)	15,949	22,246	40,792	--	--	--
Plano BEP (Prevbep)	19,536	24,396	25,360	--	--	--
<b>Total</b>	<b>123,671</b>	<b>3,771,509</b>	<b>7,064,500</b>	<b>(19,272,614)</b>	<b>(12,677,088)</b>	<b>(11,060,480)</b>



**f) Allocations of the Surplus - Plano 1**

	1st half/2019	2018	1st half/2018
<b>Fundo Paridade</b>			
<b>Opening balance</b>	--	<b>102,726</b>	<b>102,726</b>
Restatement	--	4,636	3,354
Contributions to Plano 1 - Agreement 97	--	(317,111)	(64,726)
Amounts transferred from the Fundo de Utilização	--	209,749	--
<b>Closing balance</b>	--	--	<b>41,354</b>
<b>Fundo de Utilização</b>			
<b>Opening balance</b>	<b>9,511,761</b>	<b>9,499,488</b>	<b>9,499,488</b>
Contributions to Plano 1	(330,681)	(574,273)	(266,251)
Transfer to the Fundo Paridade	--	(209,749)	--
Restatement	467,479	796,295	476,896
<b>Closing balance</b>	<b>9,648,559</b>	<b>9,511,761</b>	<b>9,710,133</b>
<b>Total funds allocated surplus</b>	<b>9,648,559</b>	<b>9,511,761</b>	<b>9,751,487</b>

**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 was 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 had 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, subsidiary liability, 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. The suspension was revoked by Minister Gilmar Mendes in April 9, 2019.

Regarding lawsuits related to inflationary purges in judicial deposits, Minister Edson Fachin of the Federal Supreme Court, after acknowledging the general repercussion of the constitutional matter dealt with in the Extraordinary Resources interposed by Banco do Brasil, Caixa Econômica Federal, União e Febraban (RE no. 1,141,156/RJ), has ordered the suspension of the processes that deal with the matter and that process in the national territory.

**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**

	1st half/2019	1st half/2018
<b>Labor lawsuits</b>		
<b>Opening balance</b>	<b>2,520,968</b>	<b>2,677,568</b>
Addition	2,121,638	652,885
Reversal of the provision	(711,857)	(350,144)
Write off	(615,706)	(526,733)
Inflation correction and exchange fluctuation	126,577	108,180
<b>Closing balance</b>	<b>3,441,620</b>	<b>2,561,756</b>
<b>Tax lawsuits</b>		
<b>Opening balance</b>	<b>262,724</b>	<b>258,324</b>
Addition	261,892	84,455
Reversal of the provision	(62,589)	(75,673)
Write off	(40,234)	(25,128)
Inflation correction and exchange fluctuation	6,817	3,038
<b>Closing balance</b>	<b>428,610</b>	<b>245,016</b>
<b>Civil lawsuits</b>		
<b>Opening balance</b>	<b>6,997,444</b>	<b>6,723,721</b>
Addition	5,832,057	1,790,712
Reversal of the provision	(2,988,591)	(34,399)
Write off	(2,388,724)	(1,317,801)
Inflation correction and exchange fluctuation	135,707	130,374
<b>Closing balance</b>	<b>7,587,893</b>	<b>7,292,607</b>
<b>Total labor, tax and civil</b>	<b>11,458,123</b>	<b>10,099,379</b>

**e.2) Expected outflows of economic benefits**

	Labor	Tax	Civil
Up to 5 years	3,410,345	419,440	7,529,880
Over 5 years	31,275	9,170	58,013
<b>Total</b>	<b>3,441,620</b>	<b>428,610</b>	<b>7,587,893</b>

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**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Labor lawsuits	287,677	218,985	189,052
Tax lawsuits <sup>(1)</sup>	13,762,638	13,053,487	12,562,895
Civil lawsuits	2,468,873	2,359,921	2,330,751
<b>Total</b>	<b>16,519,188</b>	<b>15,632,393</b>	<b>15,082,698</b>

(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\$ 3,858,544 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 904,000 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 658,198 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R\$ 1,847,009 thousand.

## g) Deposits in guarantee

### g.1) Deposits given in guarantee of contingencies

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Labor lawsuits	5,824,257	5,684,226	5,733,404
Tax lawsuits	9,137,521	8,397,852	8,418,288
Civil lawsuits	21,345,962	23,562,567	24,091,110
<b>Total</b>	<b>36,307,740</b>	<b>37,644,645</b>	<b>38,242,802</b>

## h) Legal liabilities

The Bank has a record in Other liabilities – taxes and social security and Other liabilities – sundry the amount of R\$ 18,128,691 thousand (R\$ 17,667,363 thousand on December 31, 2018 and R\$ 16,811,816 thousand on June 30, 2018) 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.

In June 26, 2019, the STF finalized the Extraordinary Resource judgment (RE 591.340-SP) and concluded that the 30% limitation of the right to offset tax losses and the negative basis is constitutional. This conclusion of the STF will be reflected in the judgment of the RE interposed by Banco do Brasil.

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.

After the judgment of the Bank's RE, the amounts deposited in escrow will be converted into income in favor of the Federal Government and will be reclassified, to the assets of IRPJ and CSLL to offset, the installments of IRPJ tax losses and CSLL to offset, respectively, that could have been used since the October 2005 and February 2009 accrual, 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 June 30, 2019 and updating by the Selic rate results in a further recoverable amount of R\$ 4,735,033 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

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Judicial deposits</b>	<b>18,905,281</b>	<b>18,668,426</b>	<b>18,426,098</b>
Amount realized (70%)	7,817,011	7,817,011	7,817,011
Inflation adjustment	11,088,270	10,851,415	10,609,087
<b>Legal liability – provision for lawsuit</b>	<b>18,128,691</b>	<b>17,667,363</b>	<b>16,811,816</b>
Tax losses of income tax	3,002,033	3,002,033	3,002,033
Social contribution negative bases/social contribution recoverable	3,569,640	3,569,640	3,569,640
Provision for tax risks (restatement of deposit)	11,557,018	11,095,690	10,240,143

## **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 are part of the Institution's risks inventory, performed by analyzing the business segments, direct and indirectly, considering Banco do Brasil related entities.

Once the risk inventory and its respective concepts are defined, the relevance of the risks is determined based on quantitative and qualitative criteria specified in the Corporate Manual. Risks deemed relevant are:

- a) Credit Risk;
- b) Market Risk;
- c) Banking Book Interest Rate Risk;
- d) Liquidity Risk;
- e) Operational Risk;
- f) Legal Risk;
- g) Environmental Risk;
- h) Climate Risk;
- i) Strategic Risk;
- j) Reputational Risk;
- k) Complementary Pension Fund Entities and Private Health Insurance Plan 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 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](http://bb.com.br/ir).

## Financial instruments - fair value

Financial instruments recorded in balance sheet accounts, compared to fair value:

	Jun 30, 2019		Dec 31, 2018		Jun 30, 2018		Unrealized gain/(loss) without tax effects					
	Book value	Fair value	Book value	Fair value	Book value	Fair value	On income			On shareholders' equity		
							Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Assets</b>												
Short-term interbank investments	521,261,861	521,078,626	415,091,597	414,941,710	428,739,723	427,526,235	(183,235)	(149,887)	(1,213,488)	(183,235)	(149,887)	(1,213,488)
Securities	173,719,908	172,614,252	150,413,303	150,122,037	154,258,960	153,242,526	(961,690)	(1,970,524)	(3,995,533)	(1,105,656)	(291,266)	(1,016,434)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	--	--	143,966	(1,679,258)	(2,979,099)	--	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	--	--	(1,105,656)	(291,266)	(1,016,434)	(1,105,656)	(291,266)	(1,016,434)
Derivative financial instruments	1,192,611	1,192,611	683,162	683,162	1,744,026	1,744,026	--	--	--	--	--	--
Loans	535,854,713	522,678,825	548,988,119	533,098,255	548,320,679	503,181,196	(13,175,888)	(15,889,864)	(45,139,483)	(13,175,888)	(15,889,864)	(45,139,483)
<b>Liabilities</b>												
Interbank deposits	32,373,575	32,647,041	33,668,595	33,735,065	30,790,106	30,941,467	(273,466)	(66,470)	(151,361)	(273,466)	(66,470)	(151,361)
Time deposits	231,039,776	230,932,450	209,491,504	209,363,697	210,709,870	210,591,770	107,326	127,807	118,100	107,326	127,807	118,100
Liabilities related to repurchase agreement	496,568,629	493,610,066	402,901,202	401,392,578	424,111,690	422,639,178	2,958,563	1,508,624	1,472,512	2,958,563	1,508,624	1,472,512
Borrowings and onlendings	80,638,472	80,907,532	87,718,289	87,945,963	100,930,408	101,212,421	(269,060)	(227,674)	(282,013)	(269,060)	(227,674)	(282,013)
Derivative financial instruments	1,120,332	1,120,332	809,201	809,201	1,387,583	1,387,583	--	--	--	--	--	--
Other liabilities	218,840,968	217,817,028	209,423,980	209,423,980	205,109,533	207,856,748	1,023,940	--	(2,747,215)	1,023,940	--	(2,747,215)
<b>Unrealized gain/(loss) without tax effects</b>							<b>(10,773,510)</b>	<b>(16,667,988)</b>	<b>(51,938,481)</b>	<b>(10,917,476)</b>	<b>(14,988,730)</b>	<b>(48,959,382)</b>

## **Determination of fair value of financial instruments**

Short-term interbank investments: The fair value was obtained by discounting future cash flows, using interest rates traded by the market in similar operations on the balance sheet date.

Securities: accounted by fair value, according to Bacen Circular No. 3,068/2001, except for securities held to maturity. The fair value of the securities, including those held to maturity, was obtained from rates practiced in the market.

Loan operations: For the operations of this group, remunerated at post-fixed rates, the fair value of the book value itself was considered, due to the equivalence between them. The operations remunerated at prepaid interest rates were estimated by discounting future cash flows, adopting the interest rates used by the Bank to contract similar operations at the balance sheet date. Eventually, in the case of shorter-term flows, with stability in the discount rates over the periods, the book value criterion can be adopted.

Interbank deposits: The fair value was calculated by the discount of the future cash flows using rates currently applicable in the market for fixed rate deposits. For post-fixed operations whose maturities were less than 30 days, the book value was deemed approximately equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the fair value.

Liabilities related to repurchase agreement: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applied in contracting similar operations on the last trading day. For post-fixed operations, book values have been deemed approximately equivalent to fair value.

Borrowings and onlendings: Such operations are exclusive to the Bank with no similar operations in the market. Given their specific characteristics, the exclusive rates for each fund, the inexistence of an active market or similar traded instruments, the fair values of such operations are considered equivalent to the book value.

Other liabilities: Fair values have been determined by the discounted cash flow method, which takes into account interest rates offered in the market for obligations with similar maturities, risks and terms.

Derivatives financial instruments: Derivatives were booked at fair value, according to Bacen Circular No. 3,082/2002. The fair value of derivatives was estimated in accordance with internal pricing models, using the interest rates disclosed for transactions with similar terms and indices on the last business day of the period.

Other financial instruments: Included or not in the balance sheet, fair value is approximately equivalent to the corresponding book value.

## **Source of information regarding assets and liabilities measured at fair value in the balance sheet**

The Bank's fair value measurements consider the following input levels:

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 Jun 30, 2019	Level 1	Level 2	Level 3
<b>Assets</b>	<b>156,051,512</b>	<b>118,628,385</b>	<b>33,305,548</b>	<b>4,117,579</b>
Hedge interbank deposit	1,138,077	--	1,138,077	--
Trading securities, measured by fair value	7,993,188	6,736,388	1,253,160	3,640
Derivative financial instruments	1,192,611	--	849,641	342,970
Available-for-sale securities, measured by fair value	145,727,636	111,891,997	30,064,670	3,770,969
<b>Liabilities</b>	<b>(2,172,630)</b>	<b>--</b>	<b>(1,986,687)</b>	<b>(185,943)</b>
Hedge funding	(1,052,298)	--	(1,052,298)	--
Derivative financial instruments	(1,120,332)	--	(934,389)	(185,943)

	Balance at Dec 31, 2018	Level 1	Level 2	Level 3
<b>Assets</b>	<b>131,904,945</b>	<b>98,630,263</b>	<b>33,274,682</b>	<b>--</b>
Hedge interbank deposit	664,473	--	664,473	--
Trading securities, measured by fair value	6,181,752	5,124,674	1,057,078	--
Derivative financial instruments	683,162	--	683,162	--
Available-for-sale securities, measured by fair value	124,375,558	93,505,589	30,869,969	--
<b>Liabilities</b>	<b>(1,359,292)</b>	<b>--</b>	<b>(1,359,292)</b>	<b>--</b>
Hedge funding	(550,091)	--	(550,091)	--
Derivative financial instruments	(809,201)	--	(809,201)	--

	Balance at Jun 30, 2018	Level 1	Level 2	Level 3
<b>Assets</b>	<b>145,663,043</b>	<b>113,813,910</b>	<b>31,849,133</b>	<b>--</b>
Hedge interbank deposit	424,253	--	424,253	--
Trading securities, measured by fair value	5,080,611	3,946,961	1,133,650	--
Derivative financial instruments	1,744,026	--	1,744,026	--
Available-for-sale securities, measured by fair value	138,414,153	109,866,949	28,547,204	--
<b>Liabilities</b>	<b>(1,672,508)</b>	<b>--</b>	<b>(1,672,508)</b>	<b>--</b>
Hedge funding	(284,925)	--	(284,925)	--
Derivative financial instruments	(1,387,583)	--	(1,387,583)	--

In the second quarter of 2019, the criteria for classifying financial instruments between the levels of the fair value hierarchy were improved. The changes mainly affected the private securities (Agribusiness Receivables Certificate (CRA), Real Estate Receivables Certificate (CRI), Debentures, Promissory Notes (NP) and Credit Rights Investment Fund (FIDC)), for which there are not always availability of market information to determine their fair values.

Thus, instruments whose valuation was mainly based on internal data and methodologies, notably for instruments subject to credit risk, including derivative financial instruments (swaps), are now considered at Level 3.

**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\$ 3.72 and increase the Selic rate to 6.50% per annum based on market conditions observed on June 30, 2019.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.00% in the risk variables, based on market conditions observed on June 30, 2019 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 June 30, 2019 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					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	4,312	Maintenance	--	Maintenance	--
TMS and CDI indices	Risk of variation of interest rate indices	Decrease	--	Decrease	243	Maintenance	--
IPCA index	Risk of variation of inflation indices	Decrease	--	Maintenance	--	Maintenance	--
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(15,810)	Decrease	(9,784)	Increase	6,173

Risk factor	Concept	Scenario II					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,349)	Decrease	(350)	Increase	(83,808)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	--	Increase	(71)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(1,356)	Increase	(143)	Increase	(20,434)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(134,997)	Decrease	(157,768)	Decrease	(134,624)

Risk factor	Concept	Scenario III					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(26,202)	Decrease	(693)	Increase	(161,315)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	--	Increase	(142)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(2,663)	Increase	(281)	Increase	(37,695)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(269,994)	Decrease	(315,536)	Decrease	(269,249)

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					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	3,389,594	Maintenance	--	Maintenance	--
TR	Risk of variation of interest rate indices	Decrease	(3,469,791)	Maintenance	--	Maintenance	--
TBF		Increase	190	Decrease	(318)	Increase	2,050
TJLP		Decrease	(195,256)	Decrease	(6,269)	Increase	(814)
TMS and CDI		Decrease	241,491	Decrease	208,086	Decrease	30,530
IGP-M	Risk of variation of inflation indices	Decrease	30,806	Maintenance	--	Maintenance	--
INPC		Decrease	82,897	Maintenance	--	Maintenance	--
IPCA		Decrease	7,608	Maintenance	--	Maintenance	--
Foreign currency rates	Risk of variation of foreign currency indices	Increase	999,474	Increase	737,258	Increase	812,656
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(101,138)	Decrease	(44,678)	Increase	34,294

Risk factor	Concept	Scenario II					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(10,689,531)	Increase	(9,154,584)	Increase	(11,014,560)
TR	Risk of variation of interest rate indices	Decrease	--	Decrease	(4,852,166)	Decrease	(5,137,476)
TBF		Decrease	(1,666)	Decrease	(469)	Decrease	(777)
TJLP		Decrease	(335,201)	Decrease	(95,595)	Increase	(6,365)
TMS and CDI		Increase	(14,456)	Increase	(7,554)	Increase	(37,169)
IGP-M	Risk of variation of inflation indices	Increase	(40,694)	Increase	(495,898)	Increase	(265,211)
INPC		Increase	(94,738)	Increase	(121,600)	Increase	(146,311)
IPCA index		Increase	(12,336)	Increase	(1,000,438)	Increase	(1,237,108)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(804,383)	Decrease	(832,428)	Decrease	(1,176,132)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(863,591)	Decrease	(817,437)	Decrease	(747,919)

Risk factor	Concept	Scenario III					
		Jun 30, 2019		Dec 31, 2018		Jun 30, 2018	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(20,728,040)	Increase	(17,679,203)	Increase	(21,128,418)
TR	Risk of variation of interest rate indices	Decrease	--	Decrease	(9,581,770)	Decrease	(10,183,225)
TBF		Decrease	(3,350)	Decrease	(940)	Decrease	(1,558)
TJLP		Decrease	(681,615)	Decrease	(200,331)	Increase	(16,105)
TMS and CDI		Increase	(28,885)	Increase	(15,104)	Increase	(74,352)
IGP-M	Risk of variation of inflation indices	Increase	(80,409)	Increase	(1,075,797)	Increase	(568,964)
INPC		Increase	(187,895)	Increase	(240,520)	Increase	(288,575)
IPCA index		Increase	(23,033)	Increase	(1,886,635)	Increase	(2,322,531)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(1,641,958)	Decrease	(1,714,600)	Decrease	(2,439,660)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(1,727,181)	Decrease	(1,440,874)	Decrease	(1,495,839)

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 June 30, 2019, 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 has established the Capital and Risk Committee (Coris) and has appointed as the Chief Risk Officer (CRO), responsible for risk management, the Vice President of Internal Controls and Risk Management and, as responsible for the capital management, the Director of Controllershship.

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.

The Internal Capital Adequacy Assessment Process (Icaap), implemented by 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](http://bb.com.br/ir).

**Capital adequacy ratio**

The Bank has calculated the Capital Adequacy Ratio in accordance with the requirements established by CMN Resolutions 4,192/2013 and 4,193/2013. Those requirements are related to the calculation of Referential Equity (RE) and MRER as a percentage of Risk Weighted Assets (RWA).

Bacen published its Basel III capital regulations in march 2013. The regulations came into force on October 01,2013 and apply to all banks. Recommend by the Basel Committee, 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.

Regulatory adjustments listed below are considered for calculating CET1 ratio:

- goodwill;
- intangible assets;
- actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
- 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;
- non-controlling interests;
- 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 carry forward;
- investments of greater than 10% in capital instruments issued by non-consolidated financial institutions;
- value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution No. 4,277/2013.

On August 28, 2014, Bacen authorized the R\$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

According to the Resolution No. 4,192/2013 and No. 4,193/2013, the calculation of the RE and the amount of RWA should be based on Prudential Conglomerate.

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>RE - Referential equity</b>	<b>130,173,191</b>	<b>134,178,484</b>	<b>130,078,024</b>
<b>Tier I</b>	<b>94,031,977</b>	<b>95,289,701</b>	<b>90,678,502</b>
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>70,176,532</b>	<b>71,169,071</b>	<b>66,676,147</b>
Shareholders' equity	91,658,605	92,016,168	91,861,083
Instrument qualifying as CET1	8,100,000	8,100,000	8,100,000
Regulatory adjustments	(29,582,073)	(28,947,097)	(33,284,936)
<b>Additional Tier 1 Capital (AT1)</b>	<b>23,855,445</b>	<b>24,120,630</b>	<b>24,002,355</b>
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	20,598,075	20,827,050	20,724,925
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013 <sup>(1)</sup>	3,257,370	3,293,580	3,277,430
<b>Tier II</b>	<b>36,141,214</b>	<b>38,888,783</b>	<b>39,399,522</b>
Subordinated debt qualifying as capital	36,182,995	38,925,975	39,433,416
Subordinated debt authorized in accordance with CMN Resolution No. 4,192/2013 - Financial bills	2,362,423	3,270,036	3,777,477
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	33,820,572	35,655,939	35,655,939
Funds obtained from the FCO <sup>(2)</sup>	29,336,898	29,336,898	29,336,898
Funds raised in financial bills and CD <sup>(3)</sup>	4,483,674	6,319,041	6,319,041
Deduction from tier II	(41,781)	(37,192)	(33,894)
Funding instruments issued by financial institution	(41,781)	(37,192)	(33,894)
<b>Risk Weighted Assets (RWA)</b>	<b>701,124,184</b>	<b>711,490,229</b>	<b>704,880,390</b>
Credit risk (RWA <sub>CPAD</sub> )	610,315,136	624,018,657	611,008,193
Market risk (RWA <sub>MPAD</sub> )	20,703,702	26,390,238	29,686,179
Operational risk (RWA <sub>OPAD</sub> )	70,105,346	61,081,334	64,186,018
<b>Minimum referential equity requirements <sup>(4)</sup></b>	<b>56,089,935</b>	<b>61,366,032</b>	<b>60,795,934</b>
<b>Margin on the minimum referential equity required <sup>(5)</sup></b>	<b>74,083,256</b>	<b>72,812,452</b>	<b>69,282,090</b>
<b>Tier I Ratio (Tier I/RWA) <sup>(5)</sup></b>	<b>13.41%</b>	<b>13.39%</b>	<b>12.86%</b>
Common Equity Tier 1 Capital Ratio (CET1/RWA) <sup>(5)</sup>	10.01%	10.00%	9.46%
<b>Capital Adequacy Ratio (RE/RWA) <sup>(5)</sup></b>	<b>18.57%</b>	<b>18.86%</b>	<b>18.45%</b>

(1) Based on Bacen's guidance, the balance of the hybrid capital and the debt instrument authorized by Bacen to compose Tier 1 Capital 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, the balance of FCO is limited to 100% of the amount that composed the Tier II of the RE on June 30, 2018.

(3) On June 30, 2019 it was considered the current balance of subordinated debt instruments, applying on it the factor due to maturity date as determined by CMN Resolution No. 4,192/2013, in its 29th article.

(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 8% from January 1, 2019 (8,625% on 2018).

(5) Values from DLO (Operational Threshold Statement)

**Regulatory adjustments deducted from CET1:**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Significant investments and tax assets resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold)	(12,817,075)	(11,895,016)	(11,874,722)
Tax assets resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 10% threshold)	(7,961,893)	(4,631,170)	(3,980,386)
Intangible assets	(5,530,760)	(5,777,411)	(6,281,160)
Tax assets resulting from tax losses carry forward <sup>(1)</sup>	(2,612,109)	(1,878,196)	(2,518,703)
Superior investments (excess of 10%) <sup>(2)</sup>	(431,711)	(715,692)	(2,500,471)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities	(115,021)	(3,731,833)	(5,817,492)
Tax assets resulting from tax loss of excess depreciation	(50,842)	(62,020)	(75,263)
Non-controlling interests <sup>(3)</sup>	(35,763)	(26)	(26)
Goodwill	(24,081)	(216,810)	(236,713)
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	(2,818)	(38,923)	--
<b>Total</b>	<b>(29,582,073)</b>	<b>(28,947,097)</b>	<b>(33,284,936)</b>

(1) On June 30, 2019 and December 31, 2018, it was applied the CMN Resolution No. 4,680/2018, which authorized the non-deduction of the tax assets resulting from tax losses, recognized 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.

(2) Refers to investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds.

(3) The adjustments of non-controlling interests was calculated according to CMN Resolution No. 4,192/2013, 1st paragraph of the article 9.

**c) Fixed asset ratio and surplus capital**

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Fixed asset ratio	14.19%	14.63%	14.25%
Surplus capital in relation to the fixed asset ratio	46,618,380	47,455,103	46,503,224

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**

	1st half/2019	1st half/2018
<b>Net income presented in the statement of income</b>	<b>8,212,093</b>	<b>5,883,819</b>
<b>Other comprehensive income</b>		
<b>Accumulated other comprehensive income (Note 23.i)</b>	<b>(8,907,600)</b>	<b>710,808</b>
Banco do Brasil	(8,688,629)	827,252
Subsidiaries abroad	(190,693)	(310,134)
Associates and subsidiaries	(28,278)	193,690
<b>Income and social contribution taxes related to unrealized (gains)/losses (Note 23.i)</b>	<b>3,731,983</b>	<b>(619,699)</b>
<b>Other comprehensive income, net of income and social contribution taxes</b>	<b>(5,175,617)</b>	<b>91,109</b>
<b>Comprehensive income</b>	<b>3,036,476</b>	<b>5,974,928</b>
<b>Comprehensive income - non-controlling interests</b>	<b>820,565</b>	<b>765,073</b>

### 30 - OTHER INFORMATION

#### a) Distribution of dividends and interest on own capital

The Board of Directors, at a meeting held on February 12, 2019, 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 2019, 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		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Managed funds</b>	<b>812</b>	<b>783</b>	<b>765</b>	<b>1,052,566,972</b>	<b>941,115,807</b>	<b>919,450,166</b>
Investment funds	801	772	754	1,033,627,681	922,435,286	900,329,338
Managed portfolios	11	11	11	18,939,291	18,680,521	19,120,828

#### c) Details in relation to overseas branches, subsidiaries and associates

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
<b>Assets</b>			
BB Group	88,596,507	88,409,314	89,655,578
Third parties	87,772,473	85,477,251	94,995,304
<b>TOTAL ASSETS</b>	<b>176,368,980</b>	<b>173,886,565</b>	<b>184,650,882</b>
<b>Liabilities</b>			
BB Group	20,522,999	16,845,235	20,932,633
Third parties	140,751,478	143,451,909	150,918,732
<b>Shareholders' equity</b>	<b>15,094,503</b>	<b>13,589,421</b>	<b>12,799,517</b>
Attributable to parent company	14,742,468	13,215,245	12,146,942
Non-controlling interests	352,035	374,176	652,575
<b>TOTAL LIABILITIES</b>	<b>176,368,980</b>	<b>173,886,565</b>	<b>184,650,882</b>

	1st half/2019	1st half/2018
<b>Net income</b>	<b>1,395,683</b>	<b>545,160</b>
Attributable to parent company	1,264,330	418,755
Non-controlling interest	131,353	126,405

#### d) Consortium funds

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Monthly forecast of purchase pool members receivable funds	360,729	328,614	290,332
Obligations of the groups due to contributions	18,434,359	17,132,581	14,626,122
Purchase pool members - assets to be delivered	16,814,052	15,760,785	13,341,199
(In units)			
Quantity of groups managed	199	213	237
Quantity of active consortium members	884,470	794,505	700,994
Quantity of assets deliverable to members (drawn or winning offer)	93,526	69,896	60,383

	1st half/2019	1st half/2018
Quantity of assets (in units) delivered in the period	62,479	57,855



### e) Assignment of employees to outside agencies

Federal government assignments are regulated by Law 10,470/2002 and Decree No. 9,144/2017.

	1st half/2019		1st half/2018	
	Quantity of assigned employees <sup>(1)</sup>	Cost in the period	Quantity of assigned employees <sup>(1)</sup>	Cost in the period
<b>With costs for the Bank</b>				
Labor unions	214	20,009	210	18,538
Other organizations/entities	2	519	2	486
Subsidiaries and associates	3	1,278	3	700
<b>Without cost to the Bank<sup>(2)</sup></b>				
Federal, state and municipal governments	181	--	196	--
External organizations (Cassi, Previ, Economus, Fusesec and PrevBep)	545	--	543	--
Employee entities	76	--	83	--
Subsidiaries and associates	568	--	569	--
<b>Total</b>	<b>1,589</b>	<b>21,806</b>	<b>1,606</b>	<b>19,724</b>

(1) Balance on the last day of the period.

(2) In 1st half/2019, the Bank was reimbursed in the amount of R\$ 242,273.31 thousand (R\$ 247,824 thousand in 1st half/2018), 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):

	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Lowest salary	2,854.66	2,854.66	2,718.73
Highest salary	47,763.57	47,763.57	45,489.12
Average salary	6,783.46	6,677.30	6,407.00
<b>Management</b>			
President	68,781.86	68,781.86	68,781.86
Vice-president	61,564.83	61,564.83	61,564.83
Director	52,177.45	52,177.45	52,177.45
<b>Council members</b>			
Fiscal council	5,948.54	5,948.54	5,948.54
Board of Directors	5,948.54	5,948.54	5,948.54
Audit Committee - member	46,959.71	46,959.71	46,959.71
Capital and Risk Committee	46,959.71	46,959.71	46,959.71

### 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 June 30, 2019

Covered risks	Amounts covered	Value of the premium
Property insurance for the relevant fixed assets	1,410,823	12,962
Life insurance and collective personal accident insurance for the Executive Board <sup>(1)</sup>	309,140	636
Other	487	4
<b>Total</b>	<b>1,780,450</b>	<b>13,602</b>

(1) Refers to individual coverage for members of the Executive Board.



## **h) Banco do Brasil Corporate Reorganization**

On July 29, 2019, the Bank informed that the Board of Directors approved a set of measures to promote a corporate reorganization, pursuant to paragraph 4 of Article 157 of Law 6,404/1976 and according to Brazilian Securities and Exchange Commission Regulation 358/2002.

Among the approved measures is the review and downsizing of the Bank's organizational structure at levels: strategical (Head Offices), tactical (Superintendences), operational and support (regional offices) and service network (branches and sale points).

The implementation of the measures will take place in the second half of 2019, highlighting:

- a) Creation of the Analytical Intelligence Unit, in line with the strategical objective of accelerating digital transformation;
- b) Creation of 42 new Empresa Branches, transforming 333 branches into Advanced Attendance Centers (PAA) and another 49 PAAs into branches.

In the same context, the Board of Directors approved the Staff Adequacy Program (PAQ), which aims to optimize the distribution of the workforce, by equalizing the situations of vacancies and excesses in the Bank's units. It should be noted that employees who meet the conditions set out in the regulation may adhere to a incentivized resignation plan.

## **31 - SUBSEQUENT EVENTS**

### **IRB-Brasil RE**

On July 10, 2019, the Board of Directors of Banco do Brasil oriented to the Bank's representatives on the board of BB Seguridade Participações S.A. to initiate a secondary public offering with restricted efforts of the 15.23% of common shares issued by IRB-Brasil Resseguros S.A. (IRB- Brasil RE), that are held by BB Seguros Participações S.A., a wholly-owned subsidiary of BB Seguridade Participações S.A.

On July 19, 2019, the Bank informed that it was established the value per share of R\$ 88.00, within the scope of the secondary public offering with restricted efforts of shares issued by IRB-Brasil RE.

As a result of the Bank's indirect participation in the capital of IRB-Brasil RE sale, through BB Seguridade Participações S.A., it is estimated approximately R\$ 1.6 billion in Banco do Brasil's third quarter of 2019 earnings, net of taxes and residual positive increase in the principal ratio.

### **Cassi**

On July 22, 2019, the National Agency of Supplementary Health (ANS) published Operational Resolution No. 2,439, which establishes fiscal administration at Cassi. ANS clarifies that the fiscal administration regime is not an intervention. The agency has appointed a tax director, with no management powers at the operator, to evaluate Cassi's situation in person. The director will analyze the remedial measures proposed by the operator and subsidize the ANS in its decisions. The fiscal administration has a duration of up to 365 days and the regime may be renewed.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## **INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors, Management and Shareholders of  
Banco do Brasil S.A.

### **Opinion**

We have audited the accompanying consolidated financial statements of Banco do Brasil S.A. and its subsidiaries ("Consolidated" or "Banco do Brasil"), which comprise the balance sheet as at June 30, 2019, and the consolidated statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. and its subsidiaries as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN).

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of Banco do Brasil and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), 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 audit opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current six-month period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **1. Allowance for loan losses**

The recognition of allowance for loan losses involves a high degree of judgment and the use of estimates by Banco do Brasil's Management. As disclosed in notes 4.g) and 10 to the consolidated financial statements, loan transactions and other receivables with loan characteristics are classified by risk level, based on Management's judgment, taking into consideration the economic scenario, past experience and the risks specific to the transactions and to the debtors, considering the parameters established by CMN (National Monetary Council) Resolution 2.682. For this purpose, Banco do Brasil uses internal credit risk classification models for debtors and their respective transactions, involving Management's assumptions and judgments in order to represent its best estimate of the credit risk of its portfolio. Due to the complexity of the model of allowance for loan losses, the use of estimates and the high degree of judgment by Management in determining the established allowances, we require audit efforts, including the work of senior members of our team since we considered this a key audit matter.

## *How was the matter addressed in our audit?*

Our audit procedures included, but were not limited to: (a) understanding the provisioning criteria adopted by Banco do Brasil for allowances for loan transactions and other receivables with loan characteristics; (b) understanding and testing the design and effectiveness of the relevant internal controls on the process of rating of debtors and their transactions; (c) analyzing the criteria for establishment of the allowance for these transactions, the assumptions used by Management and the compliance with the parameters established by CMN Resolution 2.682, on a sampling basis; (d) analyzing the total allowance level of the portfolios; and (e) assessing the disclosures in the consolidated financial statements.

We consider that the criteria and assumptions adopted by Management to estimate the allowance for loan losses are acceptable in the context of the consolidated financial statements taken as a whole.

## 2. Fair value measurement of certain financial instruments

Banco do Brasil applies internal pricing models for the fair value measurement of certain financial instruments, as disclosed in notes 4.e) and 4.f) to the consolidated financial statements, when there are no market prices and parameters available, including assumptions such as credit risk curves, internal perspective of expected loss, and future interest rate, foreign exchange and price index curves. The fair value measurement of certain financial instruments was considered a key audit matter due to their materiality in the context of the consolidated financial statements, the use of judgment by Management and the use of pricing techniques based on internal models which take into consideration observable inputs or market references. These financial instruments are mainly comprised of derivative financial instruments and private securities.

## *How was the matter addressed in our audit?*

Our audit procedures included, but were not limited to: (a) understanding and testing the design and effectiveness of the relevant internal controls that involve the fair value measurement of certain financial instruments; (b) understanding the mark-to-market methodology developed internally by Banco do Brasil, regarding the assumptions used in building the projected curves; and (c) recalculating the market value for a sample of transactions, assessing the reasonableness of inputs and parameters used in internal pricing models, or observable market inputs, when available; and (d) assessing the disclosures in the consolidated financial statements.

We consider that the criteria and assumptions adopted by Management for the fair value measurement of these financial instruments are acceptable, considering the market practices, in the context of the consolidated financial statements taken as a whole.

## 3. Provision for labor, civil and tax claims

As disclosed in notes 4.n) and 27 to the consolidated financial statements, Banco do Brasil recognizes provision for labor, civil and tax claims, arising from past events, based on the assessment of the legal counsel and Management, measuring the amounts to be provisioned through methods named Collective and Individualized, depending on the type and amounts involved in the lawsuits. The Collective method is used for lawsuits considered to be similar and usual, whose individual amount is not considered material, which were developed internally by Management according to statistical parameters. The Individualized method is assessed periodically by the legal counsel. Due to the materiality in the context of the consolidated financial statements and the complexity and degree of judgment of the methods used, we considered this a key audit matter.

## *How was the matter addressed in our audit?*

Our audit procedures included, but were not limited to: (a) understanding and testing the design and effectiveness of the relevant internal controls involving the control of labor, civil and tax claims and the measurement of the amounts provisioned based on the Individualized and Collective methods; (b) involving our specialists for understanding the statistical parameters used in the Collective method; (c) performing confirmation procedures with the legal counsel; (d) analyzing on a sampling basis the appropriateness of the assumptions used in the measurement of the selected lawsuits; and (e) analyzing the appropriateness of the disclosures in the consolidated financial statements in accordance with applicable accounting pronouncements.

We considered that the criteria and assumptions adopted by Management to estimate the provision for labor, civil and tax claims are acceptable in the context of the consolidated financial statements taken as a whole.

#### 4. Employee benefits

Banco do Brasil is the sponsor of private pension entities and supplementary health plans, which ensure the supplementation of retirement and healthcare benefits to its employees. As disclosed in notes 4.l) and 26 to the consolidated financial statements, post-employment benefits sponsored by Banco do Brasil related to supplementary pension and healthcare are assessed in accordance with the criteria established by CPC 33 (R1) - Employee Benefits, approved by CVM Resolution 695/2012 and CMN Resolution 4424/2015. The estimate of the defined benefit plan obligations involves significant actuarial assumptions, including discount rates, mortality rate and expected salary growth, which are sensitive and cause material effects on the consolidated financial statements. Therefore, we considered this matter as a key audit matter.

##### *How was the matter addressed in our audit?*

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls involving the measurement of actuarial liabilities; (b) involving our actuarial specialists for understanding the databases and assumptions used in the calculations of actuarial liabilities by outside actuaries engaged by Management; (c) involving our actuarial specialists in the main actuarial assumptions used; (d) analyzing on a sampling basis the appropriateness of databases and recalculating the actuarial obligations; and (e) analyzing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting pronouncements.

We considered that the databases and the main actuarial assumptions adopted by Management, together with its outside actuaries, to estimate the employee benefit plan obligations are acceptable in the context of the consolidated financial statements taken as a whole.

#### 5. Realization of deferred tax assets

The expected realization of deferred tax assets, arising from temporary differences and tax loss carryforwards, is based on projections of future results that require the use of a high degree of judgment on the assumptions used by Management. As disclosed in notes 4.h), 24.e) and 24.f) to the consolidated financial statements, these assumptions are based on its corporate strategies and macroeconomic scenario, considering the expected growth in its market. Due to the subjectivity of the assumptions adopted in the business plans projected by Management and the materiality in the context of the consolidated financial statements taken as a whole, we considered this a key audit matter.

##### *How was the matter addressed in our audit?*

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls involved in the preparation, analysis and approval of the study of the realization of the deferred tax assets; (b) involving our tax specialists in the assessment of the tax bases used in determining the temporary differences and tax loss carryforwards; and (c) understanding and assessing the reasonableness of the critical assumptions included in the projections of results.

We considered that the criteria and assumptions adopted by Management to support the recording and realization of deferred tax assets are acceptable in the context of the consolidated financial statements taken as a whole.

#### 6. Information technology environment

The transactions of Banco do Brasil depend on a technology and infrastructure environment capable of supporting a high volume of transactions processed daily in its legacy information systems that provide input to its accounting records. The processes related to information technology, associated with its controls, may pose risks in the processing and generation of critical information, including those used in the preparation of financial statements, justifying our consideration as a key audit matter due to the significance in the context of the consolidated financial statements.

## *How was the matter addressed in our audit?*

With the involvement of our information technology specialists, we identified the significant systems that support the key business activities of Banco do Brasil, and assessed the design of the general IT controls and tested the operating effectiveness of these controls, including when necessary the tests of compensatory controls, related to information security, development and maintenance of significant systems and the computer operation related to the infrastructure that supports Banco do Brasil's business.

Considering the information technology environment's processes and controls, associated with the tests previously mentioned, we concluded that they allowed us to consider the information obtained from certain systems to plan the nature, timing and extent of our substantive procedures in the context of the consolidated financial statements taken as a whole.

## **Other matters**

### *Audit of the corresponding figures for the prior year and six-month period ended June 30, 2018*

The corresponding figures for the year ended December 31, 2018 and the six-month period ended June 30, 2018, presented for comparison purposes, were audited by other independent auditors, who issued unqualified opinions thereon, dated February 12, 2019 and August 7, 2018, respectively.

### *Statements of value added*

The consolidated statement of value added ("DVA") for the six-month period ended June 30, 2019, prepared under the responsibility of the Management of Banco do Brasil and disclosed as supplemental information, was subject to audit procedures performed together with the audit of the consolidated financial statements of Banco do Brasil. In forming our opinion, we assess whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was appropriately prepared, in all material aspects, in accordance with the criteria set out in such technical pronouncement and is consistent in relation to the consolidated financial statements taken as a whole.

## **Other information accompanying the consolidated financial statements and the independent auditor's report**

Banco do Brasil's Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the BACEN, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing Banco do Brasil's and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate Banco do Brasil and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout 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 perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Banco do Brasil and its subsidiaries.
- Evaluate the appropriateness of 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Banco do Brasil and its subsidiaries to continue as a 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 evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Banco do Brasil 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 the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including regarding independence, and communicate with them all relationships and 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 determine those matters that were of most significance in the audit of the financial statements of the current six-month 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 matter or when, in extremely rare circumstances, we determine that 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 benefits of such communication.



The accompanying consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Brasília, August 7, 2019

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Luiz Carlos Oseliero Filho  
Engagement Partner



## **SUMMARY OF AUDIT COMMITTEE REPORT**

### **I. Introduction**

The Audit Committee of Banco do Brasil (Coaud), the statutory advisory body of the Board of Directors (CA), is currently composed of three members, one member of the Board, all independent and appointed by the Board.

Banco do Brasil opted for the constitution of a unified Audit Committee (unified Coaud) for Banco Multiple and the following subsidiaries: BB Gestão de Recursos Distribuidora de Títulos e Valores Mobiliários S.A. (BB DTVM), BB Banco de Investimento S.A. (BB BI), Ativos S.A. Securitizadora de Créditos Financeiros, Ativos Gestão S. A. – Gestão de Cobrança e Recuperação de Crédito, BB Leasing S.A. Arrendamento Mercantil (BB Leasing), BB Administradora de Cartões de Crédito S.A. (BB Cartões), BB Administradora de Consórcios S.A. (BB Consórcios), Besc Distribuidora de Títulos e Valores Mobiliários S.A. (Bescval), BB Elo Cartões Participações S.A. (BB Elo) e BBTur Viagens e Turismo Ltda (BB Turismo).

### **II. Responsibilities**

Coaud has its attributions defined by Law 13,303/2016 (state-owned companies law), Regulatory Decree No. 8,945/2016, CMN Resolution 3,198/2004, Program on State Governance Highlight (PDGE), BB's Bylaws and its Internal Regulations, available at the email address [www.bb.com.br/ri](http://www.bb.com.br/ri).

In this context, the directors of Banco do Brasil and its subsidiaries are responsible for preparing and ensuring the integrity of the financial statements, managing risks, maintaining an effective internal control system and ensuring compliance with the laws and regulations.

CMN Resolution 4,557/2017 assigns to the Risk and Capital Committee (Coris) the advice to the Board in its functions related to risk and capital management, in a unified manner, to the institutions that are part of BB Prudential Conglomerate. Coaud assesses and monitors risk exposures through interaction and joint action with Coris.

The Internal Audit (Audit) is responsible for conducting periodic work, focusing on the main risks to which the Conglomerate is exposed, independently assessing the risk management actions and the adequacy of governance and internal controls, through verifications regarding its quality, sufficiency, compliance and effectiveness.

Deloitte Touche Tohmatsu Auditores Independentes (Deloitte) is responsible for auditing the financial statements of Banco Multiple and its subsidiaries accompanied by the Coaud, as well as other companies that make up the Banco do Brasil Conglomerate. It also evaluates, in the context of this work, the quality and sufficiency of internal controls relevant to the preparation and appropriate presentation of the financial statements.

### **III. Period Activities**

The activities developed by Coaud, in accordance with its Annual Work Plan approved by the Board of Directors, are recorded in meeting minutes and covered the set of responsibilities assigned to the Committee.

During the period, it held 130 meetings with representatives of BB's management and companies of the Conglomerate, as well as their respective boards of directors and auditors, BB's Chairman, Board of Directors, internal and independent audits and Central Bank of Brazil (Bacen), as well as internal meetings. The Committee presented a monthly report of its activities to the Board and forwarded minutes of its meetings to the boards of directors and supervisory board.

At the meetings, were addressed the topics under Coaud's follow-up and made recommendations to management when he identified opportunities for improvement.



Coaud members participated in update and improvement events on topics related to their performance.

It was not known to Coaud the existence and / or evidence of fraud or non-compliance with legal and regulatory rules that could endanger the continuity of the institution, perpetrated by employees, management or third parties.

#### **IV. Internal Audit**

Coaud oversees the activities developed by Internal Audit and evaluates, through formal technical instruments, their independence, objectivity, quality and effectiveness.

Coaud held monthly meetings with the Audit to know the conclusions of the work, main points of attention, monitor its performance and the fulfillment of its duties. Among other topics, it dealt with the structure and budget of the area; evaluation of the Internal Control System (ICS); accounting statements; information technology and security; risk management; credit; provisions; juridical services; related parts transactions; relationship with customers; BB subsidiaries; audit recommendations and reports received from regulatory bodies in Brazil and abroad. The Committee emphasized the need for Audit to intensify the use of tools and technologies that enable efficiency gains for the area.

#### **V. Independent Audit**

Coaud oversees the provision of accounting audit services by independent auditors and assesses their independence, the quality and the adequacy of such services to the Institution's needs. It also verifies, prior to hiring to provide other services to the companies of the Conglomerate, the existence of conflicts.

In 2019, BB held a bid to promote the replacement of the independent audit company, pursuant to CVM Instruction 308/1999. In this context, KPMG Auditores Independentes was replaced by Deloitte Touche Tohmatsu Auditores Independentes (Deloitte). The Committee recommended to the Board the hiring of the firm.

During the period, it held meetings with Deloitte in order to know and monitor the planning, to evaluate the results of the main work carried out and to examine its conclusions and recommendations. Among the topics discussed, the following stand out: financial statements BB and subsidiaries that make up the unified Coaud; main audit matters; evaluation of financial information disclosed to the market by BB; related parts transactions; reasonableness of actuarial parameters; provisions; preventing and combating money laundering and terrorist financing; and tributes.

#### **VI. Internal Control System**

Coaud evaluates and monitors the effectiveness of Banco do Brasil's internal control system.

The assessment of the effectiveness of the internal control system is based mainly on the results of the work carried out by the internal and independent audits, the external supervisory and control bodies, the Internal Controls Department, information and documents requested from the Bank and subsidiary areas and also in their own analyzes.

#### **VII. Related Parts Transactions**

Coaud assesses and monitors, together with management and the internal audit area, the adequacy of the related parts transactions, in accordance with the attributions established by the State Law and its regulatory Decree.

During the period, the Committee issued opinions on the Bank's Board of Directors.

### **VIII. Parameters and actuarial result**

Coaud assesses the reasonableness of the parameters on which actuarial calculations are based, as well as the actuarial result of pension plans benefit plans sponsored by BB.

To this end, it held meetings with the areas responsible for the Bank's actuarial valuation process and with the consulting firm that advises BB on the subject. He knew and discussed the conclusions of the work of internal and independent audits and evaluated the assumptions and actuarial results of the plans.

### **IX. Risk exposure**

Coaud, together with the Risk and Capital Committee, assesses and monitors the institution's risk exposures.

During the period, the Committee evaluated and monitored the main activities related to risk management and held meetings with the risk and capital management, strategy and governance areas.

### **X. Financial Statements**

Coaud reviews, prior to publication, the financial statements, including explanatory notes, management and independent auditor's reports. Evaluates the quality of the financial statements, with emphasis on the application of accounting practices adopted in Brazil and compliance with standards issued by Bacen.

It examined the summary of accounting practices adopted and analyzed monthly the main changes in balances and their respective causes, BB and the entities that joined the single Coaud, based on the financial statements and information provided by the Accounting Department.

Revised BB's consolidated statements, including explanatory notes, management and independent auditor's reports, without reservations, for 06/30/2019.

### **XI. Audit Committee Recommendations**

To the Board of Directors, the Coaud recommended the hiring of Deloitte and made statements regarding the following topics, among others: internal control system; external ombudsman; report of allegations of illicit acts; actuarial reports; subsidiaries; annual letter of public policy; risk management policy reviews and creations.

Coaud issued recommendations to management involving the main themes related to its activities, such as: improvements in the internal control system; reduction of operating losses; provisions; problem assets; cyber security; reduction of system failures; ombudsman; customer relationship policy (suitability); related parts transactions; accounting and judicial deposit reconciliations; actuarial result; anti laundry money and terrorism financing; dependencies abroad; and subsidiaries BB. The recommendations, after discussion, were accepted.

### **XII. Conclusions**

Based on the activities developed and considering the attributions and limitations inherent to the scope of its activities, the Committee concluded that:

- a) the system of internal controls is appropriate to the size and complexity of the Conglomerate's business and is the object of management's attention;

- b) Internal Audit is effective, has sufficient structure and budget to perform its functions and acts with independence, objectivity and quality;
- c) the Independent Audit is effective and no occurrence was reported that could compromise its independence;
- d) related parts transactions assessed and monitored in the period were in compliance with applicable standards and market conditions;
- e) the main parameters of the actuarial calculations of the sponsored pension fund benefit plans are reasonable and in accordance with current legislation;
- f) the main risk exposures have been adequately managed by management;
- g) the financial statements as of June 30, 2019 were prepared in accordance with the legal rules and accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, and reflect, in their material respects, the equity and financial position on that date.

Brasília-DF, August 7, 2019

Antônio Carlos Correia

Luiz Spinola

Marcos Tadeu de Siqueira

**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 June 30, 2019 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), August 05, 2019.

Rubem de Freitas Novaes  
Chief Executive Officer (CEO)

Antônio Gustavo Matos do Vale  
Chief of Human Resources, Suppliers and  
Operations

Carlos Motta dos Santos  
Chief Retail Distribution Officer

Fábio Augusto Cantizani Barbosa  
Chief Technology Officer (CTO)

João Pinto Rabelo Júnior  
Chief Government Affairs Officer

Marcio Hamilton Ferreira  
Chief Wholesale Officer

Carlos Hamilton Vasconcelos Araújo  
Chief Finance Management and Investors Relations  
Officer (CFO)

Carlos Renato Bonetti  
Chief Internal Controls and Risk Management  
Officer (CRO)

Ivandrê Montiel da Silva  
Chief Agribusiness Officer

Marcelo Augusto Dutra Labuto  
Chief Retail 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 August 07, 2019.

Brasília (DF), August 07, 2019.

Rubem de Freitas Novaes  
Chief Executive Officer (CEO)

Antônio Gustavo Matos do Vale  
Chief of Human Resources, Suppliers and  
Operations

Carlos Motta dos Santos  
Chief Retail Distribution Officer

Fábio Augusto Cantizani Barbosa  
Chief Technology Officer (CTO)

João Pinto Rabelo Júnior  
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Marcio Hamilton Ferreira  
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Chief Finance Management and Investors Relations  
Officer (CFO)

Carlos Renato Bonetti  
Chief Internal Controls and Risk Management  
Officer (CRO)

Ivandrê Montiel da Silva  
Chief Agribusiness Officer

Marcelo Augusto Dutra Labuto  
Chief Retail 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**

Alexandre Alves de Souza  
Ana Paula Teixeira de Sousa  
Camilo Buzzi  
Carla Nesi  
Cicero Przendsiuk  
Daniel André Stieler  
Edson Rogério da Costa  
Eduardo Cesar Pasa  
Ênio Mathias Ferreira  
Fabiano Macanhã Fontes  
Gerson Eduardo de Oliveira  
Gustavo de Souza Fosse  
José Avelar Matias Lopes  
José Eduardo Moreira Bergo  
José Ricardo Fagonde Forni  
Lucinéia Possar  
Luiz Claudio Batista  
Marco Túlio de Oliveira Mendonça  
Marco Túlio Moraes da Costa  
Marcos Renato Coltri  
Marvio Melo Freitas  
Paula Luciana Viana da Silva Lima Mazanék  
Ronaldo Simon Ferreira  
Simão Luiz Kovalski

**BOARD OF DIRECTORS**

Débora Cristina Fonseca  
Guilherme Horn  
Hélio Lima Magalhães  
Luiz Serafim Spinola Santos  
Marcelo Serfaty  
Paulo Roberto Evangelista de Lima  
Rubem de Freitas Novaes  
Waldery Rodrigues Júnior

**FISCAL COUNCIL**

Aldo César Martins Braidó  
Aloisio Macário Ferreira de Souza  
Christianne Dias Ferreira  
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

Adelar Valentim Dias  
Accountant CRC-DF 022560/O  
CPF 296.062.179-49



**BANCO DO BRASIL**