



Operator:

Good morning, ladies and gentlemen. Thank you for standing by. We will now begin Banco do Brasil's 1Q10 results conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will be given at that time.

If you should require any kind of assistance during the call, please press *0. As a reminder, this conference is being recorded and live broadcast with a slide presentation on the Bank's web site, at Investor Relations site, from where questions may be sent through.

Before proceeding, let me mention that this presentation may include references and statements, planned synergies, increasing estimates, projections of results, and future strategy for Banco do Brasil, its associated and affiliated companies and subsidiaries. These expectations are highly dependent on market conditions, on Brazil's economic and banking system performances, as well as on international market one. Banco do Brasil is not responsible for bringing up to date any estimate in this presentation.

Banco do Brasil informs that on May 6th, 2010 an application was filed with Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais ("ANBIMA") for a preliminary review of a registration statement for a Primary and Secondary Public Offering of common shares.

By the time of the offer, before investing in stocks of Banco do Brasil, read carefully the Offering Memorandum, specifically the "Risk Factors" section.

With us today, Mr. Ivan de Souza Monteiro, CFO; Mr. Marco Geovanne Tobias da Silva, Head of IR; Mr. Eduardo César Pasa, General Accountant; Mr. José Carlos Vaz, Director of Agribusiness; Mr. Nilson Martiniano Moreira, Director of Consumer Lending and Finance; Mr. René Sanda, Director of Risk Management; Mr. Renato Donatello Ribeiro, Director of Controlling; Mr. Walter Malieni Júnior, Director of Credit; Mr. Guilherme André Frantz, General Manager of Banking Acquisitions Unit; Mr. Paulo Sérgio Navarro, General Manager of Strategic Partnership Unit; and Mr. Werner Romera Suffert, Cards Directorship's Executive Manager.

First, Mr. Ivan will present the 1Q10 highlights. After that, Mr. Geovanne will detail the results. At the end of the presentation, the executives will answer the questions from the participants.

Gentlemen, you may begin your conference.

Ivan de Sousa Montero:

Good morning to everybody. Welcome to the 1Q10 conference call. Before giving the floor to Geovanne, who will detail the net income of R\$2.3 billion and other aspects of the results, I would like to briefly discuss some aspects of the Brazilian economy in early 2010. The national consumer pricing index, IPCA, accumulated in 12 months, which is a parameter to measure the Brazil inflation, achieved 5.2% in March 2010, strongly influenced by the climate problem at the beginning of the year and by the [unintelligible] effect. The IPCA achieved in March 2010 96 b.p. above December 2009. In contrast, wages in Brazil continues to grow, and in March 2010 had an increase of 25.7% over 2002 numbers, basis 100.



The constant evolution of these indicators is a good reference to the economy. [unintelligible] is directly related to household consumption, which influences the productivity activity of the Country.

Another interesting point to be highlighted is our economy, was the drop of the unemployment rate in Brazil. We once saw an employment rate of 10% at the end of 2006 to a rate of 7.8% in March 2010. The behavior of the Brazilian credit indicators concerns the improvement in wage and unemployment rates in Brazil. The alone GDP ratio remains at 45%. During the same period total volume of credit from the banking industry went from R\$900 billion to R\$1.5 trillion, R\$1.4 trillion in March 2010, with the stake of public banks being 42.8% from that total.

Regarding credit granted, if we project the volume of the 1Q10, the expectations for the year are good, reaching an amount of R\$2 trillion in December, an increase of 17.7% compared to December 2009. And there is a very positive highlight; even with the growth of credit in the banking industry at the end of March 2010, indicators of allowance for loan losses and past due operations over 90 days decreased, ending the period at 6.7%, 20 b.p. less than December 2009 and 4%, 40 b.p. less than December 2009, respectively.

About Banco do Brasil, I would like to remind you of some strategic movements from 2010. In April, the Federal Reserve granted to Banco do Brasil the status of financial holding company, allowing BB to exercise banking activity in the United States territory, under the same conditions of the local institutions. Also in April, we signed a [unintelligible] and purchase agreement for the acquisition of controlling interest in Banco Patagônia.

To reorganize our insurance area, we took the following steps: signed an MOU with Icatu Hartford to create a strategic partnership for the development and making of capitalization program on the Brazilian market, renewing our partnership with principal financial groups to act in development and marketing of private pension fund products in Brazil. BB Seguros Participações S.A. acquired the total stake of SulAmérica in Brasil Veículos, signed an agreement with Mapfre to create a strategic partnership in life, [unintelligible], and auto insurance segment. The partnership will create the second largest insurance company of Brazil.

Another movement of BB was the signing of a memorandum of understanding with Bradesco to elaborate a new business model in the area of debit, credit, and prepaid cards. From this partnership, as authorized by regulators, will be born a new Brazilian card, ELO.

Finally, we inform that an application was filled with Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais, ANBIMA, for a preliminary review of a registration statement for a Primary and Secondary Public Offering of common share, as published on Material Fact on May 6th, 2010.

Well, I will pass the floor to Geovanne. I will be available in the Q&A session. Thank you. Geovanne, please proceed.

Marco Geovanne Tobias da Silva:

Thank you, Ivan. Let us start the presentation reminding you that from the 1Q10 on, we started to recognize gains and losses related to the defined benefit plan, plan number



1, from Previ, the pension fund plan for Banco do Brasil's employees. And this recognition is being considered as recurrent, according to Paragraph 55 of Deliberation 371 from the Brazilian SEC, CVM.

Let us move on to slide number three, where we can see Banco do Brasil's net income and return on equity. In the 1Q10, the net income amounted to R\$2.351 billion, corresponding to a return on equity of 28%. Without the one-off, the recurring net income totaled R\$1.9 billion and the return on equity achieved 23.1%, already considering the actuarial recognition of Previ [*unintelligible*].

On slide four, we have a breakdown of the one-off items in the 1Q10. Those one-off items added in the quarter R\$384 million net of taxes and profit sharing, and it was strongly affected by the reversal of labor liabilities, which amounted to R\$568 million.

On slide five we have some of Banco do Brasil's market share. I would like to highlight the size of our demand deposit base, which represents almost a third of the whole banking industry, with a 32.8% market share in demand deposits. Banco do Brasil also presents a market share above 30% and two modes of foreign trade: advanced contract and export, with 35.9% and 30.9% market share, respectively.

With regard to credit ranking, we had a reduction of 30 b.p. in the market share of Banco do Brasil in total credit. However, it is still relevant and we are the leaders in terms of credit granting with 19.8% market share.

Moving to slide number six, we see that Banco do Brasil's total assets grew 2.3% in the quarter, achieving R\$725 billion. I would like to remind you that the numbers from Nossa Caixa and a 50% stake that Banco do Brasil has in Banco Votorantim already have been consolidated in these numbers. And the highlight in this slide is definitely that we have tripled the volume of assets in Banco do Brasil for the past 7 years.

Moving on to slide number seven, I would like to talk now about the financial results, and we can observe the evolution of our net interest income, which grew 34.3% when compared to the same period last year, and 1.1% when compared to the previous quarter. And this growth was led by a strong increase in revenues from loan operations, a 38.9% increase in one year. Once again, the expansion of our loan operations revenue was granted by the increase in average volume of credit transactions that compensated the behavior of spread in the meantime.

Moving to slide number eight, we see that the expansion on Banco do Brasil's net income was afforded by the evolution of Banco do Brasil's funding. As can be seen in this slide, total funding as well as total deposits, savings and time deposits, they all grew in the quarter with an increase in the cost of funding no forms as well. Our total funding decreased by 0.4% in the quarter, reaching an amount of R\$500 billion, ending the quarter with a cost around 79% of the benchmark rate, an increase of 140 b.p. in the same period. Saving deposits had a quarterly growth of 3.9%, time deposits grew 2.3%, and total deposits grew 1.5% in the quarter.

Moving on to slide number nine, we can see the behavior of Banco do Brasil's global spread and also the spread for each portfolio with a comparison with the accumulated Selic rate, the benchmark rate. The focus on consumer finance has granted more resilience to Banco do Brasil's spread in relation to the Selic rate's downward trend. On the left hand side of the slide, we can observe that the behavior of spreads for each portfolio was distinct. While in the agribusiness portfolio we saw a slight increase in the



spread when compared to the 4Q09, in the business and in individual portfolios, we show a drop in the spread, with the spread in the individual book ending the quarter at 18.2%, and in the business book at 3.7%, respectively.

The contraction for those spreads is mainly due to a mixed effect with a concentration in those loans with less risk and, therefore, with smaller margins, but also as a consequence of a tougher competition, especially in the business portfolio. On the right hand side of the slide, we can see the behavior of Banco do Brasil's global spread, calculated by the net interest income over earning assets. This spread has stayed stable at 6.5% in the quarter, only 20 b.p. drop when compared to the previous quarter.

Another way to analyze the global spread is to compare it with the accumulated Selic rate for the period. By doing that we can see that Banco do Brasil is increasing its financial intermediation results, despite the increase in the Selic rate.

For the 1Q09, when we annualize the Selic rate was 12.1%, the ratio global spread/accumulated Selic was 54.5%. In the 1Q10 this ratio went up to 77.6%, with an annualized Selic rate at the range of 8.4%. Once again, it is important to remind you that Banco do Brasil is being quite successful in compensating the Selic drop with credit growth in its margin.

On slide number ten, we have Banco do Brasil's loan portfolio. I would like to highlight here that loans to individuals surpassed R\$95 billion. And the balance of the total portfolio reached almost R\$306 billion, representing a 26.3% growth in 12 month and 1.6% growth in the quarter. It is important to highlight here the expansion in individuals, which increased its share from 25.3% of the total book, back in March 2009, to 31.1% of the total book in March 2010.

On slide 11, we have the breakdown of our Consumer Finance operation, which grew 55.6% in 12 month and 3.6% in the quarter, allowing Banco do Brasil to increase its market share in the Consumer Finance segment, from 14.8% to 22.6%. This performance has been boosted by the expansion on payroll loans and auto loans, which posted a very strong growth in the period. For the past 12 month, Banco do Brasil increased its payroll portfolio by 55%. In the quarter it was a 5.5% increase.

On slide 12, we bring you the breakdown of our business portfolio that reached R\$128 billion. I would like to call your attention here to the mid-size and large-size companies performance that posted an increase of 28.7% in one year and 3.1% in the quarter. Loans to SMEs also increased by 20% for the past 12 month and 0.7% in the quarter. We must say that Banco do Brasil took advantage of its relationship with business clients in order to supply their credit needs during the crisis. And this strategy is granting, besides growth in volume, an improvement in the profitability with those clients.

Moving to slide 13, we have here the balance of our foreign trade operation. The total portfolio reached R\$24.7 billion at the end of March 2010, a slight decrease when compared to the previous quarter, due mainly to the appreciation of the Real against the USD.

On slide 14 we would like to reaffirm here our presence in the agribusiness portfolio, as the biggest partner of the Brazilian agribusiness. We are by far the largest lender to that segment, and we ended the quarter with a balance of R\$64.9 billion of loans to the



agribusiness segment, representing approximately 60% of the entire financial system credit to that segment.

Compared to December 2009, the agribusiness portfolio showed a decrease of 2.3%, explained mainly by the settlement of transactions with agroindustries, as well as a very large concentration of reduction for cost operations in that quarter. And it is important to remember that we are in between two crops.

On slide 15, we bring some information that allows us to be very confident about the quality of our agribook. On the left hand side of the slide, we disclose here the amount of working capital line that was contracted with agroinsurance. For the 2009/2010 crop, out of the R\$12.8 billion granted to working capital needs in the agribusiness sector, 63% of that was fully insured. Again, 62% in the 2008/2009 crop, and 50% in the 2007/2008 crop.

It is important to remember here that 90% of this amount has been reinsured by international companies. And you can see the breakdown of the reinsurance operation in the pie chart, at the left bottom side of this slide. On the right hand side of this slide, we have a geographic distribution of the rural insurance in Brazil. You can see here that the Midwest, Southern Brazil, and Northeastern Brazil are the regions that concentrate the highest percentile of insured costs.

On slide 16, we can see on the top graph that provision expenses grew by 2.6% when compared to the previous quarter. In contrast the ratio between provision charges for the past 12 months over average portfolio decreased, reaching 4.5%. Past-due loans over 90 days, shown in the yellow line at the bottom of the graph, came from 3.3% to 3.1%, showing an improvement in the delinquency in the first part of the year when compared to the previous quarter.

The trend of the curve is definitely confirming that delinquency has peaked in Banco do Brasil. The dark-blue line in the same graph shows us the ratio, additional and required, for provisions over the total portfolio, and it is important to highlight here that the volume of provision coverage has been consistently strong in Banco do Brasil, achieving a ratio of 6% at the end of March 2010.

Now, on slide 17, we would like to make a comparison here between the delinquency seen in Banco do Brasil and the delinquency for the banking industry. On the top left hand side of the slide, we will realize that delinquency for all banks is dropping in Brazil; however, for Banco do Brasil the delinquency levels are by far much better than the industry's. You see that delinquency dropped from 5.9% in March 2009 to 4.4% in March 2010, while delinquency for the industry in the individual book was 7%.

On the top right-hand side of the slide, we make the comparison for delinquency in business loan book. You will realize that delinquency in Banco do Brasil peaked in June 2009 and since then it has been decreasing consistently, achieving by the end of March 2010 2.6% delinquency ratio. And when compared to the industry, we can realize as well that delinquency in the business book in Banco do Brasil is much better than the industry's.

And we brought you here also some information about the delinquency in Banco Votorantim's loan book. It is 3.4% below the average industry, confirming the quality of the loans that are being granted in Banco Votorantim.



Now moving on to slide 18, we would like to make an analysis for the vintage of our loans to individuals, and we excluded here overdraft accounts, credit cards, and car loans. Definitely the change in the mix of our individual book concentrating higher volumes in payroll loan helps reduce delinquency throughout time. However, I would like to highlight here that the delinquency for the 2009 vintage was tremendously below the average delinquency seen in the previous vintage, showing the conservativeness of Banco do Brasil in its credit risk methodology and assessment.

Moving on to slide 19, we bring you some numbers about the performance of our administrative expenses that was completely in line with the business growth and with the acquisitions we did. I cannot forget to highlight here the control on cost that the management is promoting, other administrative expenses reduced from R\$2.6 billion to R\$2.4 billion and while personnel expenses practically remained flat. In total, the drop in total administrative expenses in the quarter was 3%.

Moving to slide number 20, we can see that non-interest-bearing businesses or fee-based business here have added a very significant revenue to the results of Banco do Brasil. Fee income totaled R\$3.6 billion in the quarter, an increase of 24% when compared to the same period of 2009.

Also on this slide, if you look to the right-bottom part of the slide, you will see the performance of our insurance business. The added value of insurance to Banco do Brasil's net income increased by 24.2% in the quarter, and the share of insurance results in the net profit increased to 15% at the end of March.

Moving to the next slide, I would like to inform you that on May 5th we released two materials facts disclosing to the market that Banco do Brasil acquired the stake of SulAmérica in Brasil Veículos and we also set a strategic partnership with Mapfre Insurance Group. These two movements are completely in line with the strategy that Banco do Brasil is putting in place to increase the share of its insurance business in the net profit of Banco do Brasil, and we will create through this partnership the second largest insurance Company in Brasil.

On slide 22, Banco do Brasil did a very interesting movement in the car business. We signed a memorandum of understanding with Bradesco to create a new business model in the area of debit, credit, and prepaid cards. As can be seen on slide 22, this partnership, when authorized by regulators, will create a new Brazilian card grant called ELO. And giving support to ELO's card, we will create a holding company that will be responsible for managing all common businesses between Banco do Brasil and Bradesco in the credit, debit, and prepaid cards.

On slide 23 we bring you some information about our BIS ratio. It remained flat in the quarter at 13.7%. With this level of BIS ratio we have an excess of equity around R\$12 billion that entitles Banco do Brasil to increase its loan book by more than R\$100 billion, considering here 100% rated asset.

On slide 24, we would like to make a comparison between the multiples of Banco do Brasil and the main Brazilian banks. We can see that the appreciation of Banco do Brasil's shares in 12 months surpassed 76% and it was higher than the appreciation in the Bovespa and our peers. This appreciation, if adjusted for the proceeds we paid to our shareholders, would have reached 88%. In addition, I cannot forget to mention that we have already issued almost 5 million over-the-counter ADR in the United States that are effectively active.



On slide 25 we would like to summarize the performance of Banco do Brasil with regard to the guidance outlines we provided to investors when we disclosed the results of 2009. As you can see here, we have reached almost all the guidance we announced, except for the performance in our domestic loan book. And the reason for missing the guidance here is mainly explained by the performance in the agribusiness books, that I have already mentioned, that was not in line with the guidance, and a slower growth in business portfolio, caused mainly by the impact of the appreciation of our currency over USD for the foreign trade transaction. If it were not for that, the growth in our domestic loan book would have been above 18%, completely in line with the guidance.

And with regard to total deposits, we missed the guidance due to the excess liquidity Banco do Brasil has. And I cannot forget to mention that the base of comparison, that was March 2009, during that time with volume of deposits that were flowing into Banco do Brasil was extremely high due to the crisis and due to the so-called price quality [unintelligible] trend.

On page 26 and also on page 27 we bring you the main assumptions that helped us to set those guidance, and I would recommend that all investors read those assumptions in order to understand what would make that guidance not be reached by Banco do Brasil.

Well, these are the main information I would like to share with you, with regard to our 1Q10 results. We can now open the floor to the Q&A session. Thank you very much.

Marcelo Telles, Credit Suisse:

Hello, everyone. I have one question, in the quarter you reduced your additional provisions by roughly R\$150 million, R\$160 million versus the 4Q. But there you mentioned that this was really not the release of provisions but related to the Nossa Caixa portfolio that went to the criteria of Banco do Brasil in terms of loan classification and provisionary requirements. My question is, what is the rate of migration of the Nossa Caixa portfolio into Banco do Brasil criteria, and how much do you expect in terms of potential reduction in those additional provisions as a result of the extra migration from the Nossa Caixa portfolio to Banco do Brasil? Thanks very much.

Marco Geovanne Tobias da Silva:

Thank you very much. Could you hold on a second, please? I do not know if Walter is on the line. Yes? Walter, did you get Marcelo Telles's question?

Walter Malieni Júnior:

I got it. *Vou responder em português. Você traduz para mim, Geovanne, por gentileza?*

Marco Geovanne Tobias da Silva:

Sem problemas. I will translate these answers.

Walter Malieni Júnior:

Marcelo, nós fizemos a incorporação da carteira, a incorporação expressiva da carteira do Banco Nossa Caixa começou no 1T10, e antes disso nós fizemos uma equalização



nos critérios de provisão, entre Banco do Brasil e Nossa Caixa, prevalecendo o critério do Banco do Brasil. Nesse momento nós também tivemos que alinhar os riscos para os clientes, comuns, entre Nossa Caixa e Banco do Brasil.

Deste modo, houve, no ano passado, uma elevação da provisão excedente em função disso. A partir de agora, a partir do 1T, nós absorvemos efetivamente a carteira de crédito direto do consumidor da Nossa Caixa, que é a maior carteira de crédito daquele banco. Quando nós fizemos isso, o risco que veio agora, nesse momento, era diferente daquele lá atrás. É um risco maior. Logo, quando isso acontece eu acabo revertendo a provisão excedente, visto que a provisão regulamentar já é suficiente para cobrir o risco agravado nesse período.

Por ser a principal carteira daquele banco, nós entendemos que o risco de eventuais reversões tende a cair, e muito. Por ser a principal carteira de crédito que a Nossa Caixa tinha, voltar a Pessoa Física e, dentro de Pessoa Física, o segmento de Pessoa Física, vem operações de crédito ao consumidor.

Marco Geovanne Tobias da Silva:

Well, let me try to summarize what he has told, answering [unintelligible] in Portuguese. When we bought Nossa Caixa, the first thing the credit department did was to increase the volume of provisions for Nossa Caixa's existing loan book, according to Banco do Brasil's credit risk methodology. And at that time that provision that was reinforced was considered excess provision.

When we consolidated and we brought those operations to Banco do Brasil's system, and we started doing that at the beginning of this 1Q10, we had to make a balance again. And there were many loans that were ranked at a lower risk level, and when we brought into Banco do Brasil's system the risk level of that loan that was being added was higher; then we had to adjust those provisions upward. And we did that by taking apart from the excess provision.

So, what we saw definitely happening in the 1Q was an increase in the volume of required provisions due to these loans, especially consumer loans that is the highest bulk of loans that we have in Nossa Caixa, due to a higher risk level. And we did that by using the excess provision that we had already accounted previously, when we first balanced Nossa Caixa's book to Banco do Brasil's credit risk methodology.

Looking forward, we do not expect higher volumes of provision increase because the amount of loans that will be added to Banco do Brasil's portfolio from Nossa Caixa is much smaller now. And 100% – I have here the manager of Bank acquisitions, luckily – , all the entire 85% of the consumer loan book in Nossa Caixa has already been transferred to Banco do Brasil's system.

So, the adjustment or the balance in the provisions looking forward, tend to be much smaller, at a smaller volume, so you should not expect much changes from additional required provisions in the future.

Marcelo Telles:

Excellent. Thanks very much. If you allow me just to add one more question: I mean, it seems that Banco Votorantim had a much bigger contribution in the quarter, and there was apparently no improvement in the net interest income line. I remember in one



occasion you mentioned that there was some like [unintelligible] acquisition that was actually undermining the margins at Banco Votorantim. And are these derivative positions already closed, or were they closed in the 1Q? And should we expect even better results coming from Banco Votorantim going forward? And also, how do you see the provision evolution within Banco Votorantim? Thank you.

Marco Geovanne Tobias da Silva:

OK. Well, I have here Navarro, who is our Manager for the Partnership, especially Votorantim. Navarro, would you make some comments about Banco Votorantim in Portuguese? And then I can translate.

Paulo Sérgio Navarro:

OK. Primeiramente, sobre a questão das provisões lá do Banco Votorantim, nós temos um nível de provisionamento e de inadimplência estável durante esses trimestres. E temos também observado um nível de spread nas operações de crédito ligeiramente declinante. Porém, nós podemos notar que a margem global dos negócios do Banco Votorantim teve um pequeno crescimento em função de ganhos com operações de Tesouraria.

Marco Geovanne Tobias da Silva:

OK. Well he said that with regard to provisions, provisions are stable, the volume growth is consistent, despite the slight decrease in margins for loan. However, the net interest margin was positively impacted by gains from treasury. And he was also making some comments, before starting answering your question, Marcelo, that they had also reduced some derivatives for provision that helped their treasury gains.

Marcelo Telles:

OK. Thank you very much.

Daniel Abut, Citi:

Good morning, Geovanne. As a follow-up on the overall provisioning discussion, if I look at, as you stated in page 25, your provision this quarter was 4.5% of average loans, which was in line with the guidance of 4.4% to 4.8%. That was a very mild decline from prior quarters with your provision in 4.6%, 4.7%. We saw a much sharper decline in provisions than some of your competitors, and given the decline in the NPL ratio, in both individual and business loans, that you showed in slide 17, can we see a further decline in the provisioning ratio for average loans in future quarters? Is that the case? Is there room for that? Would you not agree that this guidance of 4.4% to 4.8% is looking a little too conservative?

Marco Geovanne Tobias da Silva:

Thank you, Daniel. Walter, would you like to make some comments about the provision charges ratio looking forward?

Walter Malieni Júnior:

Qual for a pergunta?



Marco Geovanne Tobias da Silva:

Ele quer saber se houve uma ligeira queda naquele índice de provisão sobre a carteira, enquanto que nos pares a provisão sobre a carteira caiu mais. E nosso guidance fala que provisão sobre carteira vai ser de 4,4% a 4,8%. Então, como ela está caindo, ele quer saber se ela vai continuar caindo e o nosso guidance não está muito conservador, então, se ela vai continuar caindo. Ele quer que você confirme se você acha que vai continuar caindo aquele volume de provisão sobre a carteira e se nós poderíamos rever esse guidance; em outras palavras é isso o que ele quer saber.

Walter Malieni Júnior:

Certo. O risco médio da carteira vem caindo. Então, a tendência natural é que os índices de provisão também caíam na mesma intensidade. Até março de 2010, dentro do nosso índice de provisão nós tínhamos um pouco o reflexo de operações feitas na época da crise, que é um cenário um pouco mais agravado de risco, e consequentemente você tinha provisões maiores.

Essas operações passaram agora ou a ser liquidadas, ou acabaram entrando em perdas. Com isso, nós entendemos que a tendência natural é que ocorra uma redução no nível de provisão, e que pode ser meio [unintelligible] quando você olha nos dois segmentos, Pessoa Física e Jurídica, uma queda, se não me engano no caso de Pessoa Física, acentuada em relação ao risco médio.

Além disso, nós continuamos crescendo em linhas por segmento onde o risco notadamente é menor, como é o caso de consignado e nas operações do atacado. Então, a tendência efetivamente é que nós tenhamos uma redução no nível de provisões regulamentares.

Mas mesmo assim eu entendo que nós manteremos o guidance.

Marco Geovanne Tobias da Silva:

OK. Well, he mentioned that the average risk for the portfolio is improving. And because of that he believes that the trend for this ratio is a downward trend. We should expect as a percentage of the lower volumes of provision. He is explaining that the reason why our provisioning ratio was higher was because many credit we granted during crisis was granted at a tougher environment, and for that purpose the credit methodology had increased the risk of those loans and has required higher provision. And since the environment is improving and the average risk of these loans are reducing, and we are increasing faster those loans with lower risk, [unintelligible] slightly average risk, and therefore a smaller provision charge ratio looking forward.

However, we will maintain the guidance at least for another quarter to be sure that this trend will be confirmed. So, definitely you were right. The guidance we are giving is very conservative. But we will maintain this guidance at the level it is right now for the 2Q. And we will have to assess again that issue when we disclose the 2Q again.

Daniel Abut:

Thank you, Geovanne. That was helpful.



Carlos Macedo, Goldman Sachs:

Hi, Geovanne, Ivan. Thank you. Just one question on the Previ claw back. We saw it increase from the funds that come from Previ, the pension fund, increase from R\$300 million to around R\$750 million this quarter. I understand that is around R\$2 billion this year. If you could go through a little bit of the mechanics to calculate this claw back and what we can expect coming from this line as we go through the year?

Marco Geovanne Tobias da Silva:

OK, Carlos. Thank you very much. It is important to bear in mind that a pension fund plan is created not to post profit nor losses. So, that is why a pension plan must be balanced. So, a surplus or a deficit means that the actuarial assessment that is being done is either too conservative or too liberal.

In the case of Previ it was very conservative. So, as of March 2010 we had the fair value of the assets, the [unintelligible] plan one of Previ, around R\$140 billion, while the present value of the liability of that plan was around R\$80 billion. So, the surplus would be roughly R\$60 billion; the difference between the asset and the liabilities.

Since the rule in Brazil allows the Company to recognize a part of the surplus that belongs to it, our accountant has started to account that on a recurrent basis. And the rationale behind that is the following: given this size of surplus, we believe that at least when you apply the actuarial rate for both liability and asset, you will have a part of the surplus to be recognized on a recurrent basis.

Of course then according to the rule, we must hire every year minimal, especially an actuarial specialist to assess the fair value of the asset and the present value of the liability, and adjust the size of the surplus. In order to reduce the volatility that this recurrent recognition would bring to Banco do Brasil's results, we decided to make these actuarial assessments every 6 months, to make these adjustments and to reduce the gap between what we are projecting, given the actuarial way, and what effectively will happen with the fair value of these assets and the present value of the liabilities throughout time.

So roughly, how much Banco do Brasil is entitled to recognize? We have a surplus of R\$60 billion. According to the rule, after applying all the actuarial requirements you are entitled to recognize a part that belongs to you after reducing, or after building up a cushion. This cushion must be 10% of the fair value of the asset or the present value of the liability; the highest one.

So, the highest one is the fair value of the asset; that is R\$140 billion. So, I must create a cushion of R\$14 billion, 10% of that. So, you must deduct from the R\$60 billion, half of it belongs to Banco do Brasil. So, Banco do Brasil is entitled to R\$30 billion, can recognize R\$30 billion. However, first must deduct the cushion. The cushion is R\$14 billion. So, how much is left? R\$16 billion to be recognized. How much we have in the book? R\$13 billion.

So, according to the math we have these R\$3 billion that we mentioned to be recognized on a quarterly basis. Of course that the value of the assets and liabilities do vary throughout time, and these actuarial assessments will be very important and we will do that in the 2Q in June to see if the estimates we are taking into consideration to recognize this amount are accurate or should be increased or reduced.



Carlos Macedo:

OK, perfect, Geovanne. Just one follow-up question: so, if you are going to do this assessment again in June, it means that your 2Q number might be different? Or it means that your 3Q number might be different?

Marco Geovanne Tobias da Silva:

2Q might be different. *O ajuste atuarial, por conta to atuário em Junho, vai impactar o 2T, não é isso?* It will be adjusted in the 2Q. As a matter of fact, we will publish the balance sheet for the 1H, so it will hit the 1H number.

Carlos Macedo:

OK. And then we can assume that, since you are going to do it every 6 months, that the 3Q is going to be similar to the 2Q?

Marco Geovanne Tobias da Silva:

So, the 3Q we will estimate the gap [*unintelligible*] actuarial rates, for the gap between assets and liabilities.

Carlos Macedo:

OK, perfect. Thank you, Geovanne.

Victor Galliano, HSBC:

Hi, yes. Geovanne, just on continuing with the asset quality questions that we had earlier. Just looking at the credit quality deteriorating slightly in the 1Q, which kind of goes against the grain of what is happening elsewhere in the industry and in the Group. Was this due to some worsening in also credits, or can you give us any more color there on what is going on there? Do you see that as a one-off, or is there something similar to what happened before with Nossa Caixa and the reclassification of some loans there? Can you give us a bit of color there?

Marco Geovanne Tobias da Silva:

You are referring specifically to Banco Votorantim, right?

Victor Galliano:

Exactly.

Marco Geovanne Tobias da Silva:

OK. Marcelo Parente, are you on the line? No. Unfortunately the Director from Votorantim is not on the line.

Victor Galliano:

OK, maybe...



Marco Geovanne Tobias da Silva:

As far as we know, Victor, there was a slight deterioration but nothing that worries us, because it is normal, as you can see, historically, and we have shown that on slide 17 before the level of delinquency was at 2.2%, it increased by 100 b.p., positively in line with what we were expecting. And we do not expect a further decrease in that delinquency. The trend is to start improving but we will do it at a slower pace.

Victor Galliano:

OK. And maybe if I could ask a follow-up on agribusiness asset quality, we saw that although the charge offs coming down quarter on quarter, that overall the NPL formation remains quite high. Do you expect to see this improve? And if so, when? Would you expect it to be a 2H10 event? Or would we start to see some improvement in asset quality and NPL formation there in the 2Q, do you think? Thank you.

Marco Geovanne Tobias da Silva:

OK. I am here with our agribusiness director. And he said that it is not that the asset quality of the book is deteriorated; it was just a mixed effect, because we had lots of repayment in the 1Q from the agroindustrial loan book. And these loans to agroindustry have a smaller spread, because they have also a lower risk. And because of this repayment, we increased the share of agriloans to farmers, to individuals, which brings higher risk but also higher spreads. And that is the reason why the spread in the agribook increased in the 1Q.

Victor Galliano:

Right.

Marco Geovanne Tobias da Silva:

So, it was just mixed effect. And we are not seeing deterioration on that book; quite the contrary. We have been cleaning up that book, we wrote off a large amount of old debt that were restructured back in 2005, 2006. And we are cleaning up that portfolio. And looking forward you should expect a much better quality coming from that book.

Victor Galliano:

OK. Very good. Thank you.

Ian Smith, Nevsky:

Hi. Just a couple of questions. The first one on legal risk, on legal claims and labor losses. The amount there in the quarter was R\$450 million, which is up very sharply from the last quarter, but also I think up from a kind of normalized run rate somewhere around R\$200 million or even lower. Is that sort of an anomaly this quarter? Did anything happen that means it is kind of unusual? Are we really moving to a slightly higher level of cost share for any given reason?

And secondly, with the change in the capitalization rules and the surplus loan loss provision will now not be able to be added back to Tier 1 capital. Is there any intention to reverse out further surplus provisions in the next quarter?



Marco Geovanne Tobias da Silva:

Hi, Ian. Thank you very much for your questions. For the first question, with regard to legal risk, what happened this quarter was that we are merging all the operations from Nossa Caixa to Banco do Brasil's system. It happened with credit and it also happens with the legals too, with the suits, with the labor suits and civil suits as well. And we adjusted the methodology of Nossa Caixa to Banco do Brasil's methodology, and because of that we had a positive impact caused from Nossa Caixa. We reduced the volume of provisions for labels suit, and we called that one-off. And we had to adjust that. So, when you compare the 1Q to the 4Q you will see that the volume in the 1Q recurrent was higher, definitely. Especially when compared to the 4Q, because on the 4Q the new methodology for Banco do Brasil's allowed us to write back provisions that were being created for labor suit.

Now what we are giving is a sophisticated model to try to forecast how much effectively will be the loss for these labor suits and civil suits.

Looking forward, in the meantime, since we are at the middle of this new methodology being applied for Banco do Brasil and to all suits that are being added to our system from Nossa Caixa, it is too soon to try to predict what will be a recurrent volume of risk of legal risk provisions.

But I think you should at least talking around R\$200 million. I do not know. To be honest with you, we have got to wait for the 2Q to see how this line is going to perform, to try to picture out what will be the recurrent. But the main explanation for these higher volumes has to do with that.

And your final question with regard to the excess reserves we have, Banco do Brasil does not have the intention to write back those excess provisions for the meantime. From the 2Q on definitely we will not be allowed to add to our Tier 1 the volume of excess provisions. We are expecting a negative impact in our BIS ratio around 0.666. So, it will bring our debt ratio down close to the 13% average. But then we have the capital rate to offset that. In the meantime, Banco do Brasil will maintain the excess reserves in its book.

Ian Smith:

Great. Thanks a lot, Geovanne.

Operator:

This concludes today's question and answer session. Mr. Geovanne, at this time you may proceed with your closing remarks.

Marco Geovanne Tobias da Silva:

Well, I would like to thank you for the attention. In any doubt, please do not hesitate to contact the IR department at bb.com.br/ir. Thank you very much, and see you next time.



Operator:

That thus concludes our Banco do Brasil conference for today. As a reminder, the material used in this conference call is available on the Bank's Investor Relations Website. Thank you very much for your participation. You may now disconnect.

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