

Management Report

1st Half 2010

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Investor Relations Unit

Dear Shareholders,

We present the Management Report and the Financial Statements of Banco do Brasil for the first half of 2010, in conformity with the requirements of the Brazilian Corporate Law, the National Monetary Council (CMN), the Brazilian Central Bank, the Brazilian Securities Commission (CVM) and Banco do Brasil's Bylaws.

Macroeconomic Environment

In the international environment, the first half of 2010 was marked by uncertainties regarding fiscal sustainability of some European countries, especially Portugal, Ireland, Italy, Greece and Spain. Those concerns led the European Union and the International Monetary Fund to jointly announce a package of financial aid to the countries in difficulty for the total amount of € 860 billion, of which € 110 billion were for Greece alone.

Facing the difficulties of implementing the required adjustments in public accounts, and the questions regarding the potential impacts of those measures on European economic activity during this and the forthcoming years, the strength of the euro against the US dollar was put in test. Between the end of December 2009 and June 2010, the euro recorded a devaluation of about 16% against the US dollar, and reached its lowest daily quotation since the first quarter of 2006.

In spite of the potential impacts of the adverse external environment, the Brazilian economy hardly resented the fiscal crisis in Europe. Some volatility was felt in the foreign exchange and in the stock market, but no damage was caused to the growth prospects of the domestic economic activity. In fact, a marked expansion of domestic activity was observed, anchored in the significant dynamism of the labor market, industrial production (led by the capital goods and durable consumer goods sectors), retail sales and credit market, which reached a level that exceeds 45% of the Gross Domestic Product (GDP).

The GDP for the first quarter recorded a 9% growth compared to the same period in 2009 and 2.7% compared to the preceding quarter (seasonally adjusted). The quarterly GDP expansion was equivalent to annualized growth of 11%. This growth was led by internal demand, with private consumption and investment growing in annualized rates between 6% and 33%, respectively, comparing with 2009 last quarter.

In the first half of the year, the Expanded Consumer Price Index (IPCA), for instance, showed its highest variation observed in the same period since 2003, compromising about 68% of the core inflation target (4.5%) for this year. In view of that scenario, in April 2010 the Central Bank of Brazil started a new cycle of increases for the basic interest rate, which was raised from 8.75% p.y. to 9.50% p.y., and reached 10.25% p.y. in June 2010.

Highlights of the period

As the Latin America's largest bank in assets, with R\$ 755.7 billion, Banco do Brasil recorded a net income of R\$ 5.1 billion in the first half of 2010. From this total, R\$ 2.1 billion were distributed to its shareholders. The achieved performance is the result of the adopted negotiation strategies, including the recent acquisitions and established strategic partnerships.

The loan portfolio ended the first half of the year 2010 with a R\$ 326.5 billion balance, up 29.3% from 1H09. The loan portfolio expansion is due to the strong growth credit loans to individuals, specially payroll loans and vehicle finance, and to companies highlighted to investments and working capital operations. With this performance, BB keeps its leadership in the Banking Industry, with a 20.1% market share, without comprising the credit risk (overdue 90 days), which decreased from 3.6% in 1H09 to 2.7% at the end of the first half of 2010.

Specifically this first half of the year, Banco do Brasil disclosed to the market an agreement for the acquisition of the stake control of Banco Patagonia. The closing of the deal will still depend on the approval by Brazilian and Argentine governmental bodies. Also concerning the recent mergers, BB's deal with Bescleasing and Bescredi was approved on April 13, 2010 by BB's Extraordinary General Meeting.

Providing continuity to the restructuring process in the insurance, pension and savings bonds segment, the Bank disclosed: (i) review of the partnership with the Principal Financial Group in BrasilPrev; (ii) an agreement to form a strategic alliance with the Mapfre group; and (iii) corporate restructuring in BrasilVeículos and BrasilSaúde. For that, BB faced the need for approval and statement by the regulators / supervisors, whose authorization was given only in the first movement, Brasilprev, where

the participation of BB Seguros happened on 4/30/2010, from 49.9892 % to 74.995%, generating an increase in 2Q10, 11% in the equity in income of related compared with 1T10.

In the card business, the Bank increased its interest in Cielo and Companhia Brasileira de Soluções e Serviços – CBSS companies by acquiring the ownership interest held by Santander bank in both companies. In that segment, BB also signed a memorandum of understanding with Bradesco bank, aiming: (i) to integrate a part of their card operations; (ii) launching the Brazilian ELO card brand; (iii) formatting new businesses for private label cards; (iv) creating a company for card sales to non-customers; and (v) creating a company formed by ownership interest in CBSS S.A. held by both institutions or by their subsidiaries.

In 1H10, BB's investments amounted to R\$ 514.8 million, up 27.9% from 1H09. It is worth to highlight the investments of R\$ 191.7 million in properties (constructions and reforms), equipment (R\$ 22.2 million), and information technology (R\$ 300.8 million).

In addition, in the first half of 2010 a primary and secondary public offering of BB shares was made, in order to strength its capital base, meet its organic and inorganic expansion strategy, increase the liquidity of its shares in the secondary market. Additionally, this offer reached a 30.4% free float, which exceeds the mandatory minimum of 25% required by Novo Mercado Regulation of BM&FBovespa, where BB is listed since 2006. BB's stocks were priced at R\$ 24.65 at the end of the bookbuilding process.

Outlook

Committed to remaining among the leading financial groups from Latin America, Banco do Brasil outlined the following as strategies and goals for 2010-2014:

- become a reference in performance and sustainable business;
- expand loans market share;
- increase share in the capital market;
- expand product and service distribution capacity;
- refine the customers management and service delivery channels;
- strengthen its activity in value chains, cooperativism and associativism;
- increase the international activities and the use of strategic, business and operational strategies in the country and abroad;
- develop and refine the management of knowledge and of competencies of employees;
- participate in the Dow Jones Sustainability Index;
- broaden and strengthen its activities of insurance, pension plan, savings bonds, purchasing pools and cards;
- become a reference in risk management, security and control;
- expanding and strengthening its negotiation performance as a development agent in Brazil.

ECONOMIC-FINANCIAL PERFORMANCE

Banco do Brasil recorded net income of R\$ 5.1 billion in the first half of 2010, 26.5% higher than the same period in 2009, with an annualized return on equity of 28.7%. Net income per share was R\$ 1.98 in the last six months.

Assets totaled R\$ 755.7 billion, up 26.2% in 12 months, with a return on assets of 1.4% in 1H10, same in 1H09, a performance that confirms the Bank's leadership in assets in the Banking Industry – SFN. Shareholders' equity reached R\$ 39.3 billion, an increase of 21.5% in 12 months.

R\$ million			
Highlights			
Results	1H10¹	1H09	Δ 1H09 (%)
Net Income	5,076	4,014	26.5
Income (without extraordinary impacts)	4,383	3,250	34.9
Net income from financial intermediation	11,896	7,308	62.8
Revenue from loans	24,317	18,465	31.7
Fee Income	7,588	6,379	19.0
Insurance Income	596.2	499.3	19.4
Administrative expenses ²	(12,411)	(11,221)	10.9
Net Income per Share	1.98	1.56	26.9
Return on Assets	1.4	1.4	
Return on Equity	28.7%	27.4%	1.3 p.p.
Equity	Jun/10	Jun/09	Δ Jun/09 (%)
Assets	755.7	598.8	26.2
Loan portfolio	326.5	252.5	29.3
Funding	510.6	412.4	23.8
Assets under Management	344.9	264.9	30.2

¹ Items based on Consolidated Statements.

² Refers to the addition of Personnel Expenses and Other Administrative Expenses.

The administrative expenses, which comprise personnel expenses and other administrative expenses, totaled R\$ 12.4 billion, growth of 10.9% in 12 months, reflected in the productivity ratios shown in the table below:

Productivity Ratios	1H10	1H09
Service Revenues/Personnel Expenses	123.9	112.7
Service Revenues/Administrative Expenses	61.0	56.9
Cost/Income Ratio - %	44.5	49.3

Income fees and financial margin growth in addition to the control of administrative expenditure helped to improve the cost/income ratio of the period.

See further information about the economic-financial performance of BB in the Management Discussion and Analysis at BB's Website (www.bb.com.br/ri).

SHARE PERFORMANCE

Banco do Brasil's shares (BBAS3) closed the first half of 2010 priced at R\$ 24.65, up 23.7% from the last 12 months, against appreciation of 18.4% of Ibovespa.

BBAS3 was traded in all BM&FBovespa's sessions, in the daily average amount of R\$ 94.9 million in the first half of 2010, as opposed to R\$ 66.4 million in the same half of the previous year, and continued to be listed in the theoretical portfolios of the major Stock Exchange indexes: Ibovespa, Ibrx50, IGC, ISE and Itag.

Banco do Brasil's stocks have also been traded in the US market by means of *American Depositary Receipts* - ADR since December 2nd, 2009. On June 30th, 2010, there were 5.6 million outstanding ADRs.

Banco do Brasil has a 40% payout policy, which is taken in the form of dividends and interest on own capital, at quarterly intervals. The amount of R\$ 2.1 billion was allocated to shareholders in the first half of the year, being R\$ 1 billion as dividends and R\$ 1.1 billion as interest on own capital. The remaining 60% of the profit was allocated to legal and statutory reserves and to business expansion (a policy of reinvesting the profits and paying dividends).

With its stock public offering, Banco do Brasil achieved a *free float* of 30.4%, raising the number of shareholders from 355.5 thousand in the first half of 2009 to 417.9 thousand in the same period of 2010.

BUSINESS PERFORMANCE

BB closed the first half of 2010 with a base of 53.3 million customers and 34.9 million checking accounts (32.7 million individual checking accounts and 2.2 million business checking accounts), a growth 0.5% growth in 12 months.

BB has a segmented model to meet the needs of its non-corporate customers. For Private Banking business, some platforms were installed in the cities of Campo Grande, Manaus, Santo André, Maceió and Natal. That expansion allowed a 16.6% increase in the customer based served by BB Private, a 24.2% increase in the volume of assets under management and a 37.2% higher contribution margin for the segment.

BB makes available to its customers an access for making business by physical networks (branches, service centers and correspondents) and virtual networks (call center, internet and mobile).

In its physical network, BB has Brazil's largest branch network, with 4,984 units, and has 9.8 thousand correspondent banks, over 18.2 thousand service centers, and Latin America's largest ATM set, with 43.9 own machines. In 1H10 the migration process for Nossa Caixa service centers to the BB model was completed.

In ATM, about 38.9% of all BB banking transactions are performed. In order to provide more comfort and convenience, in 1H10 the bank started an equipment modernization involving a migration to the Linux operating system, which will provide a faster service and new functionalities. In addition, the use of terminals contributes to develop the potential of more distant regions, such as the country's borders.

BB also has terminals that are shared with Caixa Econômica Federal and Banco de Brasília and its own network abroad, comprised of 45 service centers in 23 countries, in addition to 1,332 foreign correspondent banks.

By means of its virtual network, BB provides additional channels for access to banking services, such as the Call Center, the internet access (both for individuals and corporations), the mobile banking and SMS. BB's internet self-service closed the first half of the year with the historical mark of over 93.2 million effective transactions per month and over 10.2 million customers using that channel, that attends to 37.2% of the total transactions.

The Short Message Service – SMS has over 829.8 thousand enrolled customers, and 58 million messages had been transmitted by end of the first half of 2010. In that period, BB launched the "Saque Sem" service, a transaction mode that allows withdrawals in ATM without using a card. That is a new and innovating service, providing both convenience and security.

Fundings

In the first half of 2010, Banco do Brasil recorded R\$ 510.6 billion in funding, a 23.8% growth over the same period of 2009, which reflects the customers reliance in BB, even in adverse environment. Demand deposits, that grew 20.3%, deserve special emphasis, allowing BB to reach a 25.7%¹ market share in 1H10.

Regarding foreign fundings, it is important to highlight the funding accomplished in January 2010, when stocks were issued under the Global Medium Term Notes - GMTN program, in the amount of US\$ 1 billion, comprising two series of US\$ 500 million, one for a 5-year term and the other for a 10-year term. At the end of the half, the balance of foreign funding recorded US\$ 23.6 billion, change of US\$ 8.5 billion or 56.2% in relation to the same prior-year period.

Funding management and government programs

In the 1H10, BB loaned R\$ 1.7 billion in 29.6 thousand transactions with resources from Fundo Constitucional do Centro-Oeste (FCO). The performance is equivalent to 65.1% of the budget program for the period, being 50.6% of that amount have benefited micro, mini and small-sized borrowers. Such financings created / maintained 75.8 thousand direct and 125.8 thousand indirect jobs. Funds invested grew 4.8% in relation to the same period of previous year and the balance of the portfolio attained R\$ 11.5 billion.

¹ BB's total funding, as for June 2010, were compared with the Banking Industry provided by the Central Bank of Brazil, position March 2010.

In working capital lending to micro and small-sized companies, Banco do Brasil made full use of the Transaction Guarantee Fund – FGO to mitigate credit risk in the transactions and expand portfolio volume. In 1H10, contracted operations amounted to R\$ 4.4 billion, of which R\$ 3.4 billion were guaranteed by FGO.

Out of 5 projects analyzed by BB, all were authorized to support the construction capacity increase by shipbuilding industry, expand port infrastructure through Fundo de Marinha Mercante – FMM, totaling R\$ 92.8 million in outlays. Thereby, the FMM portfolio reached the mark of R\$ 795 million in June 2010, a 23.9% evolution from the same period in the previous year.

Services

BB Consórcios ended the first half of 2010 with 161.8 thousand active shares, a 33.3% increase in 12 months. 122.8 thousand consortium members in this total refer to vehicles and 9.6 thousand to housing segment.

In tax collection, BB accounts for 23% of the market at federal level and 40% at state level, corresponding to R\$ 93.3 billion and R\$ 56.8 billion collected, respectively. R\$ 7.4 billion were collected in the municipal level.

By means of the bank charge services, deposit forms and standing orders, Banco do Brasil provides services for more than 590 thousand companies that brought in R\$ 334 billion in the 1H10. These services added R\$ 901 million in revenue, growth of 15% comparing to 1H09.

The new electronic payment charge solution, called Authorized Direct Debit, had 1.2 million electronic drawees and 29.2% market share, and over 38.5 million bank payment forms were electronically processed. That new service avoids payment form printing, a measure that contributes to reduce paper use, and thus benefits the environment.

In the half of 2010, 49.1 thousand payrolls were processed, considering business clients and public sector in the half. Overall, BB provided these services to a total of 18.4 million people, involving civil servants and employees from private enterprises.

In addition, services were provided to 48 Social Security programs, such as advisory services in the financial, accounting and actuarial areas, benefit analysis and technical support, in addition to processing of retiree and pensioner payrolls, involving 210 thousand insureds.

Asset Management

In the first half of 2010, BB Gestão de Recursos (BB DTVM), Brazil's largest asset manager, reached R\$ 344.9 billion in managed assets, comprising its investment funds and managed portfolios, and achieved the historical mark of 22.3% of market share. This volume represented an increase of 12.5% in the period, according to Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais – Anbima.

Considering fund management, BB DTVM is responsible for R\$ 330 billion, which represents 22.7% market share, consolidating its position as also Brazil's largest assets monitor, according to Anbima.

BB DTVM expanded its international performance by creating BB Asset Management Ireland, in Dublin, to meet the needs of foreign investors, especially those in Europe and Asia.

Capital Market and Treasury

Banco do Brasil operates in the domestic capital market through BB Banco de Investimento S.A. – BB-BI. In 1H10, 20 issues of fixed-income securities were made, adding up to R\$ 5.5 billion, placing the Bank on position number 1 in Anbima ranking, with 20.8% of market share. In the securitization segment, the Bank issued two receivables-backed investment funds (FIDC) and mortgage-backed securities (CRI) funds and one real state fund, amounting to R\$ 397 million.

In the market of variable-income issuance, BB-BI coordinated share offerings adding up to R\$ 327 million, which placed it in position number 10 in Anbima ranking, with 2.4% of market share.

In the custody of assets in the domestic market, BB occupies the position number 2 in Anbima ranking, with R\$ 487 billion under its custody, representing 25.8% of market share.

In the private equity industry, BB-BI has been operating since 2004 as a shareholder in eight FIPs (Investment Participation Fund) / FMIEEs, and more recently, has been providing economic and financial advisory services to four FIPs, being three of them in the investment period and one in the stage of obtaining funding from institutional investors, with a total capital commitment of R\$ 1.85 billion.

In the international capital market, through its external brokers BB Securities Ltd (London) and Banco do Brasil Securities LLC (New York), the Bank had a participation in 15 of 32 Brazilian issuances of fixed-income securities in the first half of the year, being 9 as lead-manager and 6 as co-manager, of which Braskem, CSN, Magnesita, Marfrig, Minerva, Banco Votorantim, BNDES, Fibria, Votorantim BESI and STN, besides BB, totaling over US\$ 9 billion from the total of around US\$ 15 billion issued in the period.

BB's ownership interest in affiliated companies and subsidiaries contributed to the Bank R\$ 1.4 million in equity in subsidiaries, an increase of 39.7% in relation to the same period in the previous year. The Bank participates as a shareholder in companies that have affinity with its businesses, and adopts the best corporate governance practices in the market.

Loan portfolio

BB's loan portfolio reached R\$ 326.5 billion, an increase of 29.3% compared to the first half of 2009. In the amplified portfolio criteria, where guarantees granted and private securities are included, BB's loan portfolio attained R\$ 349.8 billion. This progress was driven by the growth of individuals transactions, that represented 31% of the total portfolio, as against 27.1% in the end of June 2009. Also worth highlighting is the 315% increase in the volume of transactions contracted by states and municipalities, compared to the same period in 2009.

Loan portfolio			R\$ million
	1H10	1H09	Δ (%)
Country	307,018	239,418	28.2
Individuals	101,122	68,467	47.7
Businesses	135,575	103,351	31.2
- SMEs	47,382	39,493	20.0
- Other	88,193	63,858	38.1
Agribusiness	70,321	67,600	4.0
Abroad	19,504	13,068	49.3
Total	326,522	252,485	29.3

Regarding the foreign loan portfolio, a 49.3% change was noted in relation to the same period in the previous year, achieving a total balance of R\$ 19,5 billion at the end of 1H10, with a special highlight for pre-payment transactions, whose balance improved 60% when compared to 1H09.

One of the reflexes in the financial crisis that began in 2008 was the rise in default in the Banking Industry – SFN. In BB, the delay index for receivables past due 90 days reached 3.7% at end of the first half of 2010, compared to 4.4% recorded in the same period of the previous year, and remained below market levels throughout the period. The transactions rated at risk levels AA, A, B and C accounted for 92.5% of portfolio, against the 91.8% verified in the SFN.

Another positive factor was the volume of recovered credits. In the first half of 2010, R\$ 1.4 billion of credits written off as losses were recovered, an amount 56.4% higher as compared to the first half of 2009.

In the 1H10, Banco do Brasil also consolidated its leading position in the transfer of BNDES funds, with 21.1% of market share and a total of R\$ 8.5 billion intended for investments in the wholesale market.

BB was also the leader in terms of number of transactions contracted under the BNDES System, with 107.2 thousand transactions accumulated during the first half of the year. Among micro, small and middle-size undertakings, one out of three transactions was carried out by BB, which shows the wider and more dispersed access to investment credit.

Cards

The card business added R\$ 1.4 billion to the Bank, among revenues from financing and services, with an expansion of 37% in relation to the same prior-year period.

With a base of 86.2 million cards issued, BB obtained R\$ 49.5 billion revenues in 1H10, growth of 26.2% in relation to 1H09. This performance enabled BB to advance in its market share from 20.2% to 20.3%, keeping the billing leadership in the debit and Visa cards in Brazilian market.

Insurance, Private Pension Fund, and Savings Bonds

The insurance, private pension fund and savings bonds business added, in the first half of 2010, R\$ 596.2 million to the Bank's income, considering earning/loss equity fee income, which represented an increase of 19.4% compared to 1H09. This result may be expressed by the insurance ratio, which represents the insurance share Banco do Brasil's recurring net income, reaching 13.6% in the 1H10.

Also in this semester, Banco do Brasil, through its whole-owned subsidiary BB Seguros, signed a Purchase and Sale Agreement with Sul América Seguros for the acquisition of the total shares of Brasilveículos in the amount of R\$ 340 million and the sale of the total shares of Brasilsaúde in the total amount of R\$ 28.4 million, thus proceeding with the restructuring in the insurance area.

Foreign Trade

In the foreign trade, the Bank maintained its leadership of the export and import exchange market, with volumes of US\$ 83.8 billion and US\$ 78.7 billion, respectively, and market shares of 30.6% and 24.8%, respectively. As regards foreign trade financing, noteworthy are the Pre-Shipment/Post-Shipment Export Financing operations, which reimbursements reached US\$ 6.2 billion and regarding the Export Financing Program (Proex), which leveraged exports of approximately US\$ 166 million.

Exchange and foreign trade online services continue to post records: 65.5% of such export exchange contracts and 42.8% of import contracts were agreed on through the Internet, and 47.7% used digital signatures. Currently, 92.3% of the dossiers of operations carried out at the Bank are scanned and 71% of clients forward documents to BB also by digital means.

CORPORATE GOVERNANCE

Banco do Brasil's corporate governance structure is comprised by: the Board of Directors, advised by the Audit Committee and Internal Audit, and the Executive Board, made up of the Management Board (president and nine vice-presidents) and by 27 statutory directors. The Bank also has a permanent Board of Auditors.

Decisions are taken collectively at all levels of the Bank. With the purpose of involving the executives in the definition of strategies and approval of proposals for BB's different businesses, the management uses committees, subcommittees and commissions at a strategic level, which ensure the agility and security for the decision making. Among the instruments used to assure good governance, it is also worth highlighting the Corporate Governance Code and the Code of Ethics.

As a good initiative of corporate governance, the Bank has introduced tools to evaluate the performance of the Board of Directors, Audit Committee and Executive Board, in order to support the preparation of internal diagnoses and the identification of measures to improve performance.

Banco do Brasil is signatory of the Anbima Code of Regulation and Best Practices for the *Private Banking* Activity in the Domestic Market, ensuring high ethical standards, maximum transparency, qualification of professionals and commitment in the quality of the recommendation of products and services.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related with the New Market Listing Regulation by means of the Arbitration Chamber of the Bovespa Market, in conformity with a commitment clause contained in the By-laws of Banco do Brasil.

In relation to investee companies, BB has searched to improve the governance of these companies. For example, improvements have been implemented in the governance of Banco Votorantim: restructuring of the Board of Auditors, the Audit Committee, and Board of Directors, in addition to the implementation of three assistance committees to the Board of Directors (Finance, Human Resources and Products and Marketing).

Market relations

In the first half of the current year, BB took part in 34 meetings with domestic investors and analysts, 5 conferences and promoted 4 teleconferences with analysts and investors, and more than 300 telephone assistances. In view of the public offer of the Bank's shares, road shows in Asia, Europe and South and North Americas were intensified.

BB provides up-to-date information to the market at the Investor Relations site (bb.com.br/ri).

Highlights of the period

The table below highlights several events that occurred in BB's business over the course in the first half of 2010:

Jan	- Announcement of strategic partnership between BB Seguros and Grupo Icatu, focused on savings bonds businesses;
Feb	- Registering the Memorandum of Understanding between Banco do Brasil and Caixa Econômica Federal and Caixa Participações, with the purpose of carrying out studies on the operating or corporate feasibility in Cobra Tecnologia S.A.
Mar	- Filing, with the Brazilian Exchange Securities Commission (CVM), of notice calls for Annual and Extraordinary Shareholders' Meetings for the merger, by Banco do Brasil, of Bescleasing and Bescredi.
Apr	<ul style="list-style-type: none"> - Granting of the "Financial Holding Company" status by the US Central Bank; - Granting of a license for BB USA Servicing to carry out activities and provide fully supporting services to all Bank units in the USA; - Executing a purchase and sale agreement for acquisition of the ownership control of Banco Patagonia by Banco do Brasil; - Registering a partnership between Banco do Brasil and Banco Bradesco for launching the Brazilian brand ELO and integrating part of its card operations; - Announcing the renewal of the strategic partnership between BB Seguros and Principal Financial Group – PFG do Brasil Ltda., aimed at private pension plan and savings bonds business; - Announcing the acquisition of part of the shares held by the Santander S.A. Group in Cielo S.A. and in CBSS, through its wholly-owned subsidiary BB Banco do Investimento S.A.

May	<ul style="list-style-type: none"> - Announce of the strategic partnership between BB Seguros and the Mapfre insurance group, aimed at the individual life, real estate, agriculture, vehicle and all insurance risks lines; - Approval, at the Banco do Brasil's Meeting, the corporate merger of wholly-owned subsidiary Banco Popular do Brasil; - Filling of the Protocol with the Brazilian Association of Financial and Capital Market Entities (Anbima) – request for previous analysis of the registering of the Public Offer of Primary and Secondary Distribution of Common Shares; - Authorization granted to BB Securities by Financial Industry Regulatory Authority – FINRA to operate with underwriting, registered offerings and dealings.
Jun	<ul style="list-style-type: none"> - Approval, at the Banco do Brasil's Meeting, the acquisition of the ownership control of Banco Patagonia, still pending homologation by the regulatory bodies of Brazil and Argentina.

Legal Information

In compliance with CVM Instruction No. 381, Banco do Brasil reports that KPMG Auditores Independentes has not provided, to BB and subsidiaries, any services that could affect its independence in relation to audit work in the first half of 2010.

In the engagement of services not related to external audits, Banco do Brasil adopts procedures based on the applicable legislation and on internationally accepted principles that preserve the independence of the auditor. These principles consist of: (i) the auditor should not audit his own work and (ii) the auditor should not act managerially before his client nor promote the interests of his client.

In compliance with article 8 of BACEN Circular 3068/01, Banco do Brasil confirms that it has the intention and financial capacity to hold until maturity the securities classified in the "Securities Held to Maturity" category. The financial capacity is backed by a cash flow forecast that does not take into consideration the possibility of selling these securities.

In compliance with CVM Instruction no. 319/99, art. 14, BB informs that by the end of the first half of 2010, the process of integrating the agencies' BB-BNC Network was completed, which now serve customers within the applications and systems of the Banco do Brasil. Banco Nossa Caixa incorporation was part of the process of expanding the business of BB in the state of São Paulo, along with the creation of a statutory board to manage the negotiation strategies relating to that state.

In compliance with Article 243 of Law 6404/76, BB reports that investments in subsidiary and associated companies totaled R\$ 13 billion as of June 30, 2010.

In accordance with criteria defined by the Brazilian Statute of Micro and Small Businesses (General Law of Micro and Small Businesses), 93.4% of BB's business clients are classified as micro and small businesses. The volume of funds used by SMEs reached R\$ 47.4 billion in the 1H10, representing a 24.5% increase as compared to the previous half. The balance of working capital operations contracted by micro companies totaled R\$ 4.3 billion, and for small companies totaled R\$ 20.5 billion. Investment operations aimed at very small companies reached R\$ 2.2 billion; for small companies, investments reached R\$ 6.8 billion.

See further information about BB strategic investments in the Performance Analysis Report at BB's Website (www.bb.com.br/ri).

INTERNAL PROCEDURES

Risk Management

In the first half of 2010, in spite of the uncertainties of the global economic scenario, specially regarding the tax sustainability of some countries in the Euro Zone, BB reaffirmed its management strategy, based on a solid risk governance.

At Banco do Brasil, risk management is carried out on a joint and segregated basis from its business units. Risk and concentration policies are specified by the Bank's Board of Directors. These policies are expressed by global risk exposure limits, which are defined by the Global Risk Committee (CRG), which is a forum composed of its president and vice-presidents. The measures for implementing and monitoring the guidelines issued by the CRG are carried out by the Credit Risk, Market and Liquidity and Operating Subcommittees.

With the purpose of improving the risk governance, the Board of Directors approved a set of quantitative indicators to monitor the Banco do Brasil's risk appetite and tolerance.

Under the scope of the market risk, there was a review on the global and specific limit structure and the Program of Stress Testing on the Required Capital for Market Risks, both in conformity with the provisions set forth by the Central Bank of Brazil (BACEN) Circular No. 3,478, which addresses internal market risks models. In connection with liquidity risks, the Bank's exposure is minimum as it is the owner of an expressive position in highly liquid public federal bonds.

In relation to credit risk, Banco do Brasil adopts its own methodologies to rate customer credit risks. Developed concurrently with best market practices and the concepts introduced by the Basel Accord, these statistical models consider customer past performance (credit score), their credit performance (behavior score) with the Bank and the market, and the use of bank products.

The credit methodologies developed and implemented in the Bank include customer risk analysis in every corporate and individual customer segment, in addition to financial institutions and countries. These methodologies have permitted the improvement of the credit process, by virtue of a more precise assessment of customer risk profile and contributes to the increase of credit, at levels above the competitors, with quality and security, even in adverse scenarios.

The default on loans at Banco do Brasil, in the last 24 months, has remained at lower levels than that of the Banking Industry. The provisioning level is in line with its key competitors, while the coverage ratio, the relation between provision and late payments, is above that of other banks.

In order to manage operational risk, Banco do Brasil, following the best market practices, monitors operational loss through a systemized internal database, exposure limits and key risk indicators, besides risk matrices to assess relevant outsourced services.

Aiming at the ongoing improvement of the operating risk management, in the first half of 2010 BB implemented specific limits to operating losses related to "Labor Issues", "Faults in Businesses", "Faults in Processes" and "External Fraud and Theft", with the purpose of providing more expeditious proposals for mitigating measures. Noteworthy are the work for adequacy to the guidelines issued by BACEN at its Communication No. 19,217, of December 24, 2009, involving the use of four basic elements in the internal model for measuring operating risk: Internal Data Base, External Database, Scenario Analysis and Internal Control Factors and Business Environment.

Finally, is recorded that BB continued with the consolidation of the simplified standardized approach of Basel II, and with the preparation process for adoption of advanced models.

To find out more on Banco do Brasil's risk management policies, visit bb.com.br/ri.

Internal Controls

Since the first half of 2010, new practices to evaluate the efficiency of BB Internal Controls were incorporated, based on material relevance criteria, both in terms of impact on the financial statements and in relation to the operating risk items.

With the purpose of strengthening the processes that fed the information disclosure to the market and the information generation for preparing the financial statements, in conformity with the provisions set forth in CVM Instruction No. 480, of December 7, 2009, some mechanisms were developed to ensure control efficiency.

Taking into account the possible proposal of own models, either advanced or internal, of Market and Liquidity Risk, BB has also made strong efforts towards the segregated validation procedures of said models.

Preventing and Combating Money Laundering

For Banco do Brasil, preventing and fighting against money laundering is a legal obligation and a commitment to the Country. In its internet website, the Bank discloses the policies adopted to prevent and avoid money laundering, and provides suggestions to customers on how to avoid being used by criminals in money-laundering schemes.

Moreover, the Bank permanently invests in the education of its employees. On-site training and internal certification in the Bank's Prevention and Avoidance of Money Laundering are certified with Seal by Enccla - National Strategy for the Avoidance of Corruption and Money Laundering. The Enccla seal is granted by the Ministry of Justice to courses which should meet the requisites as defined in Programa Nacional de Capacitação e Treinamento para o Combate à Lavagem de Dinheiro – PNLD (National Program of Education and Training for the Avoidance of Money Laundering).

Additionally, from 2009 on, BB has addressed this issue in its external hiring selections.

HUMAN RESOURCES

BB ended the first half of 2010 with 106,241 employees, in view of 89,194 in 1H09. Inside this staff, there are 1,955 new employees hired as a result of the increase in funds, thus reinforcing the Bank's commitment with its employees (improved organizational climate), with its customers (improved customer service) and the country's development (generation of jobs). In 1H10, BB had 9,066 scholarship employees, as graduation and post-graduation students. Regarding training in general, BB recorded 2,078 thousand training hours in the first half of 2010.

The remuneration and the benefits granted to the employees were distributed according to the table below:

	R\$ million		
	1H10	1H09	Δ (%)
Payroll ¹	5,627	4,621	21.8
Supplementary Pension Plans – Previ ²	100.6	73.8	36.2
Health Care Plans – Cassi ²	439.8	422.1	4.2
Profit-Sharing Plan ³	767.2	526.9	45.6
Training	50	43	16.2

¹ Expenses with salaries, benefits, social charges and personnel provisions.

² Funding of supplementary pension and health care plans, pursuant to Explanatory Note 28.

³ Amount set aside for Profit and Gain Sharing, as Statement of income for the first half of the year.

In its structure, the Bank has a Quality of Life Area - Vitae, which develops and manages a number of programs intended to improve its employees' quality of life, such as PCMSO (Program for Occupational Health Medical Control), Sesmt (Specialized Services in BB's Safety Engineering and Occupational Medicine), TABAS (Tobacco Control Program), and PAVAS (Assistance Program for Victims of Hold-Ups and Kidnappings).

By means of the Traveling Ombudsman Project, in 1H10, Banco do Brasil's Internal Ombudsman held training and awareness events for employees. In its relations with trade unions, BB has adopted a system of permanent discussions.

Moreover, a "Collective Bargaining" website was made available in the quest for improving the internal communications process, in order to consolidate and cultivate the practice of dialogue with union officials.

SUSTAINABILITY

In a world scenario in which the concern with the Earth sustainability is outstanding, Banco do Brasil has publicly embraced the cause for water. As an initiative towards the defense of this precious natural resource, BB signed a Protocol of Intentions for developing the Água Brasil (Water Brazil)

Program, with the National Water Agency – ANA, WWF Brazil and Fundação Banco do Brasil – FBB, on March 22, 2010, the World Water Day.

BB and FBB will invest, in a five-year period, approximately R\$ 60 million in social and environmental projects for improvement of water quality and offer and improvement of the forest coverage in 14 major micro basins located in the Brazilian biomass: *Cerrado/Pantanal*, Atlantic Rainforest, Amazon, *Caatinga* and *Pampa* regions.

Another purpose of the Program is to promote changes in behavior and values concerning the production, destination and treatment of urban solid waste, by implementing major projects in five cities.

The Program will be coordinated by BB. FBB will follow up and evaluate the social and environmental projects, in addition to working out social players and partners, together with ANA and WWF Brazil, which will be responsible for the strategic assistance, preparation and carrying out of projects.

Regarding the portfolio of sustainability actions, noteworthy is the business strategy of the Regional Sustainable Development (DRS), which operates to support urban and rural production activities, by aligning economic return, social justice and environment preservation, and respecting the local culture of the communities involved.

The DRS methodology enables the catalization of a number of actions with local, regional and institutional partners in order to change the reality surrounding the supported activities, acting as a significant sustainable development tool in the several regions of the country, as a result of the widespread diversification of Banco do Brasil branches and its vocation for fostering actions.

DRS serves approximately one million beneficiaries deployed in 3,827 municipalities, with 3,664 business plans and over R\$ 5 billion in credits with BB.

Additionally, Fundação Banco do Brasil social investments reached R\$ 30.7 million in terms of initiatives, programs and structured actions in education, generation of jobs and income, and application of social technologies, with priority to communities of family farmers, agriculture workers, settlers, inhabitants of "quilombos" (encampment communities founded by escaped or freed African slaves), indigenous people and collectors of recycled materials all around the country, particularly in regions with low human development indices, and communities with high risk of suffering social exclusion.

Also worth mentioning in the first half of 2010 were the awards granted to Banco do Brasil in three, out of six, categories of the GRI Readers' Choice Awards, at the Global Amsterdam Conference on Sustainability and Transparency. BB's 2008 Annual Report has been awarded in the Engagement, Investor Prize and General Winner categories.

These awards achieved by BB provide international value to the brand and place the practice of sustainability and transparency reporting in the public relations as a benchmark for the market.

This award was the result of the joint work from several areas of the Bank, which have made efforts to provide accurate, transparent and timely information, on a bold and innovative manner, aimed at strengthening relations with its investors and other interested publics.

For further information, see the 2009 Annual Report at bb.com.br/ri and the Fundação Banco do Brasil website: www.fbb.org.br.

MAIN AWARDS RECEIVED IN THE PERIOD

- GRI Readers' Choice Awards winner in three categories – Engage Award, Investor Award and GRI Readers' Choice Award: Best Overall
- Deutsche Bank's Straight Through Processing (STB) Excellence Award
- 35 cases awarded in 12 categories of the E-finance Award: Storage, Corporate Architecture, Technical Architecture, ATMs, Collaboration, Asset Management, Professional Inclusion, Telecommunications Infrastructure, Technology Integration, New Technologies, Image Processing and Virtualization.

- BB won the Impar Award 2010 (Preferred Brands and Regional Affinity) from Ibope and RIC Recorde (Santa Catarina)

ACKNOWLEDGMENTS

We thank the dedication and diligence of our employees and collaborators, who are Banco do Brasil's greatest treasury, as well as the trust of shareholders and clients, which are the reason for our existence.

Further information: Investor Relations Website (bb.com.br/ri).