

Summary of Results

Net Income surpasses R\$ 5 billion in the first half

Banco do Brasil reported a net income of R\$ 5,076 million in the first half, up 26.5% from the same period of 2009. The result represents annualized return on average equity of 28.7%. Excluding one-off items, recurring net income was R\$ 4,383 million, up 34.9% from the amount recorded in 1H09, and corresponding to a recurring return on equity of 24.6%.

Considering only the second quarter, the net income was R\$ 2,725 million, presenting growth of 15.9% from 1Q10 and 16.1% from the same prior-year period. The ROE of the quarter was 31.5%. On recurring basis, net income of the period was R\$ 2,327 million, a growth of 13.2% from the previous quarter and 34.8% in relation to 2Q09. The annualized return on equity was 26.5%.

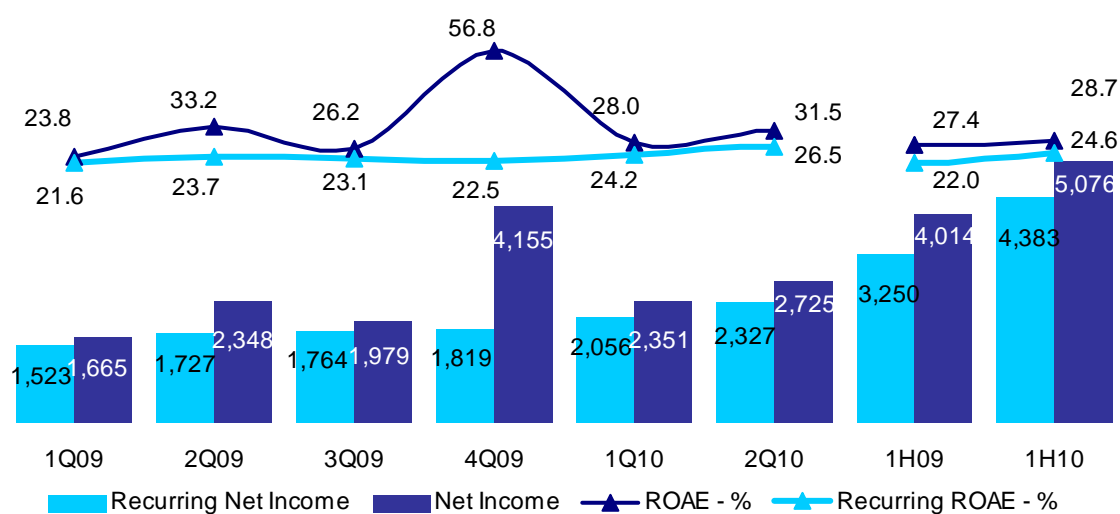


Figure 1. Income (R\$ million) and ROE (%)

Banco do Brasil kept its payout policy of paying 40% of its net income to shareholders. In the quarter, BB allocated R\$565 million to dividends and R\$ 525 million to interest on own capital.

◆ BB consolidates leadership in the financial system with R\$ 756 billion in assets

Banco do Brasil reached R\$ 755,706 million in total assets at the end of June, growth of 26.2% in relation to June 2009 and 4.3% in relation to the previous quarter. The growth of loans and of the securities portfolio deserves special emphasis in the quarter.

Table 1. Main Equity Items

R\$ million	Jun/09	Mar/10	Jun/10	Chg. %	
				On Jun/09	On Mar/10
Total Assets	598,839	724,881	755,706	26.2	4.3
Loan Portfolio	252,485	305,551	326,522	29.3	6.9
Securities	109,564	119,364	132,249	20.7	10.8
Short-term Interbank Operations	132,438	152,595	132,543	0.1	(13.1)
Deposits	310,846	342,624	343,961	10.7	0.4
Demand Deposits	49,075	54,973	59,025	20.3	7.4
Savings Deposits	69,011	78,719	81,541	18.2	3.6
Interbank Deposits	7,459	10,749	10,436	39.9	(2.9)
Time Deposits	185,072	197,934	192,715	4.1	(2.6)
Money Market Borrowing	101,508	157,866	166,603	64.1	5.5
Shareholder's Equity	32,360	37,646	39,332	21.5	4.5

◆ Loan Portfolio reaches R\$ 350 billion

The loan portfolio, based on an amplified concept that includes the guarantees given and private securities in the portfolio, attained R\$ 349,761 million, growth of 6.8% in the quarter and 41.1% in the year.

The classified loan portfolio (in accordance with CMN Resolution 2682) reached R\$ 326,522 million, recording growth of 29.3% in 12 months and 6.9% in the quarter. The domestic loan portfolio grew 28.2% in the year and 6.6% from 1Q10. Banco do Brasil's share of the domestic market began to rise again and reached 20.1%.

The growth in 12 months was benefited by the proportionate consolidation of Banco Votorantim loans, since 3Q09. However, even using a pro forma comparison basis that simulates the consolidation of BV as of June, the domestic loan portfolio would record growth of 18.8% in twelve months. All the portfolios exhibit growth in line with the projections provided by BB to the market.

Table 2. Loan portfolio (Conglomerate)

R\$ million	Jun/09	Mar/10	Jun/10	Chg. %	
				On Jun/09	On Mar/10
Loan Portfolio	252,485	305,551	326,522	29.3	6.9
Brazil	239,418	288,044	307,018	28.2	6.6
Individuals	68,467	95,092	101,122	47.7	6.3
Payroll Loan	29,533	38,550	40,476	37.1	5.0
Auto Loans	8,180	21,037	22,774	178.4	8.3
Businesses	103,351	128,080	135,575	31.2	5.9
SME	39,493	45,215	47,382	20.0	4.8
Other	63,858	82,865	88,193	38.1	6.4
Agribusiness	67,600	64,872	70,321	4.0	8.4
Abroad	13,068	17,507	19,504	49.3	11.4

◆ Consumer credit surpasses R\$ 100 billion

At the end of 2Q10, loans to individuals amounted to R\$ 101,122 million, an increase of 47.7% in the year and of 6.3% in the quarter. Among the most relevant lines of credit, special emphasis is placed on the growth of payroll loans and of vehicle financing operations, which continue to exhibit expressive expansion, both in the quarterly comparison and in twelve months. Consumer credit maintained its relative share at 31% of the total portfolio.

The business portfolio, which represents 41.5% of BB's total portfolio, amounted to R\$ 135,575 million in June 2010, recording growth of 31.2% in the last twelve months and of 5.9% over the previous quarter. Both in the quarterly comparison and in twelve months, growth was concentrated in operations with medium and large companies (middle and corporate segments).

The greater growth among loan portfolios in the quarter was observed in the agribusiness and foreign portfolios, which grew respectively 8.4% and 11.4%. The agribusiness loans performance was leveraged mainly by the "Trading and Processing of Agricultural and Stockbreeding Products" operations, which recorded growth of 44.5%, and "BNDES/Finame Rural", with expansion of 17.5%. In twelve months, the agribusiness portfolio recorded a growth of 4%.

◆ Recurring income reflects improvement in the operating efficiency

Recurring income in 1H10 registered growth of 34.9% from the same period of 2009, with an emphasis on the net interest income, which presented expansion of 21.6%.

In 2Q10 the recurring income presented growth of 13.2% from the previous quarter and of 34.8% in relation to that observed in the same period of 2009. During the quarter, special emphasis is placed on the growth of service fees and on the control of administrative expenses, which were accompanied by a decrease in expenses with allowance for loan losses (reflecting an improvement in the quality of the portfolio and reduction of delinquency rates). The net interest income continues growing, although at a slower pace than that observed in the previous quarters.

The table below, extracted from the income statement with reallocations, presents the main highlights of the period. The breakdown of reallocations can be seen in Section 5.3.1 of this Management Discussion & Analysis.

Table 3. Income statement with reallocations – Main lines

R\$ million	Quarterly Flow			Chg. %		Half-yearly Flow		Chg. %
	2Q09	1Q10	2Q10	On 2Q09	On 1Q10	1H09	1H10	On 1H09
Financial Intermediation Income	16,037	18,562	19,512	21.7	5.1	31,297	38,075	21.7
Loan operations + Leasing	10,281	12,721	13,195	28.3	3.7	19,370	25,916	33.8
Securities	5,215	5,644	5,195	(0.4)	(7.9)	10,945	10,839	(1.0)
Financial Intermediation Expenses	(7,550)	(9,205)	(10,052)	33.1	9.2	(15,825)	(19,257)	21.7
Net Interest Income	8,487	9,357	9,461	11.5	1.1	15,472	18,817	21.6
Allowance for Loan Losses	(3,172)	(3,026)	(2,871)	(9.5)	(5.1)	(5,663)	(5,897)	4.1
Net Financial Margin	5,316	6,331	6,590	24.0	4.1	9,809	12,920	31.7
Fee income	3,436	3,634	3,954	15.1	8.8	6,379	7,588	19.0
Income f/ Insurance, Pension Plans and Savings I	471	440	468	(0.6)	6.3	775	909	17.3
Contribution Margin	8,417	9,567	10,103	20.0	5.6	15,539	19,670	26.6
Administrative expenses	(4,892)	(5,300)	(5,471)	11.8	3.2	(8,823)	(10,771)	22.1
Personnel Expenses	(2,613)	(2,851)	(2,937)	12.4	3.0	(4,742)	(5,788)	22.0
Other Administrative Expenses	(2,279)	(2,449)	(2,534)	11.2	3.5	(4,080)	(4,983)	22.1
Commercial Income	3,518	4,241	4,598	30.7	8.4	6,667	8,839	32.6
Legal Claims	(152)	(238)	35	-	-	(247)	(203)	(18.0)
Labor Law suits	107	(212)	(274)	-	29.4	5	(485)	-
Other Operating Income	(740)	(379)	(491)	(33.6)	29.6	(1,294)	(870)	(32.8)
Income Before Taxes	2,744	3,415	3,884	41.6	13.7	5,157	7,299	41.5
Income and Social Contribution Taxes	(771)	(1,053)	(1,194)	54.9	13.4	(1,459)	(2,247)	54.0
Corporate Profit Sharing	(220)	(307)	(363)	64.7	18.2	(423)	(670)	58.4
Recurring Net Income	1,727	2,056	2,327	34.8	13.2	3,250	4,383	34.9

Table 4. Main Indicators of Income/Expenses

Indicators - %	2Q09	1Q10	2Q10
Global Spread ¹	7.3	6.5	6.5
Expenses with Allowance for Loan Losses over Por	4.2	4.5	4.1
Efficiency Ratio ³	42.3	44.3	42.7
Recurring Return on Equity ¹	23.7	24.2	26.5
Effective Rate of Tax	30.6	33.9	33.9

(1) Annualized Indicators.

(2) Expenses with Allowance for Loan Losses in the last 12 months divided by the average portfolio in the same period.

(3) Extraordinary effects excluded.

◆ Net Interest Income continues expanding

The net interest income of Banco do Brasil reached R\$ 18,817 million in the first half, which represents an increase of 21.6% from 1H09. The performance reflects the growth of assets, especially of the loan portfolio, in addition to Nossa Caixa (BNC) and Votorantim (BV) acquisition.

In 2Q10 the NII recorded growth of 1.1% over the previous quarter and of 11.5% over the same period of 2009. The change over the previous quarter results from business expansion, especially the loan portfolio. However, this growth was limited by the behavior of the net interest margin, as will be detailed further on.

The table below presents the breakdown of the net interest income. The contribution of the loan portfolio in its main lines is highlighted, and it also segregates the amounts corresponding to income from the written-offs recovery and those related to remunerated compulsory deposits. The "Other" item, comprised mainly of treasury income resulting from transactions with securities, derivatives and foreign exchange, completes the composition of the NII.

The changes promoted by the Central Bank in the compulsory deposit rules produced two different impacts on the financial statements of BB for 2Q10. On one hand there was decrease of liquidity, as a result of the rise in rates, which reduces the resources available for more profitable investments. On the other hand, there was a change in the form of collection, which implied migration of resources from the securities portfolio to compulsory deposits. These movements explain the growth observed on the "Remunerated Compulsory" line of the table below, and are better detailed in chapter 7.1 of the MD&A.

Table 5. NII by business line

R\$ million	Quarterly Flow			Chg. %		Half-yearly Flow		Chg. %
	2Q09	1Q10	2Q10	On 2Q09	On 1Q10	1H09	1H10	On 1H09
Net Interest Income	8,487	9,357	9,461	11.5	1.1	15,472	18,817	21.6
Loan Operations	5,826	6,924	6,904	18.5	(0.3)	10,744	13,829	28.7
Individuals	3,097	3,926	3,967	28.1	1.0	5,412	7,893	45.8
Businesses	1,827	2,052	1,927	5.5	(6.1)	3,514	3,979	13.2
Agribusiness	902	946	1,010	12.1	6.8	1,818	1,957	7.6
Other	2,662	2,432	2,556	(4.0)	5.1	4,728	4,989	5.5
Remunerated Compulsory	213	274	917	330.5	234.7	389	1,192	206.6
Recovery of Write-offs	531	631	757	42.7	20.1	887	1,388	56.4
Other	1,918	1,528	882	(54.0)	(42.3)	3,452	2,410	(30.2)

The net interest margin (NIM) was 6.4% in the first half, a 50 basis points decrease in relation to the same period of previous year. In the quarter, the net interest margin was 6.5%, keeping the same level observed in the previous quarter and a decrease of 80 basis points in relation to 2Q09.

The behavior of the NIM in 2Q10 is direct associated to the decrease in the spread on loans operations, which was of 9.7%, recording decrease of 20 basis points in comparison with the 1Q10 and of 70 basis points from the same period of 2009.

In the quarter, the 80 basis points downslide in spread on loans contracted by individuals and 50 basis points in the business portfolio occurred due to mix changes, increasing the relative share of operations with lower risk and therefore lower spread. In the individuals portfolio, there was an increased share of payroll loans in the total portfolio. In the business portfolio, there was a faster growing in the operations with medium and large companies. Furthermore, a larger share of loans for micro and small companies have been contracted with the guarantee of the FGO.

The perception that the NIM oscillation is caused by mix changes in the portfolios, with greater shares of lower risk transactions, is supported by the indicator " Risk Adjusted NIM ", calculated based on the ratio of net financial margin and earning assets. Besides the net interest income, the risk-adjusted NIM

considers allowance for loan losses expenses. The indicator ended the 2Q10 in 4.5%, the same level observed in 2Q09 and a 10 basis points increase over the previous quarter.

Table 6. Net Interest Margin

%	2Q09	1Q10	2Q10	1H09	1H10
Loan Operations	10.4	9.9	9.7	10.0	9.7
Individuals	21.2	18.2	17.4	20.4	17.4
Businesses	7.5	6.7	6.2	7.3	6.4
Agribusiness	5.5	5.6	6.0	5.6	5.8
Other	4.4	3.3	3.4	3.0	3.3
Net Interest Margin (NIM)	7.3	6.5	6.5	6.9	6.4
Risk Adjusted NIM	4.5	4.4	4.5	4.4	4.4

◆ Loan default decrease sharply and approaches the pre-crisis level

Default intensified the downtrend during the quarter and approached the levels observed in 2008. All the main delay ratios presented significant improvement. The ratio between operations past due 90 days and the loan portfolio ended the quarter at 2.7%, down 40 basis points in the quarter and 60 basis points in relation to June 2009. This is the lowest level of the historical series since December 2008.

Transactions past due 60 days represent 3.1% of the portfolio at the end of June. This percentage is 50 basis points lower than that recorded in March and 70 basis points below that verified in June 2009.

Table 7. Loan Portfolio Quality Indicators

%	Jun/09	Mar/10	Jun/10
Allow ance/Loan Portfolio	7.0	6.0	5.5
Past due loans + 60 days/Total Portfolio (%)	3.8	3.6	3.1
Past due loans + 90 days/Total Portfolio (%)	3.3	3.1	2.7
Allow ance/Past Due Loans + 60 days	187.2	167.4	176.1
Allow ance/Past Due Loans + 90 days	214.0	194.7	203.9
Average Risk BB	5.9	5.1	5.0
Average Risk – Banking Industry	7.2	6.7	6.2
Transactions overdue + 90 days/Total Portfolio – Banking Industry	4.4	4.0	3.7

In line with the improvement observed in the portfolio quality, there was a decrease in expenses with allowance for loan losses. Expenses reached R\$ 2,871 million in the quarter, which represents a downside of 5.1% in comparison to the previous quarter and of 9.5% against expenses observed in 2Q09. The indicator that measures the ratio between expenses with allowance for loan losses cumulative in twelve months and the average loan portfolio of the same period ended 2Q10 at 4.1%, against 4.5% in the previous quarter and 4.2% in 2Q09.

Table 8. Expenses with Allowance for Loan Losses vs Portfolio

R\$ million	2Q09	1Q10	2Q10
(A) Allow ance for Loan Losses - Quarterly	(3,172)	(3,026)	(2,871)
(B) Allow ance for Loan Losses - 12 Months	(9,241)	(12,164)	(11,864)
(C) Loan Portfolio	252,485	305,551	326,522
(E) Average Portfolio – 3 Months	246,363	304,936	316,005
(E) Average Portfolio – 12 Months	219,071	269,466	287,413
Expenses over Portfolio (A/D) - %	1.3	1.0	0.9
Expenses over Portfolio (B/E) - %	4.2	4.5	4.1

In spite of the improvement in the default ratios and the noticeable improvement in the economic and business environment, Banco do Brasil kept its policy of prudence regarding the allowance for loan losses and the percentage of portfolio coverage. The balance of allowance for loan losses ended the quarter at R\$ 18,088 million, which provides coverage of 204% of operations past due 90 days.

In the quarter, there was reduction of R\$ 833 million in the balance of additional allowance for loan losses. The change in the period is due to the following factors:

- Reversion of nearly R\$ 332 million in addition allowance for Rural operations. This accounting was treated as an one-off item in the recurring net income for the quarter. Additional details can be seen in chapter 7.5 of this MD&A.

- The remaining changes are merely related to additional allowance balance reclassification to required allowances and are not considered as reversion of provisioned amounts. For further details see chapter 7.5.

◆ Fee Income presents robust growth

Fee income totaled R\$ 7,588 million in 1H10, an increase of 19.0% from 1H09. Considering only 2Q10, these revenues reached R\$ 3,954 million, up 8.8% over the previous quarter and 15.1% versus the same period of 2009.

Comparing with the 1H09, the performance was benefited from the consolidation of incomes of Banco Votorantim (BV), which acquisition of interest was completed at the end of September 2009, and by the incomes provided by Banco Nossa, which were accounted for 2009 results only since April. However, even using a pro forma basis of comparison, which considers the consolidation of BV and BNC throughout the 2009 year, the fee income of the conglomerate would have recorded expansion of 12.3% comparing 2Q10 and 2Q09 and 10.8% comparing 1H10 and 1H09. The performance of the first half is higher than the fee income Guidance growth provided by BB to the market (7% to 10%).

The loan and checking account fees grew respectively 34.3% and 12.6% over 1Q10. There was no repricing or creation of new fees in the period. This good performance was possible due to business expansion and adoption of measures with the purpose of improving the receivable fees management, enhancing charging effectiveness.

Insurance, pension and savings bonds business were the highlight among fee income and recorded growth of 79.2% in the quarter and 62.2% in comparison with 2Q09. Besides fee incomes, insurance operations also generated net income of R\$ 468 million in the quarter, 0.6% lower than in the same quarter of 2009 but 6.3% higher than that recorded in 1Q10. In the first half, the net income from insurance operations reached R\$ 909 million, growth of 17.3% over that observed in the same prior-year period.

Table 9. Insurance, Pension Plans and Savings Bonds Income

R\$ million	Quarterly Flow			Chg. %		Half-yearly Flow		Chg. %
	2Q09	1Q10	2Q10	On 2Q09	On 1Q10	1H09	1H10	On 1H09
Fee Income	3,436	3,634	3,954	15.1	8.8	6,379	7,588	19.0
Account Fees	863	875	985	14.1	12.6	1,587	1,861	17.2
Credit / Debit Cards	571	712	727	27.3	2.1	1,140	1,439	26.2
Investment Fund Management Fees	506	537	575	13.5	7.1	952	1,112	16.8
Loan Fees	344	307	413	19.8	34.3	654	720	10.0
Collections	284	288	302	6.5	4.9	541	591	9.2
Insurance, Pension Plans and Savings Bond	117	106	190	62.2	79.2	187	296	58.3
Billings	120	143	141	18.0	(1.1)	230	284	23.2
Interbank	122	130	137	12.1	5.2	241	267	10.5
Capital Market Fees	138	106	98	(28.5)	(7.1)	180	204	13.8
Other	371	430	386	4.0	(10.4)	667	816	22.3
Insurance, Pension Plans and Savings Bond	471	440	468	(0.6)	6.3	775	909	17.3

◆ Expenses control surpasses estimates: administrative expenses below the Guidance

Administrative Expenses, which include personnel expenses and other administrative expenses, amounted to R\$ 10,771 million in the 1H10, an increase of 22.1% over the same prior-year period. In 2Q10 administrative expenses reached R\$ 5,471 million, 3.2% higher than that observed in the previous quarter, with growth of 3.0% in personnel expenses and 3.5% in other administrative expenses.

As is the case of fee income, the comparison with 1H09 and 2Q09 is impaired by the consolidation of Nossa Caixa (since 2Q09) and Votorantim (since 4Q09). The table below was prepared for this reason and contains a pro forma basis of comparison for the periods of 2009, simulating the consolidation of the banks acquired throughout the whole year. The table also segregates expenses incurred by BB + BNC, from those incurred by the other associated and subsidiary companies, which present differentiated growth dynamics.

In the pro forma comparison, also used for the 2010 Guidance monitoring, BB's expenses in 1H10 presented growth of 9.1% over the same period of 2009, percentage below the estimates range that appears in projections provided to the market.

Considering only BB + BNC (Multiple Bank) expenses, administrative expenses of the first half are up 8.2% from 1H09. In the quarterly comparison the expenses expansion was 1.6% from 1Q10 and 6.2% from 2Q09.

- The performance, both in the quarterly and half-yearly comparison, resulted of an intense effort to control expenses. This is proven by the Multiple Bank other administrative expenses performance that grew only 6.1% in the comparison between 1H10 and 1H09. This percentage is low, given the effect of inflation on service agreements and the organic growth of operations.

Once the other conglomerate companies operate in segments with a fast pace of growth, or in sectors in which BB is structuring/restructuring its activities, they exhibited slightly stronger growth in their expenses.

Table 10. Administrative expenses – Pro forma Comparison

R\$ million	Quarterly Flow			Chg. %		Half-yearly Flow		Chg. %
	2Q09	1Q10	2Q10	On 2Q09	On 1Q10	1H09	1H10	On 1H09
BB + BNC ¹	(4,650)	(4,859)	(4,937)	6.2	1.6	(9,051)	(9,796)	8.2
Personnel Expenses	(2,529)	(2,688)	(2,751)	8.8	2.4	(4,944)	(5,439)	10.0
Other Administrative Expenses	(2,120)	(2,171)	(2,186)	3.1	0.7	(4,107)	(4,357)	6.1
Other Affiliated Companies ²	(444)	(441)	(534)	20.4	21.1	(826)	(976)	18.1
Personnel Expenses	(159)	(163)	(186)	16.8	14.1	(295)	(349)	18.1
Other Administrative Expenses	(285)	(278)	(348)	22.4	25.3	(531)	(627)	18.1
BB Consolidated	(5,094)	(5,300)	(5,471)	7.4	3.2	(9,877)	(10,771)	9.1
Personnel Expenses	(2,688)	(2,851)	(2,937)	9.2	3.0	(5,239)	(5,788)	10.5
Other Administrative Expenses	(2,405)	(2,449)	(2,534)	5.4	3.5	(4,638)	(4,983)	7.5

(1) "BB + BNC" line includes branches in the country and abroad, BESC BI, BBDTV, BB Leasing, Banco Popular and the foreign subsidiaries.

(2) "Other Companies" line includes non-financial associated/subsidiary companies and Banco Votorantim.

◆ BIS ratio supports expansion of operations

Banco do Brasil's capital ratio (K) ended June 2010 at 12.8, a 90 basis points decrease over March 2010. The BIS ratio presented indicates an excess of reference equity of R\$ 8,685 millions, allowing for an increase of up to R\$ 79 billion in credit assets, considering a 100% weighting.

The ratio decrease in the quarter is explained by the expansion of the loan portfolio, and mainly by the exclusion of additional allowance for loan losses from the reference equity. The end of the prerogative of inclusion of additional allowance for loan losses in the reference equity was already expected and resulted in a decrease of approximately 60 basis points in the capital ratio.

The current BIS ratio does not yet contemplate the capital raise of R\$ 7.05 billion that was performed in July 2010. Pro forma simulations indicate that the admission of these resources would have brought the June ratio up to approximately 14.3.

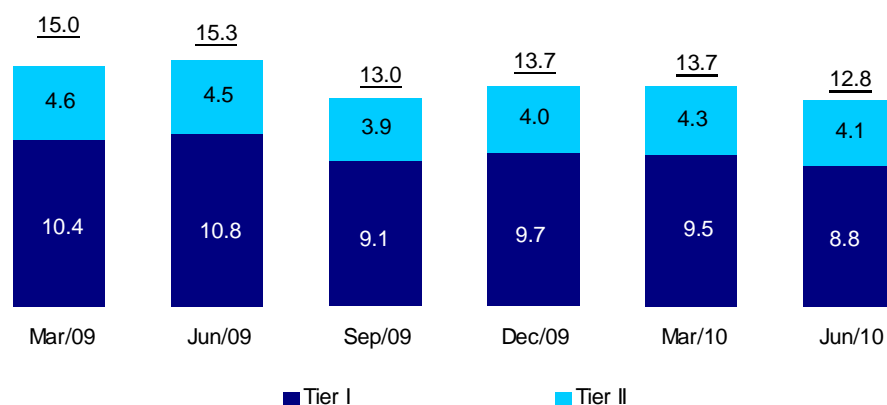


Figure 2. BIS Ratio

◆ One-off items

The one-off items added R\$ 310 million to BB's net income in the 2Q10 and R\$ 694 million in the first half. These impacts are already net of taxes and statutory profit sharing. Extraordinary items and their amounts before taxes are detailed below.

2Q10

- Reversal of additional allowance for loan losses amounting R\$ 332 million due to improvements in the risk profile of the agribusiness portfolio.
- Expenses with civil claims regarding economic plans totaling R\$ 140 million.
- Capital gain of R\$ 114 million, as a result of Brasilprev corporate restructuring. Banco do Brasil increased its share in the total capital of that company from 50% to 75%.
- Reversal of civil claim and labor lawsuit in the amount of R\$ 250 million due to the completion of the registration of proceedings from BESC in the systems and methodologies of BB. Further information on this item is available in chapter 5.1 of the Management Discussion & Analysis.

1Q10

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

In addition to one-off items, there was the recognition of gains and losses on employee benefit plans, in the quarter. There was a gain resulted from the evaluation of actuarial assets and liabilities of PREVI, amounting R\$ 389.2 million, and losses due to actuarial assessment of the benefit plan with exclusive responsibility of BB, amounting R\$ 71.7 million, both before taxes. These bookings are part of the recurring result of BB in the first half of 2010 and 50% of the amounts (as well as effects on taxes and profit sharing) earned in 2Q10 were reallocated to compose the recurring income and the Income Statement with reallocations of 1Q10. This adjustment is necessary for comparison purposes, besides the fact that actuarial studies have evaluated the changes in assets and liabilities of the plan throughout the first half.

Table 11. One-off items

R\$ million	1T10	2Q10
Recurring Net Income	2,056	2,327
(+) Extraordinary Effects of the Period	384	310
Sale of Interest in VISA Internacional	214	-
Economic Plans	(85)	(140)
Contingent Liabilities (BESC)	-	250
Additional Allowance for Loan Losses	-	332
Reversal of Labor Liabilities	568	-
Capital Gain - BB Seguros Participações	-	114
Tax Impacts and PLR on Extraordinary Items	(313)	(246)
PREVI Actuarial Assets - Adjustments	(88)	88
Net Income	2,351	2,725

◆ Quarterly Performance in line with Guidance 2010

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

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

- Recurring Return on Equity - The ratio slightly surpassed the guidance in the half-year monitoring. However, the indicator is expected to end the year within estimates due to the expected increase of shareholders' equity, which will be sensitized by the admission of funds from the public offering of shares held by BB in June, and that was settled in July 2010.
- Net Interest Margin - The performance of 2T10 was atypical due to changes in portfolio mix, which led to a reduction in the spread of the loans operations. There was an increase in the relative share of operations with lower risk and therefore lower NIM (such as payroll loans and loans to medium and large companies). In the second half, it is expected that loans to individuals gain more representation in the loan portfolio, allowing a net interest margin recovery.
- Total deposits - The Bank expects a robust growth of the deposit base in the second half, helped by an expansion of liquidity in the economy.
- Corporate Loan Portfolio - Performance slightly above the upper range of the Guidance, influenced by the pace of operations with medium and large companies. For the second half is expected a slow down on this movement, which would bring the growth rate into the estimates range.
- Fee Income - The improvements applied in the charges management should bring perennial benefits to BB. However, the greatest impact occurred in the moment that these measures were adopted, providing a better performance than that estimated, especially in 2Q10.
- Administrative Expenses - Even with lower growth than the Guidance range, BB maintains estimates for administrative expenses. BB consider that the second half brings seasonal events that require larger volume of expenses (greater economic activity, wage agreement and marketing actions to commemorative times).

In addition, we emphasize that the *Guidance* was prepared considering BB's budget and expectations for the entire year of 2010. Banco do Brasil *Guidance* is provided on a yearly basis, with quarterly monitoring. Although the Bank expects that the figures close the year within the estimates, the evolution of the numbers does not occur on a straight-line basis. The comparison with the same period in the previous year is used for illustration only.

Estimates Changes

The guidance for expenses with allowance for loan losses was structured in parallel to the preparation of the Bank budget. The information available at that time included uncertainties in relation to the pace of the economic activity recovery and of the ratios that measure the default of the loan portfolio.

As an act of prudence, the range of estimates established considered the risks of a slower recovery in the quality of the portfolio. As all the indicators mentioned reacted positively, the ratio between expenses with allowance for loan losses and the average loan portfolio in twelve months remained below the minimum point of the projected range. Banco do Brasil is reviewing its estimates in view of the new scenario, projecting that the indicator will end the year between 4.0% and 4.4%.

Table 12. Guidance 2010

Items	Performance 1H10	2010 Guidance - BB Consolidated
Recurring Return on Equity ¹	24.6%	21% - 24%
Net Interest Margin ¹	6.4%	6,5% - 7,0%
Total Deposits ²	6.6%	12% - 16%
Domestic Loan Portfolio ²	18.8%	18% - 23%
Individuals ²	27.6%	27% - 32%
Businesses ²	21.5%	16% - 21%
Agribusiness ²	4.0%	4% - 9%
Allowance for Loan Losses ³	4.1%	4,0% - 4,4%
Fee Income ²	10.8%	7% - 10%
Administrative Expenses ²	9.1%	10% - 12%
Tax Rate	33.9%	31% - 34%

(1) Annualized Indicator.

(2) BB's balance sheet items had not been affected by the consolidation of Banco Votorantim (BV) in 2Q09, and the income accounts had not been affected by the consolidation either of BV or Nossa Caixa in that quarter. Therefore, for comparability purposes, a pro forma basis was established for 2Q09, which simulates the consolidation of those banks into BB conglomerate.

(3) Cumulative expenses with Allowance for loan losses for the 12-month period divided by the average portfolio in the same period.

◆ Assumptions used to project 2010 Guidance

▪ Assumptions influenced by management:

- Increase in the profitability of customer base in order to leverage revenues;
- Alignment of the cost structure to the business volume growth;
- Contractual adjustments and collective bargaining agreement;
- Sales force growth adequate to the strategy of increasing customer base profitability;
- Current business model, without considering further purchases and/or strategic partnerships that may be signed to act in specific segments;
- Recognition of actuarial gains and losses for Previ's Benefit Plan I in accordance with Paragraph 55 of CVM Instruction 371/2000.

▪ Assumptions beyond management's control

- Gradual recovery in Brazilian and world economic growth in 2010;
- Increased resistance but not immunity, of the Brazilian economy to external shocks;
- Improvement in conditions for the additional financing of domestic credit;
- A political environment without institutional rupture;
- Maintenance of the current domestic macroeconomic policy structure: floating exchange rate, inflation targets (nominal anchor) and fiscal discipline, entailing a gradual and consistent reduction of the relationship between Public Sector Net Debt (PSND) and the Gross Domestic Product (GDP);
- An advancement of the regulatory mark / microeconomic agenda with stimulus to public and private investment;
- A gradual increase in the Brazilian economy's potential for growth (potential GDP);
- Maintenance of the investment grade status awarded to Brazil;
- 2009/2010 Harvest Plan;
- Regulatory stability, including tax rates on the Bank's activities and labor and social security laws;
- Evolution of interest rates, inflation rate and GDP in line with market consensus.