

Dear Shareholders,

We present Banco do Brasil (BB) Management Report for the first half of 2016, in conformity with the requirements of the Brazilian Corporate Law, the CMN (National Monetary Council), the Bacen (Brazilian Central Bank), the CVM (Brazilian Securities and Exchange Commission) and BB's Bylaws.

1. Macroeconomic Environment

The international economy has been growing in an unstable and unbalanced pace. In the U.S., the Federal Reserve kept the interest rate to a 0.25 – 0.50% p.a. range. In Europe, economic activity has been responding positively to monetary stimulus promoted by the European Central Bank, however, an attention point arises related to England referendum, whose result surprised with the victory of the proposition that supported the UK to leave European Union. In emerging markets, the main highlight remains the attention to the growth of the Chinese economy and its potential impact on the prices of major commodities, whose prices has shown an important recent recovery trend, at least with regard to the price of some grains such as soy.

In Brazil, the macroeconomic indicators have been fluctuating, but it is already observed the first signs of reversal of expectations and economic cycle stabilizing. Even in a very challenging environment regarding inflation, fiscal results and economic dynamism, high frequency indicators, such as stock indexes and country risk premium, reflecting somehow the expectations of agents, have shown favorable performance. Since the beginning of the year, the Ibovespa index led gains of more than 50% and the country risk premium, as measured by the CDS 5 years, recorded decline higher than 40%. The asset prices recovery and the risk falling are anchored, among other things, both in the trend reversal in confidence indexes of economic agents, as in indicators of the real economy, driven by exports and by the first inversion signal trend of industrial production. Further, conjectures have that productive investment begin to break through their own barriers and starring the turn of the economic cycle.

2. Highlights of the Period

We present below some important events in the period:

- I. We have opened 155 branches for digital relationship, six of them targeted to Exclusivo customers (average to high income clients), 143 targeted to Estilo customers (high income clients) and six to very small and small companies.
- II. Our mobile app has been considered as one of the five most important in people's daily lives, as US consultancy eMarketer research.
- III. We have launched Ourocard app, following a strategy started with Ourocard-e, which aims to make the credit card business more digital.
- IV. Livelô was established. It started to consolidate the points of Ponto Pra Você program (loyalty program), aiming to facilitate the points redemption and improve clients benefits.
- V. We were listed among the three most attractive employers of the country, according to swedish publication Universum Communications, in partnership with Exame ranking.

3. Corporate Strategy for the 2015-2019 period



The strategic choices aimed at reconciling the capital plan, the risk adjusted return on business growth and return to shareholders. Based on sustainability principles, we will continue to prioritize increase in profitability, efficiency, productivity, and revenues from granting services.

In fulfilling our mission, we reinforce our calling to integrate productive links, approaching stakeholders in several value chains, even through credit.

We will increase the performance in digital business models, seeking to improve customer experience. As one of our strategies we have the expansion in Banco do Brasil Estilo digital model, in order to strengthen the relationship with customers in an innovative and interactive way, and have gains in operational efficiency.

4. Economic-Financial Performance

4.1 Overview

Following our main results in the semester:

Table 1. Highlights

| | Banco do Brasil Financial Statements | | Consolidated Financial Statements | |
|--|--------------------------------------|---------------|-----------------------------------|---------------|
| | 1H15 | 1H16 | 1H15 | 1H16 |
| Earnings (R\$ million) | | | | |
| Net Income | 8,606 | 4,752 | 8,826 | 4,824 |
| Gross Income from Financial Intermediation | 9,843 | 16,724 | 12,904 | 15,512 |
| Fee Income | 7,896 | 8,560 | 10,797 | 11,621 |
| Administrative Expenses ¹ | (16,598) | (17,427) | (17,227) | (18,113) |
| Equity (R\$ million) | Jun/15 | Jun/16 | Jun/15 | Jun/16 |
| Assets | 1,460,958 | 1,551,539 | 1,370,968 | 1,445,115 |
| Classified Loan Portfolio | 670,914 | 674,073 | 687,664 | 690,067 |
| Total Deposits | 435,821 | 435,652 | 444,329 | 440,879 |
| Shareholders Equity | 71,944 | 72,586 | 82,643 | 83,449 |
| BIS Ratio (%) | 16.2% | 16.5% | 16.2% | 16.5% |
| Indicators | 1H15 | 1H16 | 1H15 | 1H16 |
| Earnings per Share (R\$) | 3.08 | 1.70 | 3.08 | 1.70 |
| Return on Assets (%) | 1.2 | 0.6 | 1.3 | 0.7 |
| Return on Equity (%) | 22.4 | 11.2 | 20.9 | 10.4 |
| Dividend (R\$ million) | 1,301 | - | 1,301 | - |
| Interest on Own Capital (R\$ million) | 2,212 | 1,411 | 2,212 | 1,411 |
| Structural Information (thousand) | Jun/15 | Jun/16 | Jun/15 | Jun/16 |
| Base Customers | 63,040 | 64,192 | 63,040 | 64,192 |
| Total Checking Account | 38,157 | 37,755 | 38,157 | 37,755 |
| Individuals | 35,725 | 35,353 | 35,725 | 35,353 |
| Companies | 2,432 | 2,402 | 2,432 | 2,402 |
| Branches | 5.5 | 5.4 | 5.5 | 5.4 |
| Asset Management (R\$ million) | 604,792 | 660,474 | 604,792 | 660,474 |
| Market Ratios (R\$) | Jun/15 | Jun/16 | Jun/15 | Jun/16 |
| BBAS3 - Book Value | 25.7 | 26.1 | 29.6 | 30.0 |
| BBAS3 - Closing Price | 24.3 | 17.2 | 24.3 | 17.2 |
| Employee Profile | Jun/15 | Jun/16 | Jun/15 | Jun/16 |
| Employees | 112,325 | 109,615 | 112,325 | 109,615 |
| Female | 46,681 | 45,542 | 46,681 | 45,542 |
| Male | 65,644 | 64,073 | 65,644 | 64,073 |
| Education's Level | | | | |
| High School | 24,617 | 22,846 | 24,617 | 22,846 |
| College | 49,756 | 47,210 | 49,756 | 47,210 |
| Specialization, Master's and Doctorate | 37,580 | 39,250 | 37,580 | 39,250 |
| Others | 372 | 309 | 372 | 309 |
| Turnover (%) | 0.6 | 0.4 | 0.6 | 0.4 |

1 - Refers to the sum of Personnel Expenses and Other Administrative Expenses;

For further information about our economic-financial performance at the Management Discussion and Analysis Report at: www.bb.com.br/ir.

4.2 Stock Performance

Our market value totaled R\$49.2 billion at the end of June, 2016. In the theoretical portfolio of Ibovespa in force for the months of May-august of 2016, we occupied the 13th place, with a market share of 2.95%.

Our common shares (BBAS3) were traded at Novo Mercado of BM&FBovespa since its creation, and continued to be listed in the theoretical portfolios of the main stock indexes: Ibovespa, Ibrx50, IGC, ISE and Itag. Additionally, we are listed on international indexes MSCI LatAm Index, S&P Lac 40 and DJSI.

At the end of the period, our Level I American Depositary Receipt Program (ADR) had 29 million receipts in outstanding at US\$5.29 per certificate.

Payout was 25% of the net income in the form of dividends and interest on own equity with quarterly periodicity.

4.3 Information on Affiliates and Subsidiaries

Table 2. BB Banco Múltiplo Consolidated Equity Interests

| R\$ thousand | Activity | Share (%) | Book Value | | Equity |
|--|-----------------------------|-----------|------------|-----------|-------------|
| | | | Jun/16 | Jun/15 | Income 1H16 |
| Banco do Brasil - AG. Viena | Banking | 100.00 | 941,203 | 778,217 | (140,350) |
| Banco Patagonia S.A. | Multiple Bank | 58.97 | 1,359,887 | 1,224,391 | 201,192 |
| Banco Votorantim S.A. | Multiple Bank | 50.00 | 3,900,004 | 4,139,311 | 104,089 |
| BB Adm. de Cartões de Crédito S.A. | Service Rendering | 100.00 | 29,462 | 30,796 | 11,846 |
| BB Administradora de Consórcios S.A. | Consortiums | 100.00 | 167,522 | 167,522 | 117,806 |
| Banco do Brasil Americas | Multiple Bank | 100.00 | 134,385 | 147,475 | 327 |
| BB Banco de Investimento S.A. | Investment Bank | 100.00 | 2,858,693 | 2,951,414 | 574,645 |
| Ativos S.A. Securitizadora de Créd. Financ. | Credit Acquisition | 100.00 | 1,045,981 | 1,135,358 | 78,891 |
| Cielo S.A. | Service Rendering | 28.72 | 1,542,766 | 2,211,858 | 553,982 |
| Companhia Brasileira de Securit. – Cibrasec | Credit Acquisition | 12.12 | 9,060 | 9,098 | 25 |
| Kepler Weber S.A. | Industry | 17.45 | 82,394 | 83,302 | (3,611) |
| Neoenergia S.A. | Energy | 11.99 | 1,168,686 | 1,175,389 | 29,692 |
| Seg. Brasileira de Créd. à Exportação – SBCE | Insurance Company | 12.09 | 2,727 | 2,082 | (269) |
| Tecnologia Bancária S.A. – Tecban | Service Rendering | 12.52 | 47,755 | 49,668 | 463 |
| BB DTVM S.A. | Asset Management | 100.00 | 131,633 | 131,625 | 387,097 |
| BB Elo Cartões Participações S.A. | Holding | 100.00 | 4,349,195 | 4,733,893 | 389,425 |
| Elo Participações S.A. | Holding | 49.99 | 704,103 | 857,737 | 98,825 |
| CBSS - Alelo | Service Rendering | 49.99 | 633,299 | 732,774 | 100,817 |
| Elo Serviços | Service Rendering | 33.33 | 18,741 | 22,587 | 4,054 |
| Cateno Gestão de Contas de Pagamento S.A. ¹ | Service Rendering | 30.00 | 3,645,002 | 3,630,487 | 77,092 |
| BB Leasing Company Ltd. | Leasing | 100.00 | 140,973 | - | - |
| BB Leasing S.A. – Arrendamento Mercantil | Leasing | 100.00 | 4,059,273 | 4,243,141 | 98,962 |
| BB Securities LLC. | Brokerage | 100.00 | 170,639 | 189,700 | 10,534 |
| BB Seguridade Participações S.A. | Holding | 66.36 | 3,942,743 | 4,439,687 | 1,356,406 |
| BB Cor. Participações S.A. | Holding | 66.36 | 61,767 | 61,741 | 791,381 |
| BB Corretora de Seg. e Adm. de Bens S.A. | Brokerage | 66.36 | 35,001 | 34,976 | 790,956 |
| BB Seguros Participações S.A. | Holding | 66.36 | 5,742,105 | 6,381,764 | 1,263,042 |
| BB Mapfre SH1 Participações S.A. | Holding | 49.77 | 1,897,640 | 2,087,506 | 606,617 |
| Brasilcap Capitalização S.A. | Capitalization | 44.24 | 323,091 | 359,713 | 158,443 |
| Brasilidental | Service Rendering | 49.77 | 1,955 | 6,231 | 1,322 |
| Brasilprev Seguros e Previdência S.A. | Insur. Company/Pension Plan | 49.77 | 1,829,344 | 1,924,164 | 348,493 |
| IRB - Brasil Resseguros | Reinsurance | 13.61 | 620,214 | 620,085 | 58,818 |
| Mapfre BB SH2 Participações S.A. | Holding | 33.18 | 1,538,918 | 1,744,987 | 80,618 |
| BB Tecnologia e Serviços S.A. | IT | 99.97 | 227,740 | 217,183 | (1,747) |
| BB Turismo | Tourism | 100.00 | 13,917 | 7,904 | (4,136) |
| BB USA Holding Company, Inc. | Holding | 100.00 | 672 | 691 | - |
| Besc DTVM S.A. | Asset Management | 99.62 | 7,125 | 7,165 | 112 |
| Brasilian American Merchant Bank | Banking | 100.00 | 1,414,597 | 1,482,712 | 25,335 |
| BB Securities Asia Pte. Ltd. | Brokerage | 100.00 | 15,730 | 17,760 | 3,863 |
| BB Securities Ltd. | Brokerage | 100.00 | 159,402 | 166,707 | 17,404 |

1 – Bank's indirect interest in Cateno, through Bb Elo cartões Participações S.A. BB's total interest is 50.10%, since Cielo S.A. has 70% stake at Cateno (Note 14).

5. Customer Experience and Relationship

We kept improving customer experience through digital transformation. In this context, we are working in a three axes base:

- I. New services and business models – it approaches the customer and his account manager, with agility in problem solving and making business.
- II. Giving processes, products and services a more digital feature – it creates operational efficiency and significantly reduces the waiting time for customer service.
- III. Encouraging mobile use – it increases the number of customers who use mobile phones to do banking transactions and business.

Technological advances and the popularity of devices with internet access brought significant changes in consumer relations. The digital relationship allows us to capture the opportunities of this scenario. So we strengthen our customer knowledge systems and consumer behavior analysis practices in large databases.

We analyzed more than eight billion monthly customer interactions in various service channels and used external data, which allowed us to further know our customers profile, their needs and improve strategies directed to each segment.

From this analysis, it was possible to fit more than 33 million customers in consumption propensity patterns and make more assertive offers. The success of this model can be seen as 73% of customers identified as likely to purchase actually purchased a product.

Furthermore, we deployed an innovative tool on the market, which allows the customer approach in real time when he is using the BB web site. With this tool were performed over 800 thousand contacts with our customers in the first half of 2016.

5.1 BB Estilo Digital

We have surpassed the milestone of one million customers in Estilo segment, consolidating our leadership in the high-income market in Brazil. This was possible through the Banco do Brasil Estilo Digital strategy implementation, which began in May 2015. In just over a year, we opened 143 digital relationship branches to this public. The total number of clients served in the model to date is 552,000.

BB Estilo Digital customers rely on the assistance of a qualified staff, which can be reached with ease and agility through digital tools - such as online chat, e-mail and video conferencing. In addition, digital branches work in extended hours, from 8 am to 10 pm. Customers also have the possibility to consult experts on topics such as investments, mortgage, pension plans and insurance. If these customers want, still rely on the personal consult of a manager in more than 246 Estilo branches throughout the country, within the banking service hours.

The digital relationship strategy is improving Estilo customer experience. We are managing to increase the satisfaction levels, on average, in 16% with Estilo Digital and rise between 20% and 44% of the profitability achieved with new customers.

5.2 Business Offices

We have expanded our Retail Strategy started in 2015 to individuals with income higher than R\$4 thousand (Exclusivo) and very small and small companies. Just over a year after the implementation of the first offices in Joinville (SC), we currently have 12 offices, six of them aimed to Exclusivo segment,

which serve 52.1 thousand customers and six aimed to very small an companies, which serve 16.4 thousand.

We expect that by the end of this year, we implement over 26 new Exclusivo offices and 26 small and very small companies offices. In all, it will be served approximately 650 thousand individual customers and 80 thousand companies. These figures reflect our commitment to transform the retail banking market in the country, providing differentiated customer experience through the intensive use of digital technologies.

5.3 Network

We ended 1H16 with 59.1 thousand service points, comprising our own and shared network, and correspondents, covering 99.8% of brazilian cities.

Our own network featured 17,181 points, with 5,428 branches, 1,738 points of service and 10,015 point of electronic service.

In 1H16, we expanded to 19 the number of branches with specialized, exclusive service to very small and small businesses. Became part of this new model three branches, located in Cuiabá (MT). They have new ambiance with exclusive service for the very small and small companies with trained professionals in financial consulting.

Our shared network had 27,804 service points in June, 2016, being 11,059 of Banco24horas, a 2.24% increase to 1H15. Only in Banco24horas, 87 million transactions were carried out by BB clients, a 36% growth to 1H15.

We ended 1H16 with 14 thousand ATM's equipped with biometrical devices, and 24.7 million clients already have their biometrical factors captured and recorded. Around 2.9 million transactions are validated only by biometrical factor on a daily basis.

The correspondents' network, identified by the MaisBB trademark, counted on 14,110 service points and establishments under agreement, of which 6,148 points of the Banco Postal (Post Office Bank), performing 171 million transactions in the period, including consults, financial movements and proposals acceptance for account opening and credit transactions (direct consumer credit, real estate and agribusiness).

Our presence abroad is still a reference for brazilian companies and individuals in international markets and this strategic position is maintained with our service network and subsidiaries present in 23 countries.

In 1H16, there were 869 banks operating as our correspondents in 105 countries.

In Argentina, Banco Patagonia's distribution network comprises all Argentinian provinces with 199 service points. Banco do Brasil Americas, in the United States, has a network of six branches, offers internet mobile banking services through established agreements, and provides a network with more than 65 thousand terminals for withdrawals and other services.

5.4 Internet and Mobile

In order to improve operational efficiency and offer new solutions to customers, we launched new features in the Gerenciador Financeiro (Financial Manager) used by corporate clients, including, consulting the court orders extracts, digital signature on foreign exchange contracts, new menu releases and receivables extract. In the first half of 2016, 978 million transactions were carried out by this channel and it was used by 881,000 companies.

By the end of 1H16 we implemented investment advising to individual clients through web chat, available in BB's web site. From the interactions carried out with clients, 41% resulted in investments, amounting R\$485 million.

The self-service channels also delivered an outstanding performance:

- I. Internet: 825 million transactions carried out, by 13.4 million individuals users.
- II. Public Sector: 229.3 million transactions over internet and cell phone carried out by 59.1 thousand users.
- III. The transactions in the internet and mobile channels represent 62.4% of total transactions in automated channels in 1H16.

Mobile Applications

Our smartphone and tablets app has established itself as a preference in internet self-service. In 1H16, we recorded around 4.9 billion transactions per month, an increase of 164% to the same period of prior year. These transactions were carried out through mobile by 8.4 million users, a growth of eight thousand new users per day.

Aiming to bring even more convenience to customers, we made available, in our application, the contracting of income tax anticipation 100% digital way, through the use of smartphones, pioneering solution in the financial sector. From March on, when this solution was made available, R\$ 27.7 million was contracted by mobile. Another operation done through smartphone, allowing the whole process to be done in a digital basis, is the auto financing, which reached R\$72.3 million in disbursements in 1H16 (9% of total).

In consumer direct credit, we recorded R\$1.3 billion contracted via mobile phone, a growth of 208% to 1H15.

BB app closed 1H16 with 4.5 grade in the evaluation of users in the Apple Store and Google Play stores, the highest score among banks. Research by Mobile Time and Opinion Box revealed that BB's app is the sixth most present in the home screen of users, behind only some social networks.

5.5 Government

The partnership in training the staff of Brazilian municipalities, made possible by the Portal UniBB Public Sector and launched in December 2015, resulted in 2,900 training sessions in 1H16. There was significant progress in supporting the modernization of municipal management, financing projects that provided efficiency gains and increased tax revenues in municipalities of different regions and population profiles.

The 1H16 was also marked by the implementation of technological solutions for the judiciary as examples electronic permits and the simplified redemption judicial deposits.

In addition, in partnership with the Federal Government in implementing the National Policy for Regional Development, it was signed a transfer agreement in the amount of R\$831.5 million, with the Office of Midwest Development. The funds come from the Midwest Development Fund (FDCO) and are aimed at strengthening the development of policies of productive activity in the Midwest.

6. Business

6.1 Responsible Credit

We have implemented measures that encourage responsible use of credit, prioritizing lines with lower risk, especially among customers who were using recurrently the overdraft and revolving limit. Customer relationship management tools, Real Time, Portal Solução de Dívidas and self-service channels contributed to increase the number of covered customers and support them in improving the management of their finances. At the end of 1H16, there were more than 50 million approaches on responsible use of credit. In the audience, we highlight customer who receive their salary through the Bank and the INSS beneficiaries.

The Portal Solução de Dívidas, which allows customers to individuals and very small and small companies to renegotiate their overdue debt directly over the internet, reached the mark of 264,300 beneficiaries. The volume of contracted agreements through that channel, without the need of going to a branch, reached R\$2.7 billion. This measure, as well as operational efficiency and reduced delinquency levels, seeks to maintain sustainable and long-lasting relationship with our customers.

6.2 Loan Portfolio

Our loan portfolio was R\$674.1 billion in Banco do Brasil Financial Statements and R\$690.1 billion in Consolidated Financial Statements, growth of 0.5% and 0.3% in twelve months respectively. The most important lines of the portfolio are presented as follows:

- I. Loans and discounted securities was R\$222.3 billion and R\$233.8 billion in Banco do Brasil and Consolidated Financial Statements respectively.
- II. Financing was R\$156 billion and R\$157.6 billion in Banco do Brasil and Consolidated Financial Statements respectively.
- III. Rural and agribusiness financing was R\$189.1 billion in Banco do Brasil and Consolidated Financial Statements respectively.

6.2.1 Credit to Individuals

Payroll Loans

Loans to civil servants continued as the most representative of this portfolio, with 88.5% of the total. The rest of the portfolio is composed of retirees and pensioners (8.3%) and private sector employees (3.1%). The payroll loans remains as the main line in the portfolio for individuals, with 34.3% of the total, already considering acquired portfolio. The growth in the last 12 months was 1.2% thus maintaining our leadership in the segment, with 22.6% of market share.

The organic portfolio, that considers the credit originated only on our branches and channels, was R\$ 63 billion at June, 2016, an increase of 3.1% from June, 2015.

Auto Loans

The balance of auto loans transactions, including credit acquisitions, was R\$21.5 billion, reduction of 12% compared to 1H15.

The transactions originated in our branches reached R\$7.3 billion. The profile of these new transactions continued to be within the criteria adopted in recent years, ensuring the quality of the portfolio within the historical performance data. From this portfolio, those contracted in our branches, 90.1% of customers have account for more than five years and 71.4% receive their salary through us.

Mortgage Loans

In 1H16, mortgage loans to individuals recorded a balance of R\$39.7 billion, an increase of 20.9% in the semester. Disbursements in the year totaled R\$3.7 billion, R\$2.6 billion with FGTS funding. The Pro-Cotista + Aquisição FGTS credit line had R\$768 million in disbursement, a 147% growth to 1H15.

Consumer Credit

Composed of the lines Salary Loans and Consumer Finance, presented in June was R\$27.9 billion, an increase of 9.1% in the semester. The Salary Loans, less risky line to customers receiving salaries with us – 73% of the total Personal loan portfolio grew 9% to 1H15 and reached R\$20.5 billion in the 1H16. Additionally, 11.4% of the disbursement of Consumer Finance and payroll loans has been made in our correspondent network.

6.2.2 Credit to Companies

Credit for Investments

Our disbursements for investment loans totaled R\$12.7 billion in 1H16. Highlight to onlending funds with resources from BNDES, agribusiness investment, FCO and PROGER.

Mortgage Loans

At the end of the period, we recorded R\$1.1 billion of production financing. The portfolio balance was R\$11.9 billion in June, stable compared to 1H15.

Very Small and small companies

In 1H16, we had 2.3 million SME clients, strengthening our position as the “Bank of the Very small and small business”.

The balance of loan operations was R\$81.2 billion. We allocated R\$51.6 billion for working capital, which represented 63.6% of loan operations of small and very small companies. The balance of financing investment totaled R\$28.3 billion.

We kept our partnership with to Arranjos Produtivos Locais (APL), expanding credit, encouraging business training, expansion and technological innovation, contributing to sustainable growth of communities. By June, we had 24.6 thousand enterprises, where we invested R\$2.6 billion.

Wholesale Customers

In June, the loan portfolio of wholesale clients, recorded a balance of R\$156.3 billion, 1.9% down on 1H15.

6.2.3 Agribusiness

We continued to act as principal partner of the Brazilian agribusiness with 62% market share of the Rural Banking Industry. The agribusiness portfolio ended the semester with a balance of R\$183.5 billion in agricultural loan and agro industrial transactions for the BB Conglomerate. This sum represents an increase of 9.7% over 1H15.

We remain leaders in financing small and medium producers. In the 2015/16 (July/15 to June/16) harvests BB was responsible for 63.3% of loans through Pronaf and 75% through Pronamp. We also hold the leadership in financing through Inovagro (Agriculture innovation program), PCA (Warehouse

construction program) and ABC Program (Low-Carbon Agriculture Program), with a market share of 61.7%, 36.6% and 65.9% respectively.

Among the credit purpose, our leadership is once again proved. As the “Matriz de Dados do Crédito Rural (BACEN)” data shows, in the 2015/16 crop BB was responsible for 57.9% of working capital, 37.9% for investment and 42.4% in crop trading.

In the contracting of rural credit loans is placed on the use of risk mitigation mechanisms - bad weather and prices. In June, 2016, 64.9% of the agricultural working capital operations contracted in the crop of 2015/2016 were covered with production insurance (Agricultural insurance or Proagro) and price insurance (options contracts) or both (Revenue Insurance).

6.3 Funding

Our total deposits totaled R\$435.7 billion in June, 2016 regarding Banco do Brasil Financial Statements, among operations in the domestic and international markets.

In the Consolidated Financial Statements our total deposits was R\$440.9 billion in the same period. Besides that the following information are highlighted:

- I. R\$135.4 billion in Agribusiness Letters of Credit an R\$18.1 billion in Mortgage Bonds;
- II. R\$86.6 billion in onlending of officials funds and programs. Among these funds the following are highlighted: Funcafé (Brazilian Coffee Fund), Finame/BNDES. They all generate funding for loan operation at BB.
- III. R\$25.3 billion in Subordinated Letters of Credit. The balance of operations qualified as Tier II capital amounted to R\$9.5 billion.

6.4 Asset Management

We continued as a leading national investment fund industry through BB Asset Management (BB DTVM), with 22.2% market share and a total R\$660.5 billion in funds in custody (It includes funds in custody managed by BB DTVM and funds managed by other firms). Comparing to 1H15, we had 9.5% growth in funds managed. From the total funds in custody, we finished 1H16 with R\$643.9 billion managed by BB DTVM, a 21.1% market share.

6.5 Payment Methods

Volume billed with cards issued was R\$132.1 billion in 1H16, 10.9% growth over prior 1H15. Highlight to the 22.6% growth in debt purchase transactions, which performance comprises purchases in agribusiness and reached R\$9.8 billion in the semester, a 146.3% growth to 1H15.

In May, we launched Ourocard app, which has as main features payment by approaching a smartphone of a NFC terminal, digital card (Ourocard-e) for safe on line shopping, cards blocking and unblocking, purchase contestation, possibility of using the card abroad, spending timeline and electronic purchase statement.

We have also launched BB Elo Cidade, solution to incentive commerce in small municipalities. Developed in partnership with city halls, the project aims to discourage the use of currency paper and the dislocation of people to other municipalities, privileging retail and the economic stimulus to small towns.

In continuance to reorganization and diversification of payment methods businesses strategy, Livelô, customer loyalty company, formally started its operation in June 2016, reinforcing Ponto Pra Você

program, the largest loyalty program among banking companies, with more than 10 million active members.

6.6 Insurance, Pension Plans and Premium Bonds

In 1H16, insurance, pension and capitalization income reached R\$2 billion, a 5.2% increase over 1H15, and added R\$1.4 billion profit to BB conglomerate.

The total volume of insurance premium, pension contributions and premium bonds revenues reached R\$32.5 billion in 1H16, an increase of 7% over 1H15, ensuring the company's leadership in total revenues in the segments in which it operates, and market share of 27.4%, according to the Superintendence of Private Insurance (SUSEP).

Special emphasis on BrasilPrev's achievement of market leadership (achieved in March, 2015) in PGBL/VGBL private pension funds reserves, with 29.7% market share and R\$156.3 billion in volume. Besides that, Brasilprev raised its total collection market share to 39.7%.

For more information: www.bancodobrasilseguridade.com.br.

6.7 Social Security Management

We developed, in partnership with BB DTVM, investment funds, besides specific pension services to RPPS (Own Social Security System), which offer coverage to 7.6 million insured, from which five million are civil servants, 1.9 million retired and 600 thousand pensioners. The volume of funds managed by us totaled R\$43.3 billion in 1H16, which represents 40.5% market share, besides R\$53.1 million in service fee.

In 1H16, BB Previdência's assets rose to R\$4.7 billion, which 46 from corporate plans and 55 from sponsoring companies, 02 plans created by 02 professional entities and 81 thousand participants.

6.8 Capital Market

We are present in domestic capital market through BB - Banco de Investimento (BB-BI), focused on retail and corporate investors and abroad with the securities (New York, London and Singapore). The stock purchase and sale service in our branch network, Internet (home broker) and mobile devices amounted R\$16.1 billion traded, of which R\$15.4 billion were by home broker.

According to the Anbima ranking, our main achievements in the period were as follows:

- I. Coordinated 13 issues of fixed income securities, including promissory notes, debentures, Mortgage Rights Certificates (CRI) and Agribusiness Rights Certificate (CRA), totaling R\$3 billion and ranked in 2nd place in the consolidated origination list and with 13.2% in market share.
- II. In securitization market, we coordinated five Agribusiness Rights Certificate (CRA) operations, totaling R\$570 million, which ranked us in 3rd place in origination ranking.
- III. Participated in five overseas issuing transactions totaling US\$9.1 billion obtaining the ranking's 2nd place.
- IV. We were main coordinators in Rumo Logística Operadora Multimodal S.A. follow on, which placed R\$2.6 billion in stocks. As a result, we reached the 1st place in variable income without related parties, with R\$347 million and in 1st place in operations ranking.

6.9 Services

We offer many banking services to our clients. Among those offered to businesses, including the government, the following stood out over the period:

- I. Bank collection, tax deposit form collection and standing order services, Banco do Brasil provided services to over 259.7 thousand companies. It amounted to R\$479.5 billion and 324.4 million securities.
- II. Bill payment processing, service provided to 2.8 thousand clients, involving 128 million payment documents and totaling an amount of R\$26 billion.
- III. Automated debt, provided to more than 8 thousand companies, amounting R\$40 billion and 74 million entries.
- IV. Payroll agreements, processing over R\$210 billion, meeting 10 million public officers and employees from private enterprises.
- V. Social benefit payments at an amount R\$8.2 billion/month carried out by means of specific cards and credit to accounts.
- VI. The taxes collection amounted to R\$237.6 billion.
- VII. The Licitações-e (e-bid) site, in which 16.6 thousand bidding process were undertaken in the total amount of R\$13.2 billion.
- VIII. For each checking account customer, we offer the DDA (Authorized Direct Debit) service which had 1.2 million electronic drawers and 10% market share, and over 32.5 million bank payment forms were electronically processed.

6.10 Foreign Trade

We maintained, in 1H16, our leadership of the export and import exchange market, with 23.4% and 16.8%, market share respectively.

The exports operations (Advance against Exchange and Advance against Draft Presentation) stood out with 25.3% market share. In on-lending from governmental programs, financing disbursements under the Proex (Export Financing Program) totaled US\$226.8 million, 22.1% higher than in 1H15.

We launched, in 1H16, the challenge to expand the number of export credit borrowers, an initiative that reaffirms our commitment to the economic development of the country via export support as well as our role as the main sponsor of the Brazilian exporter. During the period, 2,424 clients took credit in ACC/ACE and PROGER Export, 23.9% growth over the same period of 2015.

Online foreign exchange and trade services conducted via internet represented 69.4% of operations (payment slips issued) of export exchange and 40.7% of import exchange. BB also offers training services in international business. In 1H16, 1,053 people were trained, including businesspeople, students and industry professionals all over the Brazil.

6.11 Consortium

BB Administradora de Consórcios ended the semester with a portfolio of R\$14.1 billion. During the year, were sold over 56 thousand new consortium quotas, which represented R\$2.2 billion in letters of credit, 5.3% higher than 1H15. The company reported consolidated net return on equity of 70.3% in the semester.

7. Corporate Management

7.1 Corporate Governance

Banco do Brasil's corporate governance is structured by the Board of Directors (BoD) and the Executive Board (EB). The BoD is composed of eight members and advised by the Audit Committee and the Compensation Committee and by the Internal Audit Team. EB is composed of the Managing Board (CEO and nine Vice-Presidents) and of twenty-seven Statutory Directors. We also have a permanent Fiscal Council composed of five sitting members and five alternate members.

As a good corporate governance practice, the Bank keeps a process to evaluate the performance of the Board of Directors, Audit Committee and Executive Board. The Bylaws, the Corporate Governance and Ethics Codes also give support to the best governance practices adopted by Banco do Brasil.

Decisions are taken collectively at all levels of the Bank with the purpose of conducting the adequate debate over strategic themes and business proposals. For such, the Management uses committees, subcommittees and commissions at a strategic level, which ensure the agility and security for the decision making.

In May, Mr. Paulo Rogério Caffarelli became CEO of Banco do Brasil.

For additional information on organizational structure, as well as management professional experience, see Reference Form 2016 available in www.bb.com.br/ir.

7.2 Market Relations

We release reports and information to the CVM, and on the Investor Relations website. Also adopts the posture of inviting the market to conferences whenever Management considers it necessary to elucidate specific topics concerning the Company. In 1H16, we took part in four non-deal roadshow abroad, five conferences in the country and seven abroad and organized two earnings teleconferences with analysts and investors. We keep a team exclusively to meet analysts and investors. Altogether over 581 meetings were conducted to investor and market analysts, including participation in meetings and telephone calls by June, 2016.

7.3 Corporate Control

Risk Management

We improved our risk management governance, especially the centralization of management activities in environmental risk and the assessment and monitoring of credit risk models. We implemented a systemic worsening probability model for companies listed on the Stock Exchange, with prospective risk assessment. As for the liquidity risk we found the short-term liquidity indicator - LCR, under Basel III, aiming to maintain the resources to resist acute financial stress scenario.

More information see the Risk Management Report at www.bb.com.br/ir.

Internal Controls

Aligned with our corporate strategy, the Internal Control System continues with cohesive and coordinated action in risk management and controls.

We improved the Referential Model, clarifying and highlighting key aspects of governance that permeate all defense lines. Another important aspect was the insertion of security, organizational and legal among the functions of the 2nd Line of Defense (risk management, controls and compliance).

The model preserves the authority and independence of the Internal Controls Directorship, provided responsible for consolidated assessment of the Internal Control System.

For further information on BB internal controls, see Reference Form 2016 available in www.bb.com.br/ir.

BB Ombudsman

We have been investing in customer service improvement, resulting in lower public bookmarks complaints, such as the demands presented to the Central Bank and National Bureau of Consumer Ministry of Justice (Senacon/MJ).

During 1H16, the amount of valid complaints against BB was 27% lower than the average of our peers. In ten of the 12 past months, BB was not among the five financial institutions with most complain in Bacen monthly ranking. We kept, during this semester, the 6th place in this ranking.

Considering the demands registered in Procon, integrated into the National Consumer Protection Information System (Sindec), complaints against BB were 62% lower than the average for the main peers in the semester comparison.

Institutional Security

We support and actively contributes to the actions taken within the National System for Prevention and Combat Against Money Laundering through its participation in the meetings for the preparation and implementation of the Enncla (National Strategy for the Combat Against Corruption and Money Laundering) , and formalization of Technical Cooperation Agreements with institutions such as the Ministério da Justiça (Ministry of Justice), the Coaf (Council for Financial Activities Control), linked to the Ministério da Fazenda (Ministry of Finance), and the Ministério Público do Estado de São Paulo (São Paulo State Public Prosecution Office). During the period, almost 17 thousand employees participated in training promoted on the topic.

Our Board of Directors approved the Integrity Program. The preparation of this document is demanded in the Decreto Federal 8,420/2015 and consolidates the integrity procedures established to mitigate the risk of BB's involvement in situations set by Law 12,846/2013 as corruption acts.

7.4 Technology

Our guidelines on technology are focused on operational efficiency and are geared toward solutions for mobility, convenience and technological integration in client relations as well as operational and management processes.

Other highlights over the period were as follows:

- I. The Technological Transformation Program (“PTT”), aimed at improving existing processes, platforms and infrastructure through the reorganization of the methodology for building and maintaining technology solutions and service-oriented architecture.
- II. The Program for the Optimization of IT Resources (“PORTI”), which seeks efficiency in the use of technology resources, with the constant reassessment of assumptions involving architecture, hiring, and management of services, among others. In 1H16, in its 4th year, the PORTI program generated recurring savings of R\$72 million.
- III. Initiatives designed to make mobile one of the main business channels and good experiences for customers.

8. People

In 1H16, we invested, through UniBB (Banco do Brasil Corporate University), R\$49.7 million in corporate education (equivalent to R\$453.5 per employee). The investment has offered 46.8 hours of training activities in different ways (in person, distance, and in service), in addition to allowing to obtain or maintain legal certifications in investments (CPA 10 and 20) by 1,967 employees.

Other highlights over the period were as follows:

- I. Completion of 1.5 million courses in Portal UniBB and offering of 18 educational pieces through Unibb Mobile, reaching 8,236 downloads.
- II. Training of Business Offices employees in order to spread the strategy and the digital model functioning with Exclusivo and very small and small companies, enhancing the client service experience.
- III. Conducting of the 18th event of BB's Program of Internal Certification of Knowledge, with the participation of 52,631 employees.
- IV. Providing 4,000 first undergraduate scholarships and 500 for employees who already hold undergraduate courses. Granting of 42 slots for the Executive MBA in Financial Businesses and 36 for Sustainable Development Strategy MBA. For post-graduate lato sensu and strict sensu studies were awarded 2,000 and 100 scholarships, respectively.
- V. Providing 1,000 English course sponsorships, with 400 of them allocated to entry level position and cashiers.
- VI. Graduation of 250 new managers in Workshop for First Time Managers (GPI), in order to implement the benchmarks the sustainable people management, business processes and on the branches daily routine.
- VII. Recognition of the ideas presented in the Incentive Innovation Corporate Program - Pensa BB. The program aims to encourage a culture of innovation and turn ideas into solutions for people, for the Bank and for society. For the 10 challenges proposed in the program were submitted 3,265 ideas by employees.
- VIII. Internal selection process realization for first time managers with on-site assessment of 1,546 staff in the Programa de Ascensão Profissional na Rede de Agências program.

Compensation and benefits

PDG (Bonus Performance Program) is the reward regarding the results and performance of its participants and is aimed at strengthening the partnership between the employee and the organization, recognition of effort in building the result, the alignment of results strategies and encouraging the pursuit of excellence in work expression. In June, 2016, R\$49.4 million were awarded to 3,778 employees regarding the second semester of 2015 program.

On 1H16 we distributed R\$627 million in Profit and Results.

The following table shows the remuneration and benefits granted to employees:

Table 3. Compensation and Benefits

| R\$ million | Banco do Brasil Financial Statements | | Consolidated Financial Statements | |
|---------------------------------------|--------------------------------------|-------|-----------------------------------|-------|
| | 1H15 | 1H16 | 1H15 | 1H16 |
| Payroll ¹ | 8,482 | 8,670 | 9,110 | 9,305 |
| Supplementary Pension ² | 632 | 677 | 632 | 677 |
| Health Care Plans ² | 500 | 592 | 500 | 592 |
| Statutory Profit Sharing ³ | 1,104 | 625 | 1,107 | 627 |
| Training ⁴ | 26 | 26 | 28 | 28 |

1 - Expenses with salaries, benefits, social charges and personnel provisions, as note of Personnel Expenses;

2 - Funding of supplementary pension and health care plans, pursuant to Note Benefit Plan;

3 - Amount set aside for Profit and Gain Sharing, as Statement of Income;

4 - As Note of Personnel Expenses.

9. Sustainable Development

With regard to our social and environmental activities, highlights are:

- I. On MPO (Microcredit line), our work aims to offer credit for the development of the segment of entrepreneurs. In 1H16, we reached cumulative disbursement of R\$6.2 billion in credit operations for working capital and investments. 1.7 million individual and corporate customers have benefited throughout the country, served by the network of branches and partners. Among the partners is Movera, our affiliate, which in the first half totaled 12,3 thousand operations, with R\$ 20.5 million disbursed to over 9,600 customers. In addition, we provide hiring MPO by Ourocard Conta Fácil, prepaid card for informal entrepreneurs, operated by phone or by card.
- II. Execution of 59.6 thousand new agreements of FIES (Student Loans), amounting to R\$2.7 billion. This numbers contributed to the one million students granted in BB milestone.
- III. Hiring of 5,396 thousand new operations in BB Crédito Acessibilidade. Since its launching, in February 2012, the credit facility has transformed the lives of more than 32 thousand people.
- IV. Performance in 1,773 municipalities by means of the Business Strategy for Sustainable Regional Development (DRS), with 26,055 employees trained in the subject. 1,378 Business Plans are being implemented with 623,571 beneficiaries.
- V. Donation of R\$24.6 million to Fundação Banco do Brasil (FBB) to invest in social programs and projects, developed or supported, aiming the improvement of people's lives, promoting socio productive inclusion, sustainable development and social technologies.
- VI. Renovation of Água Brasil program between Banco do Brasil, Agência Nacional de Águas, WWF Brasil and Fundação Banco do Brasil, aiming at developing innovation related to waterl resources management and sustainability. The program is due to June, 2020 and intends to invest about R\$50.8 million.
- VII. Achievement of 25.7 thousand employees registered on the website BB Voluntariado.
- VIII. Prospection, through our branch network, of 879 projects od socio productive inclusion, from which 98 are going to be supported with Fundação Banco do Brasil resources during 2016. In 1H16, 27 projects have been approved so far.
- IX. In Minha Casa Minha Vida program, it were delivered 9,739 homes to Faixa 1 (income lower than R\$1,600) recipients in 1H16, ensuring decent housing and social inclusion to those families.

For more information: www.bb.com.br/sustentabilidade

10. Legal Information

In accordance with criteria defined by the Brazilian Statute of small and very small businesses (General Law of small and very small businesses), 94.9% of BB's business clients are classified as very small and small businesses. The volume of funds used by small and very small companies was R\$51.2 billion in June, 2016. The balance of working capital operations contracted by very small companies totaled R\$1.5 billion, and of small companies totaled R\$30.4 billion. Investment operations aimed at very small companies was R\$1.2 billion; for small companies, investments was R\$17.9 billion.

In the engagement of services not related to external audits, we adopt 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.

During the period, the companies of Banco do Brasil's Conglomerate contracted KPMG Auditores Independentes to provide other services not related to the Bank's and its subsidiaries' external audit in the amount of R\$1,046.9 thousand, representing 4.3% of the fees related to the external audit service. The contracted services were:

Table 4. Contracting of KPMG Auditores Independentes

| Engaging Party | Hire Date | End Date | Type of Service | Total Contracted (R\$ thousand) |
|------------------------------|------------|------------|--------------------------------------|---------------------------------|
| BB Securities Asia Pte. Ltd. | 04/01/2016 | 03/31/2017 | Compliance - Tax Rules | 23.1 |
| Kepler Weber S.A. | 02/18/2016 | 08/18/2016 | Consulting - SAP | 435.0 |
| Banco Votorantim S.A. | 01/21/2016 | 02/24/2016 | Compliance NBC TO 3000 (ISAE 300) | 10.0 |
| Banco Votorantim S.A. | 03/16/2016 | 04/30/2016 | Compliance NBC TO 3000 (ISAE 300) | 29.2 |
| Votorantim Asset Management | 03/16/2016 | 04/30/2016 | Compliance NBC TO 3000 (ISAE 300) | 14.6 |
| Votorantim Asset Management | 03/16/2016 | 04/30/2016 | Report - Securities underwriting | 65.3 |
| Banco Votorantim S.A. | 01/01/2016 | 05/25/2016 | Documents review | 186.6 |
| Banco Votorantim S.A. | 05/24/2016 | 07/31/2016 | Review Underwriting - ECFs 2016 | 100.0 |
| Elo Participações S.A. | 02/23/2016 | Ongoing | Consulting - Expenses | 8.1 |
| Stelo S.A. | 02/23/2016 | Ongoing | Consulting - Expenses | 8.1 |
| Livelo S.A. | 02/23/2016 | Ongoing | Consulting - Expenses | 8.1 |
| Elo Serviços S.A. | 02/23/2016 | Ongoing | Consulting - Expenses | 8.1 |
| CBSS - Alelo | 02/23/2016 | Ongoing | Consulting - Expenses | 16.3 |
| Ibi Promotora de Vendas | 02/23/2016 | Ongoing | Consulting - Expenses | 4.1 |
| Movera | 02/23/2016 | Ongoing | Consulting - Expenses | 2.0 |
| Cielo S.A. | 03/17/2016 | Ongoing | Limited Assurance | 88.4 |
| Banco Patagonia S.A. | 01/01/2016 | 12/31/2016 | Review - Financial agent - new trust | 39.7 |

In compliance with CVM Instruction 381, we report that in 2015, the Independent Auditors KPMG did not provide services that could affect its independence, ratified by the adherence of its professionals to relevant ethical standards and independence that meet or exceed the standards promulgated by IFAC, PCAOB, SEC, AICPA, CFC, CVM, Central Bank, SUSEP PREVIC and by other regulatory agencies. These policies and procedures covering areas such as: personal independence, post-employment relationships, rotating professionals as well as the approval of audit and other services, are subject to constant monitoring.

In Banco do Brasil, the contracting of services related to external audit should be preceded by the opinion of the Audit Committee.

Additionally, BB explains that:

- I. In the year, fixed investments amounted to R\$463.9 million, emphasizing the investment in new service points and in the improvement of the ambience of the bank branches (R\$269.4 million) as well as the investment made in information technology (R\$148.7 million).
- II. Has R\$1.1 billion non-active tax credits arising from requirements defined by CMN Resolutions 3,059 of December 20, 2002 and 3,355 of March 31, 2006, and presented in Banco do Brasil Financial Statements and Consolidated Financial Statements note for 1H16.
- III. Records in a memorandum account, according to rules provided for in Cosif (Financial Institutions Accounting Plan), the amount of R\$8.4 billion deriving from Co-obligations and Risks in Guarantees Provided to clients and companies of the BB Conglomerate.
- IV. In 2012 was entered Interbank Revolving Credit contract Line to release with Banco Votorantim, by the limit equivalent to the value of R\$ 6.8 billion. The operation was accounted for in memorandum accounts, according to rules provided for in Cosif and was issued in the Notes of the Related Parties in the Banco do Brasil Financial Statements and Consolidated Financial Statements related to the 1H16.
- V. During this period, there haven't been any corporate reorganizations.

In accordance with art. 8 of the Central Bank Circular 3,068/2001, BB confirms that it has the intention and ability to hold until maturity the securities classified as "Held to Maturity". The financial capacity is supported by a cash flow projection that does not consider the possibility of selling these securities.

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 Banco do Brasil By-laws.

11. Main Awards Received in the Period

- I. In February, we were ranked 63rd in the world's "Top 500 Banking Brands 2016" posted by Brand Finance and published on the magazine The Banker.
- II. In April, we were ranked in the 5th place (US\$3.5 billion) in the ranking of "The 10 most valuable brands in the decade", ranking published on the magazine Isto É Dinheiro.
- III. We were recognized as the only Brazilian bank in the 2016 edition of Global 100 ranking, among 100 most sustainable companies in the world. The Global 100 is a corporate sustainability ranking started in 2005 by Corporate Knights (CK), a communication and investment research company hosted in Toronto, Canada.
- IV. We were listed by Gestão RH group among the "100 Best Companies in Corporative Citizenship 2016", after survey with the companies listed among "The 1,000 Best and Largest (Exame) and 150 Best Companies to Work (Época and Exame)". To build the list, the research also considered the pillars Work Life Quality, Social Responsibility, Environmental Responsibility, Diversity and Social Inclusion.
- V. Our risk management team was granted with the Banking Awards - Best ESG Risk Management Team prize. The award was organized by the British magazine CFI.co – Capital Finance International, which seeks to identify and recognize individuals and organizations that aggregate value in risk management.

Acknowledgments

We thank the dedication and diligence of our employees and collaborators, as well as the trust of shareholders, clients and company.

For more information, visit Investor Relations Website: www.bb.com.br/ir.