

## Summary of Results

### Banco do Brasil earns R\$ 10.15 billion in 2009

Banco do Brasil reported net income of R\$ 10,148 million in 2009. The result corresponds to an annualized return on average equity (ROAE) of 30.7%. Segregating the extraordinary effects, recurring income amounted to R\$ 8,506 million, 27.2% above the amount recorded in 2008, and correspondent to a recurring return on average equity of 25.8%. The recurring result for the year was influenced by the amount of R\$ 3,030 million, as a result of the actuarial assets and liabilities update of the "Plano de Aposentadoria e Pensão dos Funcionários do Banco do Brasil (Previ)".

In 4Q09, the Bank's net income reached R\$ 4,155 million, which corresponds to an annualized ROAE of 56.8%. On recurring bases, the net income recorded R\$ 1,819 million in 4Q09, 3.1% higher than the income of 3Q09 and 11.9% higher than the recurring net income of 4Q08.

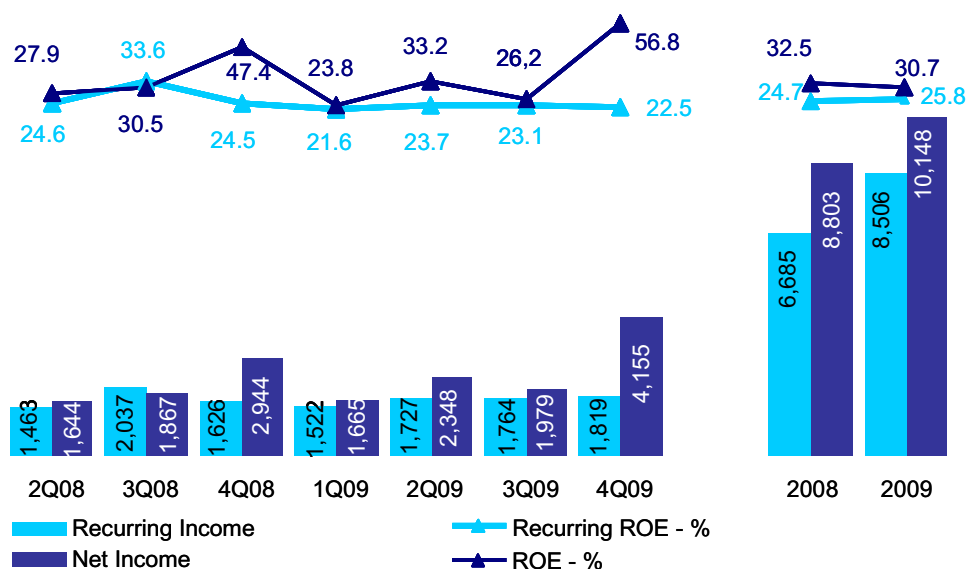


Figure 1. Earnings (R\$ million) and ROE (%)

### ◆ Earnings per share of R\$ 3.95 in 2009

Net income per share reached R\$ 3.95 in 2009, 14.7% higher than that observed in 2008. In the quarterly comparison, earnings per share recorded R\$ 1.62, 109.9% higher than earnings per share of 3Q09.

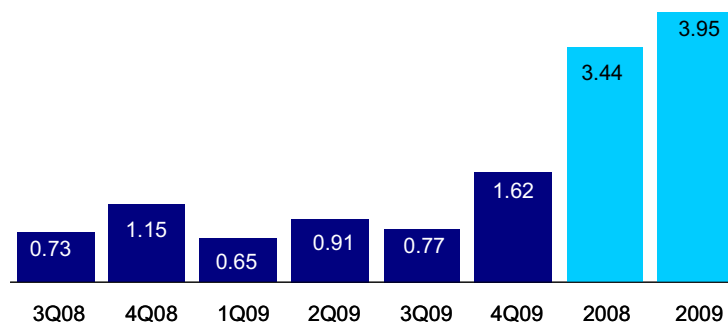


Figure 2. Earnings per Share (R\$)

### ◆ 40% of net income distributed to shareholders

The amount distributed to shareholders totaled R\$ 4,059 million in 2009, equivalent to 40% of the net income (payout). Of this total, R\$ 1,858 million were distributed as interest on own capital (IOC) and R\$ 2,201 million as dividends.

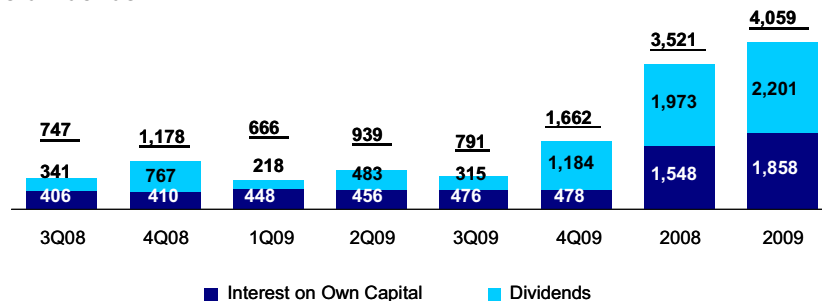


Figure 3. Dividends and Interest on Own Capital (R\$ million)

### ◆ Performance confirms estimates for 2009

The performance of Banco do Brasil (stand alone) in 2009 has confirmed the majority of the estimates disclosed to the market upon the announcement of the result of 4Q08, except the following items:

- **Recurring ROAE:** in addition to the strong performance of the Net Interest Income, the growth of the Fee Income and the control of the administrative expenses, the recurring ROAE for 2009 has been affected by accounting profit/losses related to the “Plano de Benefícios I” (Plano I of Previ). As explained in the Introduction section of this report, from now on such bookings will be held on a consistent and recurring basis during the upcoming years. These factors were decisive to allow the ROAE to reach a higher performance than the prediction made in the 2009 Guidance.
- **Spread:** influenced by the changes in the mix of the loan portfolio, with an increase in the relative share of operations with less associated risks, and therefore a lower spread (such as payroll loans and vehicle financing) and by the increase of the share of short-term investments in total assets that, as they have lower spread, they have contributed for lowering the Bank’s global spread.
- **Deposits:** the non-fulfillment of the guidance of growth of total deposits was motivated by the consolidation of Banco Nossa Caixa that added R\$ 39,821 million to BB's deposit base, minimizing the need for funding; and
- **Allowance for Loan Losses:** Influenced by the deterioration of the macroeconomic panorama, generating a greater need for provisioning.
- **Tax rate:** the accounting of the actuarial profit and losses related to the Plano I of Previ on a recurring basis generated a positive impact on the taxable income of the Bank and consequently increase on deferred expenses with IRPJ and CSLL (at a higher tax rate than the effective tax rate observed in the Income Statement with Reallocations with the first nine months of 2009), which led the effective tax rate just above the range predicted in the 2009 Guidance.

**Table 1.** 2009 Guidance (BB Stand-alone)

Items	Performance - Conglomerate	Performance - Proforma BB Stand Alone	2009 Guidance - Proforma BB Stand Alone
Recurring Return on Equity	25.8%	24.5%	19% - 22%
Net Interest Margin	6.7%	6.5%	6.8% - 7.2%
Total Deposits	24.6%	5.4%	10% - 14%
Domestic Loan Portfolio	35.2%	15.7%	13% - 17%
Individuals	88.1%	30.3%	23% - 25%
Businesses	29.0%	16.6%	16% - 19%
Agribusiness	4.3%	3.1%	2% - 5%
Allowance for Loan Losses	4.6%	4.6%	3.8% - 4.2%
Fee Income	14.4%	5.7%	5% - 8%
Administrative Expenses	24.9%	10.0%	9% - 12%
Tax Rate	32.7%	33.5%	30% - 33%

The main highlights of income/expenses and indicators above are discussed below.

### ◆ BB consolidates leadership: total assets reach R\$ 708.5 billion

Banco do Brasil recorded R\$ 708,549 million in total assets at the end of 2009, a growth of 3.3% quarter-on-quarter and of 35.9% compared to 2008. These figures already consider consolidation of all the interests in financial and non-financial companies, in addition to mergers (BESC and BEP), the acquisition of equity control in Banco Nossa Caixa (BNC) and the conclusion of the strategic partnership established with Banco Votorantim (BV). In addition to these corporate transactions, the growth of money market borrowings and of deposits, which backed the strong expansion of the loan portfolio in 2009, merits special emphasis.

**Table 2.** Main Balance Sheet Items

R\$ million	Dec/08	Sep/09	Dec/09	Chg. %	
				On Dec/08	On Sep/09
Total Assets	521,273	685,684	708,549	35.9	3.3
Loan Portfolio	224,808	285,517	300,829	33.8	5.4
Securities	86,909	129,818	124,337	43.1	(4.2)
Short-term Interbank Operations	119,408	157,541	168,398	41.0	6.9
Deposits	270,841	326,958	337,564	24.6	3.2
Demand Deposits	51,949	50,107	56,459	8.7	12.7
Savings Deposits	54,965	72,233	75,742	37.8	4.9
Interbank Deposits	14,065	9,627	11,619	(17.4)	20.7
Time Deposits	149,618	194,707	193,516	29.3	(0.6)
Money Market Borrowing	91,130	153,603	160,821	76.5	4.7
Shareholder's Equity	29,937	33,661	36,119	20.6	7.3

For purposes of comparison with the 2009 guidance, the following table presents the main balance sheets items of BB on a stand-alone basis, allowing the comparison between the balance at the end of 2009 and that recorded in 2008.

Segregating the effects of consolidation of BNC and BV, the growth of total assets of Banco do Brasil was 5.0% quarter-on-quarter and 14.9% in twelve months. Among the Assets, it is worth mentioning the loan portfolio and short-term interbank investments, which grew 15.6% and 30.1% in 12 months, respectively.

**Table 3.** Main Balance Sheet Items (Banco do Brasil stand-alone)

R\$ million	Dec/08	Sep/09	Dec/09	Chg. %	
				On Dec/08	On Sep/09
Total Assets	521,273	570,629	598,993	14.9	5.0
Loan Portfolio	224,808	245,712	259,840	15.6	5.8
Securities	86,909	93,189	88,323	1.6	(5.2)
Short-term Interbank Operations	119,408	137,881	155,328	30.1	12.7
Deposits	270,841	275,253	285,504	5.4	3.7
Demand Deposits	51,949	45,860	52,230	0.5	13.9
Saving Deposits	54,965	60,358	63,625	15.8	5.4
Interbank Deposits	14,065	7,974	10,748	(23.6)	34.8
Time Deposits	149,618	160,738	158,693	6.1	(1.3)
Money Market Borrowing	91,130	124,736	146,963	61.3	17.8
Shareholder's Equity	29,937	33,661	36,119	20.6	7.3

### ◆ Loan Portfolio surpasses the R\$ 320 billion mark

In an amplified concept, which includes guarantees provided and private securities, Banco do Brasil's loan portfolio ended the last quarter at R\$ 320,696 million (already considering the portfolios of BNC and of BV), growth of 6.4% in the quarter and of 35.2% compared to the amplified portfolio of 2008. BB's amplified loan portfolio on a stand-alone basis reached R\$ 279,707 million, a growth of 6.9% quarter on quarter and of 17.9% in 12 months.

The classified loan portfolio (in accordance with CMN Resolution 2682) reached R\$ 300,829 million, growth of 33.8% in 12 months and of 5.4% in the quarter. The domestic loan portfolio grew 35.2% in the year and 4.7% over 3Q09, surpassing again the industry's growth, which recorded a progression of 14.9% in 2009 and of 4.6% in the quarter.

**Table 4.** Loan Portfolio (Conglomerate)

R\$ million	Dec/08	Sep/09	Dec/09	Chg. %	
				On Dec/08	On Sep/09
<b>Loan Portfolio</b>	<b>224,808</b>	<b>285,517</b>	<b>300,829</b>	<b>33.8</b>	<b>5.4</b>
<b>Brazil</b>	<b>209,693</b>	<b>270,748</b>	<b>283,560</b>	<b>35.2</b>	<b>4.7</b>
Individuals	48,811	85,717	91,791	88.1	7.1
Payroll Loan	17,626	33,973	36,514	107.2	7.5
Auto Loans	6,694	19,255	20,738	209.8	7.7
Businesses	97,192	116,994	125,336	29.0	7.1
SME	34,900	41,159	44,920	28.7	9.1
Other	62,292	75,834	80,416	29.1	6.0
Agribusiness	63,690	68,038	66,434	4.3	(2.4)
<b>Abroad</b>	<b>15,115</b>	<b>14,769</b>	<b>17,268</b>	<b>14.2</b>	<b>16.9</b>

At the end of 2009, loans to individual clients amounted to R\$ 91,791 million, an increase of 88.1% in the year and of 7.1% quarter-on-quarter. In both comparisons, the payroll loan was the main responsible for this growth of the individual customers portfolio, which since June has surpassed that of agribusiness, contributing to allow the individual portfolio to reach a relative share of 30.5% of the total portfolio at the end of 2009, as opposed to 21.7% at the end of 2008.

The business portfolio, which represents 41.7% of BB's total portfolio, amounted to R\$ 125,336 million in December 2009, expansion of 29.0% in twelve months and of 7.1% in the quarter, driven in both comparisons by the growth of working capital operations.

Disregarding the consolidations of Banco Nossa Caixa and of Banco Votorantim, it is worth mentioning the strong growth of the loan portfolio of BB in an organic way. BB's domestic loan portfolio reached a

balance of R\$ 242,572 million, growth of 5.0% in the quarter and of 15.7% in 12 months. Within the same concept, the total portfolio recorded R\$ 259,840 million in December 2009, growth of 5.8% in the quarter. The following table allows the understanding of the evolution of stand-alone figures, and the impacts of Banco Votorantim's consolidation and evolution of Banco Nossa Caixa's portfolio.

**Table 5.** Loan Portfolio – Organic Growth (Banco do Brasil stand-alone)

R\$ million	Dec/08	Sep/09	Dec/09	Chg. %	
				On Dec/08	On Sep/09
<b>Banco do Brasil</b>	<b>224,808</b>	<b>245,712</b>	<b>259,840</b>	<b>15.6</b>	<b>5.8</b>
Individuals	48,811	58,747	63,585	30.3	8.2
Businesses	97,192	104,958	113,336	16.6	8.0
Agribusiness	63,690	67,237	65,651	3.1	(2.4)
Abroad	15,115	14,769	17,268	14.2	16.9
<b>Nossa Caixa</b>	<b>-</b>	<b>19,308</b>	<b>19,766</b>	<b>-</b>	<b>2.4</b>
Individuals	-	14,524	15,080	-	3.8
Businesses	-	3,984	3,904	-	(2.0)
Agribusiness	-	800	783	-	(2.2)
<b>Banco Votorantim*</b>	<b>-</b>	<b>20,498</b>	<b>21,222</b>	<b>-</b>	<b>3.5</b>
Individuals	-	12,446	13,126	-	5.5
Businesses	-	8,052	8,096	-	0.5
<b>Total</b>	<b>224,808</b>	<b>285,517</b>	<b>300,829</b>	<b>33.8</b>	<b>5.4</b>

\*Amounts equal to 50% of BV Loan Portfolio

### ◆ Recurring income reflects robustness of the financial margin, growth of banking service fees and control of expenses

The table below, extracted from the statement of income with reallocations, presents the main highlights of the period. The breakdown of reallocations is in Section 5.3.1 of the Performance Analysis Report.

**Table 6.** Income Statement with reallocations

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q08	3Q09	4Q09	On 4Q08	On 3Q09	2008	2009	On 2008
<b>Financial Intermediation Income</b>	<b>20,412</b>	<b>16,048</b>	<b>17,984</b>	<b>(11.9)</b>	<b>12.1</b>	<b>58,400</b>	<b>65,329</b>	<b>11.9</b>
Loan operations + Leasing	11,253	10,756	12,177	8.2	13.2	34,821	42,303	21.5
Securities	8,097	5,083	5,321	(34.3)	4.7	20,496	21,350	4.2
<b>Financial Intermediation Expenses</b>	<b>(13,335)</b>	<b>(7,729)</b>	<b>(8,715)</b>	<b>(34.6)</b>	<b>12.8</b>	<b>(33,885)</b>	<b>(32,269)</b>	<b>(4.8)</b>
<b>Net Interest Income</b>	<b>7,077</b>	<b>8,320</b>	<b>9,268</b>	<b>31.0</b>	<b>11.4</b>	<b>24,515</b>	<b>33,060</b>	<b>34.9</b>
Allowance for Loan Losses	(2,240)	(3,017)	(2,950)	31.7	(2.2)	(6,799)	(11,629)	71.1
<b>Net Financial Margin</b>	<b>4,837</b>	<b>5,303</b>	<b>6,318</b>	<b>30.6</b>	<b>19.1</b>	<b>17,716</b>	<b>21,431</b>	<b>21.0</b>
Fee income	3,058	3,526	3,606	17.9	2.3	11,811	13,511	14.4
<b>Contribution Margin</b>	<b>7,534</b>	<b>8,461</b>	<b>9,367</b>	<b>24.3</b>	<b>10.7</b>	<b>28,058</b>	<b>33,367</b>	<b>18.9</b>
Administrative expenses	(4,344)	(4,897)	(5,465)	25.8	11.6	(15,358)	(19,185)	24.9
Personnel Expenses	(2,301)	(2,693)	(2,844)	23.6	5.6	(8,112)	(10,280)	26.7
Other Administrative Expenses	(2,043)	(2,203)	(2,621)	28.3	18.9	(7,246)	(8,905)	22.9
<b>Commercial Income</b>	<b>3,144</b>	<b>3,540</b>	<b>3,876</b>	<b>23.3</b>	<b>9.5</b>	<b>12,560</b>	<b>14,083</b>	<b>12.1</b>
Legal Claims	(97)	(40)	46	-	-	(161)	(242)	49.8
Labor Lawsuits	(129)	(216)	(49)	(61.7)	(77.1)	(560)	(260)	(53.6)
Other Income and Expenses	(537)	(562)	(938)	74.6	67.0	(1,786)	263	-
<b>Income Before Taxes</b>	<b>2,380</b>	<b>2,723</b>	<b>2,934</b>	<b>23.3</b>	<b>7.8</b>	<b>10,052</b>	<b>13,844</b>	<b>37.7</b>
Income and Social Contribution Taxes	(557)	(727)	(853)	53.4	17.4	(2,416)	(4,155)	72.0
Corporate Profit Sharing	(198)	(230)	(262)	32.7	13.9	(951)	(1,157)	21.6
<b>Recurring Net Income</b>	<b>1,626</b>	<b>1,764</b>	<b>1,819</b>	<b>11.9</b>	<b>3.1</b>	<b>6,685</b>	<b>8,506</b>	<b>27.2</b>

**Table 7.** Main Indicators of Income/Expenses

Indicadores - %	4T08	3T09	4T09	2008	2009
Spread Global	7.2	6.7	6.7	7.0	6.7
Despesas de PCLD sobre Carteira	3.6	4.7	4.6	3.6	4.6
Índice de Eficiência <sup>1</sup>	45.7	44.6	44.4	45.6	40.7
RSPL Recorrente	24.5	23.1	22.5	24.7	25.8
Taxa Efetiva de Imposto	25.5	29.2	31.9	26.5	32.7

<sup>(1)</sup> The extraordinary effects of the period were segregated in the calculation.

**Table 8.** Statement of Operations with reallocations (Banco do Brasil stand-alone)

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q08	3Q09	4Q09	On 4Q08	On 3Q09	2008	2009	On 2008
<b>Financial Intermediation Income</b>	<b>20,412</b>	<b>14,013</b>	<b>14,517</b>	<b>(28.9)</b>	<b>3.6</b>	<b>58,400</b>	<b>58,001</b>	<b>(0.7)</b>
Loan operations + Leasing	11,253	9,643	9,878	(12.2)	2.4	34,821	37,865	8.7
Securities	8,097	4,223	4,190	(48.2)	(0.8)	20,496	18,621	(9.1)
<b>Financial Intermediation Expenses</b>	<b>(13,335)</b>	<b>(6,820)</b>	<b>(6,949)</b>	<b>(47.9)</b>	<b>1.9</b>	<b>(33,885)</b>	<b>(28,797)</b>	<b>(15.0)</b>
<b>Net Interest Income</b>	<b>7,077</b>	<b>7,192</b>	<b>7,568</b>	<b>6.9</b>	<b>5.2</b>	<b>24,515</b>	<b>29,205</b>	<b>19.1</b>
Allowance for Loan Losses	(2,240)	(2,779)	(2,613)	16.6	(6.0)	(6,799)	(10,802)	58.9
<b>Net Financial Margin</b>	<b>4,837</b>	<b>4,414</b>	<b>4,955</b>	<b>2.4</b>	<b>12.3</b>	<b>17,716</b>	<b>18,403</b>	<b>3.9</b>
Fee income	3,058	3,213	3,189	4.3	(0.7)	11,811	12,481	5.7
<b>Contribution Margin</b>	<b>7,534</b>	<b>7,325</b>	<b>7,485</b>	<b>(0.6)</b>	<b>2.2</b>	<b>28,058</b>	<b>29,338</b>	<b>4.6</b>
Administrative expenses	(4,344)	(4,215)	(4,511)	3.8	7.0	(15,358)	(16,891)	10.0
Personnel Expenses	(2,301)	(2,314)	(2,369)	3.0	2.4	(8,112)	(9,068)	11.8
Other Administrative Expenses	(2,043)	(1,901)	(2,142)	4.8	12.7	(7,246)	(7,823)	8.0
<b>Commercial Income</b>	<b>3,144</b>	<b>3,104</b>	<b>2,974</b>	<b>(5.4)</b>	<b>(4.2)</b>	<b>12,560</b>	<b>12,409</b>	<b>(1.2)</b>
Legal Claims	(97)	(14)	56	-	-	(161)	(186)	15.2
Labor Lawsuits	(129)	(142)	1	-	-	(560)	(92)	(83.6)
Other Income and Expenses	(537)	(460)	(270)	(49.8)	(41.4)	(1,786)	1,151	-
<b>Income Before Taxes</b>	<b>2,380</b>	<b>2,488</b>	<b>2,762</b>	<b>16.1</b>	<b>11.0</b>	<b>10,052</b>	<b>13,282</b>	<b>32.1</b>
Income and Social Contribution Taxes	(557)	(662)	(942)	69.3	42.3	(2,416)	(4,113)	70.3
Corporate Profit Sharing	(198)	(218)	(208)	5.4	(4.6)	(951)	(1,091)	14.7
<b>Recurring Net Income</b>	<b>1,626</b>	<b>1,606</b>	<b>1,612</b>	<b>(0.8)</b>	<b>0.4</b>	<b>6,685</b>	<b>8,078</b>	<b>20.8</b>

**Table 9.** Main Indicators of Income/Expenses (Banco do Brasil stand-alone)

Indicators - %	4Q08	3Q09	4Q09	2008	2009
Global Spread	7.2	6.5	6.6	7.0	6.5
Expenses with Allowance for Loan Losses over Portfolio	3.6	4.6	4.6	3.6	4.6
Efficiency Ratio <sup>1</sup>	45.7	42.8	40.9	45.6	41.4
Recurring Return on Equity	24.5	20.9	19.8	24.7	24.5
Effective Rate of Tax	25.5	29.2	36.9	26.5	33.5

<sup>(1)</sup> The extraordinary effects of the period were segregated in the calculation.

### ◆ Loan growth drives the increase of the Net Interest Income

The Net Interest Income (NII) recorded growth of 11.4% quarter on quarter and of 31.0% year-over-year, influenced by the consolidation of Banco Votorantim's figures as of 4Q09. In a pro forma comparison, excluding the effects of the consolidation of BV and of BNC, the Net Interest Income of Banco do Brasil on a stand-alone basis amounted to R\$ 7,568 million in 4Q09, up 10.2% over 3Q09, driven by the advance of revenues from loans due to the increase in the volume of these operations.

In the annual comparison, the net interest income reached R\$ 33,060 million in 2009, up 34.9% over 2008. Disregarding the effects of the consolidation of BV and of BNC, BB's net interest income on stand-alone view totaled R\$ 29,205 million, growth of 19.1% over 2008, motivated essentially by the growth of the volume of loan operations and by the reduction of the cost of funding, offsetting the spreads reduction.

The following table presents the breakdown of the Net Interest Income. The contribution of the loan portfolio in its main business lines, computing the revenues and the costs associated with these operations, including the fundraising cost, is highlighted. In addition, the amounts corresponding to revenue with recovery of receivables written-off as loss, and the amounts of revenues relating to compulsory deposits with remuneration are segregated. The item "Other Income", comprised mainly of income from treasury, resulting from transactions with securities, derivatives and foreign exchange, completes the NII formation.

**Table 10.** Net Interest Income by business line

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q08	3Q09	4Q09	On 4Q08	On 3Q09	2008	2009	On 2008
<b>Net Interest Income</b>	<b>7,077</b>	<b>8,320</b>	<b>9,268</b>	<b>31.0</b>	<b>11.4</b>	<b>24,515</b>	<b>33,060</b>	<b>34.9</b>
<b>Loan Operations</b>	<b>4,725</b>	<b>5,978</b>	<b>6,852</b>	<b>45.0</b>	<b>14.6</b>	<b>16,394</b>	<b>23,570</b>	<b>43.8</b>
Individuals	2,273	3,299	3,741	64.6	13.4	8,356	12,413	48.6
Businesses	1,598	1,844	2,178	36.3	18.1	5,107	7,576	48.3
Agribusiness	854	834	933	9.2	11.8	3,006	3,581	19.1
<b>Other</b>	<b>2,352</b>	<b>2,342</b>	<b>2,416</b>	<b>2.7</b>	<b>3.2</b>	<b>8,121</b>	<b>9,490</b>	<b>16.9</b>
Remunerated Compulsory	424	213	214	(49.4)	0.5	1,910	816	(57.3)
Recovery of Write-offs	467	525	647	38.6	23.2	1,714	2,059	20.1
Other	1,462	1,603	1,555	6.4	(3.0)	4,496	6,615	47.1
<b>BB Stand-alone</b>								
<b>Net Interest Income</b>	<b>7,077</b>	<b>7,192</b>	<b>7,568</b>	<b>6.9</b>	<b>5.2</b>	<b>24,515</b>	<b>29,205</b>	<b>19.1</b>

Gross global spread ended the quarter at 6.7%, remaining stable quarter-on-quarter. In 2009, the spread came to 6.7%, 30 basis points below the spread recorded in 2008. Several factors affected the global spread of Banco do Brasil in 2009, with an emphasis on:

- The consolidation of BNC, which as it has an expressive base of low-cost deposits (judicial deposits), presented a higher spread than that of BB, which had affected positively the global spread;

And those that had a negative effect:

- The decrease of the basic interest rate, which reduced the remuneration of the own securities portfolio;
- The change in the loan portfolio mix, with an increase of the relative share of operations with lower associated risk and, therefore, lower spread (such as payroll loans and vehicle financing);
- The consolidation of the interest of 50% in the capital of Banco Votorantim, which exhibits a lower global spread than that of Banco do Brasil, as it does not have a base of low-cost deposits and operates in segments characterized by lower risks and, therefore, lower spread;

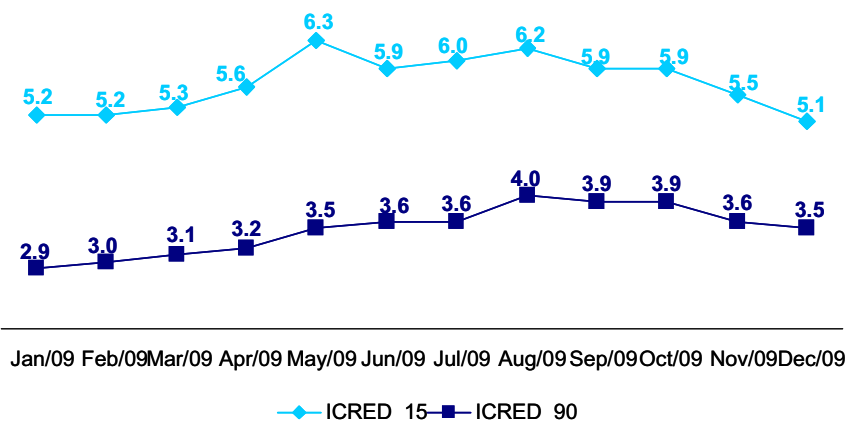
**Table 11.** Annualized spread

R\$ million	4Q08	3Q09	4Q09	2008	2009
<b>Loan Operations</b>	<b>9.8</b>	<b>10.2</b>	<b>10.1</b>	<b>9.3</b>	<b>9.8</b>
Individuals	21.6	20.6	18.6	21.0	18.7
Businesses	7.3	7.4	7.4	6.7	7.2
Agribusiness	5.6	4.9	5.3	5.1	5.3
<b>Other</b>	<b>9.7</b>	<b>3.6</b>	<b>3.4</b>	<b>4.6</b>	<b>3.7</b>
<b>Global Spread</b>	<b>7.2</b>	<b>6.7</b>	<b>6.7</b>	<b>7.0</b>	<b>6.7</b>

### ◆ Delinquency shows a strong decrease in 4Q09

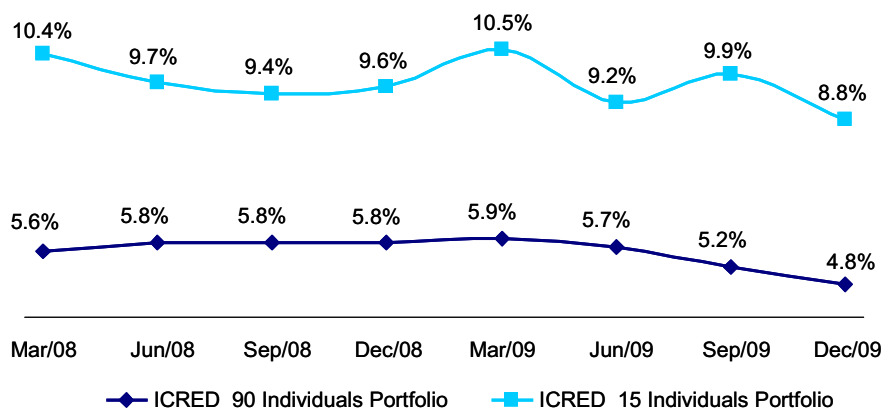
The percentage of operations past due for more than 15 days in the conglomerate dropped to 5.1% in December 2009, as opposed to 5.8% in September. On the other hand, the percentage of loans overdue for more than 90 days recorded a decrease of 30 basis points in the last quarter.

The monthly monitoring of BB's domestic loan portfolio (stand-alone) also demonstrates this downslide in default ratios: the ratio that measures the loans overdue for more than 15 days recorded a reduction of 110 basis points since August 2009. In the same period, the ratio that measures the loans overdue for more than 90 days fell by 50 basis points, confirming that the peak of default occurred in 3Q09.



**Figure 4.** Delinquency 15 and 90 days - BB Stand Alone

The recovery of the labor market and the successful strategy of BB, concentrating the mix of its individuals loan portfolio in low risk operations, such as payroll loans, were decisive to allow the delinquency ratios of its portfolio to show successive drops from the peak shown in 1Q09. During this period, the ratios of operations overdue for more than 15 days and 90 days fell respectively 170 and 110 basis points.



**Figure 5.** Delinquency 15 and 90 days – Individuals Portfolio (loan as reference for interest rate)

### ◆ Quality of the portfolio remains above the Banking Industry

On the portfolio quality, average risk stood at 5.3% in December 2009, 40 basis points below that seen for September 2009, and below the average risk of the Banking Industry, that recorded 6.9% at the end of December.

Delinquency above 90 days reached 3.3% of the total portfolio at the end of 2009, one more time better than the performance of the Banking Industry, which recorded 4.4%.

**Table 12.** Loan Portfolio Quality Indicators (BB+BV+BNC)

%	Dec/08	Sep/09	Dec/09
Past Due Loans/Loan Portfolio	4.0	6.9	6.8
Allowance/Loan Portfolio	6.1	6.7	6.2
Past due loans + 60 days/Total Portfolio (%)	2.8	4.1	3.7
Past due loans + 90 days/Total Portfolio (%)	2.4	3.6	3.3
Allowance/Past Due Loans + 60 days	218.2	161.1	166.3
Allowance/Past Due Loans + 90 days	257.7	183.4	190.3
Average Risk BB	5.4	5.7	5.3
Average Risk – Banking Industry	5.3	7.2	6.9
Transactions overdue + 90 days/Total Portfolio – Banking Industry	3.2	4.4	4.4

Beyond the perception of improvement of the economic and business environment, Banco do Brasil maintained its prudent attitude on the balance of provisions for credit risk and on the percentage of coverage of the portfolio in 2009. The balance of provisions ended December 2009 at R\$ 18,617 million, growth of 36.2% over that observed in 2008, in line with the expansion of 33.8% of the loan portfolio in 12 months and with the increase in the default rates compared to 2008. In the quarterly comparison the balance of provisions presented a downside of 2.4%, in line with the improvement observed in the risk profile of the operations.

The coverage ratio of provisions over the loan portfolio total balance came to 6.2%, a reduction of 50 basis points compared to the ratio of September 2009 and growth of 10 basis points in the comparison with the ratio recorded at the end of 2008.

**Table 13.** Allowance for loan losses

R\$ million	Dec/08	Sep/09	Dec/09	Chg. %	
				On Dec/08	On Sep/09
Required	12,079	16,167	15,835	31.1	(2.1)
Additional	1,594	2,903	2,782	74.5	(4.2)
<b>Total</b>	<b>13,673</b>	<b>19,070</b>	<b>18,617</b>	<b>36.2</b>	<b>(2.4)</b>

Provision expenses recorded a decrease of 2.2% in the quarter, which contributed for the rate that measures the ratio between these expenses and the total portfolio to end 4Q09 at 1.0%, down 20 basis points compared to the rate of 3Q09. The ratio between expense in 12 months and the average portfolio of the same period reached 4.6%, as opposed to 4.7% in the 12 months ended in the previous quarter.

**Table 14.** Expenses with Allowance for Loan Losses over Portfolio

R\$ million	4Q08	3Q09	4Q09
(A) Allowance for Loan Losses - Quarterly	(2,240)	(3,017)	(2,950)
(B) Allowance for Loan Losses - 12 Months	(6,800)	(10,919)	(11,629)
(C) Loan Portfolio	224,808	265,019	300,829
(E) Average Portfolio – 3 Months	218,626	257,948	282,405
(E) Average Portfolio – 12 Months	189,144	234,430	250,888
Expenses over Portfolio (A/D) - %	1.0	1.2	1.0
Expenses over Portfolio (B/E) - %	3.6	4.7	4.6

◆ **Operating Efficiency: expenses under control, growth of the service revenues and of the financial margin**

Disregarding the consolidation of the figures of Banco Nossa Caixa and of Banco Votorantim, the administrative expenses of BB, which include personnel expenses and the other administrative expenses, amounted to R\$ 16,890 million in 2009, up 10.0% over 2008, in line with the guidance proposed for 2009 (9% to 12%). Also in the stand-alone view, the administrative expenses of 4Q09 reached R\$ 4,511 million, growth of 3.8% in the comparison with 4Q08.

**Table 15.** Administrative expenses

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q08	3Q09	4Q09	On 4Q08	On 3Q09	2008	2009	On 2008
<b>BB</b>	<b>4,344</b>	<b>4,897</b>	<b>5,465</b>	<b>25.8</b>	<b>11.6</b>	<b>15,358</b>	<b>19,185</b>	<b>24.9</b>
Personnel Expenses	2,301	2,693	2,844	23.6	5.6	8,112	10,280	26.7
Other Administrative Expenses	2,043	2,203	2,621	28.3	18.9	7,246	8,905	22.9
<b>BNC / BV</b>	-	<b>682</b>	<b>954</b>	-	<b>39.9</b>	-	<b>2,294</b>	-
Personnel Expenses	-	380	475	-	25.1	-	1,212	-
Other Administrative Expenses	-	302	479	-	58.5	-	1,082	-
<b>BB - BNC</b>	<b>4,344</b>	<b>4,215</b>	<b>4,511</b>	<b>3.8</b>	<b>7.0</b>	<b>15,358</b>	<b>16,890</b>	<b>10.0</b>
Personnel Expenses	2,301	2,314	2,369	3.0	2.4	8,112	9,068	11.8
Other Administrative Expenses	2,043	1,901	2,142	4.8	12.7	7,246	7,822	7.9

The control of administrative expenses was followed by an increase in fee income, which totaled R\$ 3,606 million in 4Q09, growth of 2.3% in the quarter and of 17.9% over 4Q08. In 2009, fee income amounted to R\$ 13,511 million, recording growth of 14.4% over 2008. Segregating the effects of the consolidation of Banco Nossa Caixa and of Banco Votorantim, fee income of BB stand-alone, amounted to R\$ 3,189 million in 4Q09, recording a slight decrease of 0.7% in the quarter. This performance was influenced by the discontinuation of the collection of the registration renewal fee pursuant to Circular 3,466 of September 11, 2009 of the Brazilian Central Bank. In the comparison with 4Q08, there was a growth of 4.3%. In 2009 the growth of BB stand alone fee income reached 5.7%, within the Guidance for the year (5% to 8% range).

**Table 16.** Fee income

R\$ million	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q08	3Q09	4Q09	On 4Q08	On 3Q09	2008	2009	On 2008
BB	3,058	3,526	3,606	17.9	2.3	11,811	13,511	14.4
BNC / BV	-	313	418	-	33.3	-	1,031	-
BB - BNC	3,058	3,213	3,189	4.3	(0.7)	11,811	12,481	5.7

The positive performance of Net Interest Income, fee income, combined with the increase of other operating income and the control of administrative expenses, contributed toward the improvement of the cost to income ratio.

The conglomerate ratio for 2009 was of 40.7%, an improvement of 490 basis points compared to the 2008 ratio. In the quarterly comparison, the cost to income ratio of the group recorded 44.6% in 4Q09, remaining stable compared to 3Q09 and 109 basis points better than the rate recorded in 4Q08.

### ◆ BIS Ratio records growth

Banco do Brasil's capital ratio (K) ended December 2009 at 13.7%, a 70 bps increase over the preceding quarter. The Basel ratio shown allows the Bank to expand its loan portfolio by R\$ 104,600 million in credit assets, considering a 100% weighting.

The improvement observed in the period results from the incorporation of profits, the issue of R\$ 1 billion in Subordinated Bank Deposit Certificates and the issue of US\$ 1.450 billion worth of perpetual bonds. The Central Bank considered this last issue eligible for calculation purposes of the Tier I Capital, in the hybrid capital and debt instrument category.

In 4Q09 Banco do Brasil released a material fact, informing the market that, with the consent of the National Treasury, it is finalizing studies to increase its capital by at least R\$ 8 billion and by a maximum of R\$ 10 billion, aiming to sustain its future growth.

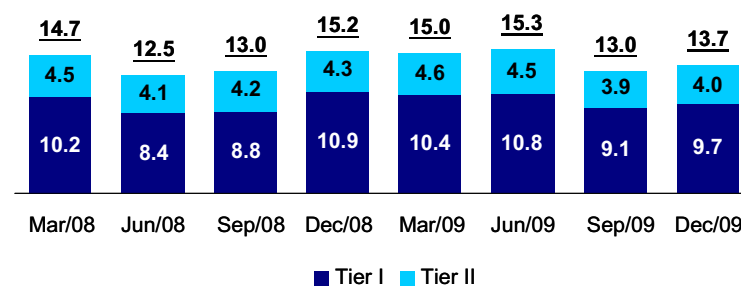


Figure 6. BIS Ratio

### ◆ Extraordinary Events

The extraordinary effects added R\$ 2,336 million to BB's net income in 4Q09 and R\$ 1,642 million in 2009. The main effects are as follows:

#### 4Q09

- Reversal of provisions for civil claims resulting from economic plans, generating extraordinary income of R\$ 530 million, of which R\$ 161 million are expenses arising from Banco Nossa Caixa.
- Assignment of credits written-off to Ativos S. A., generating extraordinary income in the amount of R\$ 242 million in 4Q09.
- Extraordinary income of R\$ 3,030 million regarding the partial accounting of non-recognized actuarial gains of Plano de Aposentadoria e Pensão dos Funcionários do Banco do Brasil – PREVI. These gains are derived from the review of actuarial assets and liabilities performed in accordance with Resolution 26 issued by Conselho de Gestão da Previdência Complementar (CGPC) on September 29, 2008 in accordance with CVM Regulation 371/2000.
- Expenses of R\$ 215 million arising from Voluntary Resignation Program for employees of Banco Nossa Caixa.
- Reversal of provision for labor claims due to changes in the methodology of recognition of these contingencies, generating extraordinary income of R\$ 644 million, that from 4Q09 on, the provisions balance began to be established to cover the average value effectively disbursed by the Bank in legal claims of the same origin (until the moment the provision used to be set based on the amount requested by the applicant).
- Tax Impacts and profit sharing on extraordinary items generating expenses of R\$ 1,895 million.

### 3Q09

- Exercise of the Greenshoe Option, whereby BB sold the lot of 14,330,229 shares of CIELO, which generated extraordinary income of R\$ 209 million before taxes.
- Partial sale of investments, corresponding to 56.1% of the shares of the BB group (Multiple Bank, CIELO and VisaVale) in the company Visa Inc., generating positive extraordinary result of R\$ 361 million in 1Q08. In September 2009, a portion of the remaining shares was sold, generating an extraordinary revenue of approximately R\$ 141 million.
- Assignment of credits written-off to Ativos SA, generating revenues in the amount of R\$ 119 million.
- Expenses with civil claims regarding economic plans totaling R\$ 84 million.
- Tax Impacts and profit sharing on extraordinary items generating expenses in the amount of R\$ 171 million.

### 2Q09

- Extraordinary Expense incurred in 2Q09, equal to an additional allowance for loan losses, in the amount of R\$ 676 million according to a public announcement published on June 30, 2009.
- Sale of shares representing 7.1% of the capital stock of Companhia Brasileira de Meios de Pagamento - CIELO, an affiliate of BB Banco de Investimento S/A – BB-BI, a wholly-owned subsidiary of Banco do Brasil, generating positive extraordinary result of R\$ 1,415 million in 2Q09.
- Expenses with civil claims regarding economic plans totaling R\$ 193 million.
- Assignment of credits written-off to Ativos SA, generating revenues in the amount of R\$ 271 million.
- Tax Impacts and profit sharing on extraordinary items generating expenses in the amount of R\$ 362 million.

### 1Q09

- Expense of R\$ 1,367 million, before taxes, that refers to the supplementation of provision to cover labor, civil and fiscal claims, according to the material fact released on April 29, 2009.
- Income of R\$ 1,213 million relating to the recognition of tax credits originating from the alteration of the rate of Social Contribution on Net Income - CSLL from 9% to 15%, according to a public announcement published on April 29, 2009.
- Expenses with civil claims regarding economic plans totaling R\$ 95 million.
- Tax Impacts and profit sharing on extraordinary items generating income in the amount of R\$ 557 million.

The table below details the extraordinary effects of the quarter and of the year 2009:

**Table 17.** Extraordinary Items

R\$ million	4Q09	2009
<b>Recurring Net Income</b>	<b>1,819</b>	<b>8,506</b>
<b>(+) Extraordinary Effects of the Period</b>	<b>2,336</b>	<b>1,642</b>
Sale of Interest in VISA Internacional	-	141
Disposal of investments – Visanet Brasil	-	1,625
Economic Plans	530	157
Credit Assignment	242	633
Previ - Recognition of Actuarial Gains	3,030	-
Additional Allowance for Loan Losses	-	(676)
Provision for Labor, Civil, and Tax cCaïms	-	(1,367)
Reversal of Labor Liabilities	644	644
Tax Credits - differential of CSLL rate	-	1,213
Voluntary Resignation Program - BNC	(215)	(215)
Tax Impacts and PLR on Extraordinary Items	(1,895)	(513)
<b>Net Income</b>	<b>4,155</b>	<b>10,148</b>

### ◆ Guidance: Estimates for 2010 confirm BB's confidence in the business expansion

The estimates for 2010 include the entire conglomerate of Banco do Brasil, including the consolidation of Banco Nossa Caixa and Votorantim.

The indicators that measure the growth of Administrative Expenses and Fee Income will be followed by 2009 pro-forma series, which consider the income and expenses from BV and BNC as these banks have been consolidated for accounting purposes during the entire year 2009.

**Table 18.** Guidance 2010

Items	2010 Guidance
Recurring Return on Equity	21% - 24%
Net Interest Margin	6.5% - 7.0%
Total Deposits	12% - 16%
Domestic Loan Portfolio	18% - 23%
Individuals	27% - 32%
Businesses	16% - 21%
Agribusiness	4% - 9%
Allowance for Loan Losses	4.4% - 4.8%
Fee Income	7% - 10%
Administrative Expenses	10% - 12%
Tax Rate	31% - 34%

### Assumptions used in 2010 Guidance Prediction

- **Assumptions affected by the Administration:**
  - Improve the profitability of the customers base as a way to boost revenues;
  - Alignment of the cost structure to the growth of the business volume;
  - Contractual adjustments and collective bargaining agreement;
  - Growth of sales force appropriate to the strategy of improving the profitability of the customers base;
  - Current business model, not considering further acquisitions and/or strategic partnerships, which may occur for the exploration of specific segments;
  - Account of actuarial profit and losses of Plano de Benefícios I from Previ, in accordance with paragraph 55 of CVM Regulation 371/2000.
  
- **Assumptions that get out of the Administration control :**
  - Gradual resumption of the global and Brazilian economic growth in 2010;
  - Increased resistance, but not immunity, of the Brazilian economy to external shocks;
  - Additional improvement of the conditions of domestic loan granting;
  - Political environment without institutional rupture;
  - Maintenance of the current architecture of the domestic macroeconomic policy: floating exchange rate, inflation targeting and fiscal discipline, implying gradual and consistent reduction of the relation between the Public Sector Net Debt (PSND) and the Gross Domestic Product (GDP);
  - Advance of the regulatory framework / microeconomic agenda, with incentives to public and private investments;
  - Gradual increase in the growth potential of the Brazilian economy (potential GDP);
  - Maintenance of the status of investment grade for Brazil;
  - 2009/2010 crop plan;
  - Regulatory stability, including tax rates on the Bank's activities and labor and social security laws;
  - Interest rates, inflation and GDP evolution in line with market consensus.