Earnings Summary

Adjusted Net Income of R$11.1 billion

Banco do Brasil delivered R$11.1 billion in 2017, an increase of 54.2% in the period. This performance was primarily due to the increase in fee income, the decrease in ALL and administrative expenses, compared to the same period in the previous year.

Table 1. Net Income – R$ million

	4Q16	3Q17	4Q17	Chg. % On 4Q16	Chg. % On 3Q17	2016	2017	Chg. % On 2016
Total Operating Income (Banking Product)	**24,828**	**23,631**	**24,447**	**(1.5)**	**3.5**	**96,259**	**95,818**	**(0.5)**
Operating Income	24,818	23,570	24,321	(2.0)	3.2	95,604	95,431	(0.2)
Net Interest Income	15,333	14,247	14,548	(5.1)	2.1	59,341	57,878	(2.5)
Fee Income	6,318	6,562	6,735	6.6	2.6	23,794	25,941	9.0
Eq. Interest of Subsidiaries and Affiliates	1,116	1,005	943	(15.5)	(6.2)	4,269	3,962	(7.2)
Other Operating Income	2,050	1,756	2,096	2.2	19.3	8,200	7,650	(6.7)
Previ - Plano de Benefícios 1	(141)	(66)	(66)	(53.0)	(0.0)	(389)	(251)	(35.5)
Previ - Fundo de Utilização Restatement	151	127	193	27.5	51.5	1,044	638	(38.9)
Total Operating Expenses	**(14,262)**	**(13,078)**	**(13,383)**	**(6.2)**	**2.3**	**(53,991)**	**(51,990)**	**(3.7)**
Administrative Expenses	(8,617)	(7,915)	(8,236)	(4.4)	4.0	(32,817)	(31,789)	(3.1)
Personnel Expenses	(5,210)	(4,679)	(4,805)	(7.8)	2.7	(20,238)	(18,978)	(6.2)
Other Administrative Expenses	(3,406)	(3,236)	(3,431)	0.7	6.0	(12,579)	(12,811)	1.8
Legal Risk	(748)	(819)	(636)	(14.9)	(22.3)	(2,747)	(2,722)	(0.9)
Other Tax Expenses	(96)	(128)	(129)	34.2	0.4	(426)	(502)	18.0
Taxes on Revenues	(1,327)	(1,258)	(1,250)	(5.9)	(0.7)	(5,116)	(5,001)	(2.3)
Other Operating Expenses	(3,475)	(2,957)	(3,132)	(9.9)	5.9	(12,885)	(11,976)	(7.1)
Non-Operating Income	**64**	**34**	**48**	**(24.9)**	**41.8**	**227**	**186**	**(18.0)**
Pre-Tax and Pre-Provision Earnings	**10,630**	**10,587**	**11,112**	**4.5**	**5.0**	**42,495**	**44,015**	**3.6**
Allowance for Loan Losses	(7,486)	(6,257)	(5,637)	(24.7)	(9.9)	(31,552)	(25,265)	(19.9)
Other/Taxes	(1,396)	(1,622)	(2,287)	63.8	41.0	(3,773)	(7,690)	103.8
Adjusted Net Income	**1,747**	**2,708**	**3,188**	**82.5**	**17.7**	**7,171**	**11,060**	**54.2**
One-Off Items	(784)	133	(80)	-	-	863	(49)	0.0
Net Income	**963**	**2,841**	**3,108**	**222.7**	**9.4**	**8,034**	**11,011**	**37.1**

The table below presents the following ROE concepts:

a) ROE: calculated based on the income statement;

b) Market ROE: reflects the metric that the main market analysts use to project results;

c) Adjusted ROE: the ratio between adjusted net income and average adjusted shareholders' equity. Adjusted ROE was included in the projections until 2016; and

d) Shareholders ROE: return to BB's shareholders. The core capital eligible instrument is not taken into account in the calculation of this indicator because the payment of compensation is made with funds from accumulated earnings and profit reserves.

Table 2. ROE Concepts – R$ million

	4Q16	3Q17	4Q17	2016	2017
ROE - (a)/(b) %	**4.5**	**12.9**	**13.6**	**9.5**	**11.8**
a) Net Income	963	2,841	3,108	8,034	11,011
b) Shareholders' Equity - Average	86,459	92,174	96,144	84,365	92,959
Market ROE - (c)/(b-d) %	**8.7**	**12.8**	**14.5**	**8.8**	**12.3**
c) Adjusted Net Income	1,747	2,708	3,188	7,171	11,060
d) Minority Interest - Average	3,286	3,480	3,538	3,171	3,305
Adjusted ROE - (c)/(b-d-e) %	**7.2**	**10.8**	**12.5**	**7.5**	**10.7**
e) Benefit Plans - Average	(16,162)	(15,979)	(14,211)	(14,705)	(13,968)
Shareholders' ROE - (c)/(b-d-f) %	**9.6**	**14.1**	**16.0**	**9.8**	**13.6**
f) Instruments Qualifying to CET1 Capital - Average	8,100	8,100	8,100	8,100	8,100

Market Indicators

The increase in the adjusted earnings per share stands out, with an increase from R$2.84 in 2016 to R$3.91 in 2017.

Table 3. Market Indicators

	2016	2017	2018 E[1]	2019 E[1]
Earnings per Share - R$	**2.84**	**3.91**	**4.51**	**5.40**
Adjusted Earnings per Share - R$	2.57	3.97	4.44	5.29
Dividend Yield[2] - %	3.01	3.64	3.03	3.75
Price/Earnings 12 months	9.74	8.05	9.26	7.77
Price/Book Value	0.90	0.90	1.17	1.06

1 Bloomberg estimate, on February, 21, 2018, based on the average projections of market analysts. BB takes no responsibility for this information.
2 Dividends and Interest on Shareholders' Equity (12 months) / Market Capitalization.

Fee Income increased by 9.0%

Fee Income grew by 9.0% in 2017. This movement resulted from efforts to increase customer relationships and the qualification of checking accounts with greater use of products and services, with special attention to the strategy to enhance the digital channel as instrument to provide more convenience to our customers.

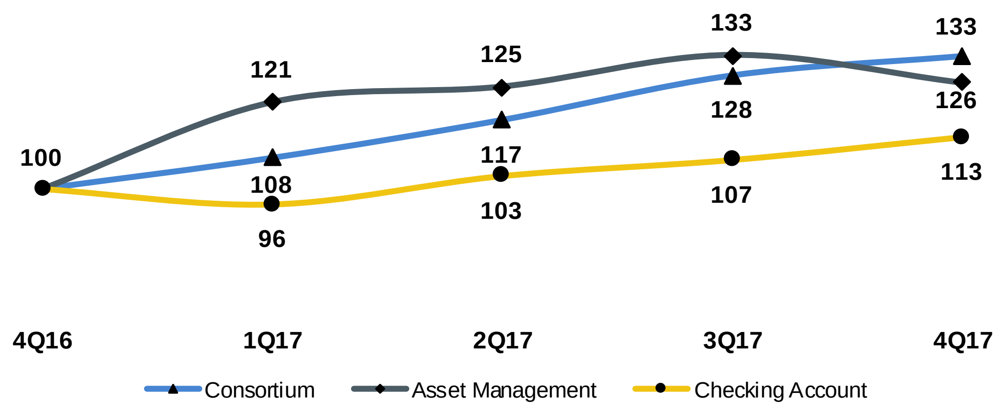
The asset management line stands out (26.5%) due to the increase in funds under management from R$730.9 billion in December/16 to R$864.5 billion in December/17, growth of 18.3%.

Table 4. Fee Income – R$ million

				Chg. %				Chg. %
	4Q16	3Q17	4Q17	On 4Q16	On 3Q17	2016	2017	On 2016
Fee Income	**6,318**	**6,562**	**6,735**	**6.6**	**2.6**	**23,794**	**25,941**	**9.0**
Checking Account	1,660	1,777	1,870	12.7	5.2	6,229	6,956	11.7
Asset Management	1,069	1,419	1,347	26.0	(5.1)	4,267	5,397	26.5
Insurance, P. Plans and Premium Bonds	840	809	810	(3.5)	0.2	3,123	3,048	(2.4)
Loan Fees	506	403	529	4.7	31.5	1,684	1,894	12.5
Credit/Debit Cards[1]	486	487	421	(13.4)	(13.6)	1,828	1,881	2.9
Collections	415	354	338	(18.4)	(4.5)	1,679	1,448	(13.8)
Billings	275	270	274	(0.3)	1.6	1,046	1,087	3.9
Capital Market	216	198	227	5.3	14.5	700	775	10.6
Consortium	150	191	198	32.6	3.7	544	725	33.3
Nat. Treasury and Manag. of Official Funds	162	177	173	7.3	(2.3)	594	689	15.9
Other	541	476	547	0.9	14.7	2,100	2,041	(2.8)

1- Series revised in 3Q17 in accordance with Bacen Circular Letter No. 3,828 / 2017.

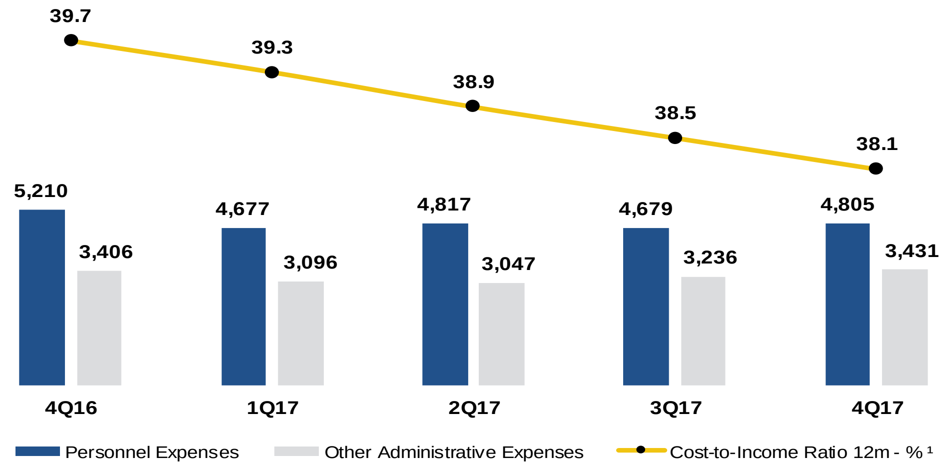
Figure 1. Main Components of Fee Income – 100 Base



Administrative Expenses decrease by 3.1%

The Bank consistently seeks to improve its operating efficiency and productivity, keeping a strict control of administrative expenses and the constant review of processes in order to make them more effective. The cost-to-income ratio was 38.1% in 4Q17, decrease of 40 bps in the quarter and 160 bps in one year.

Figure 2. Administrative Expenses – R$ million



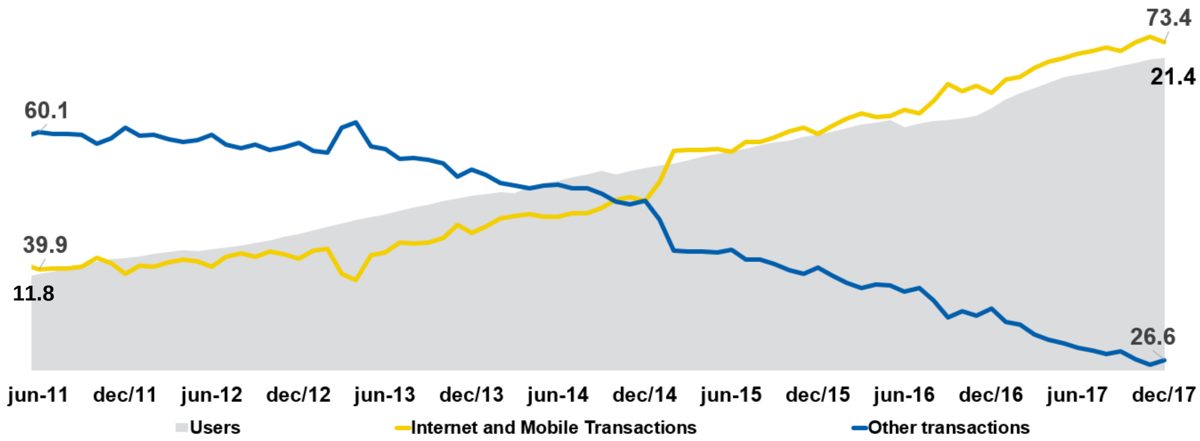
1 Cost-to-Income ratio: Administrative Expenses/Operating Revenues. Data from Income Statement with Reallocations.

Percentage of transactions on Mobile and Internet is record

Banco do Brasil offers its customers, through its automated channels, a wide range of services and products. The use of the digital channel allows expanding the experience of its clients, providing them comfort and safety, in addition to contributing to the customer service costs reduction.

Considering only the Mobile and Internet channels, the total reached 73.4%. Currently, more than 21.4 million customers (individuals and companies) use these channels, growth of more than 92% in 6 years.

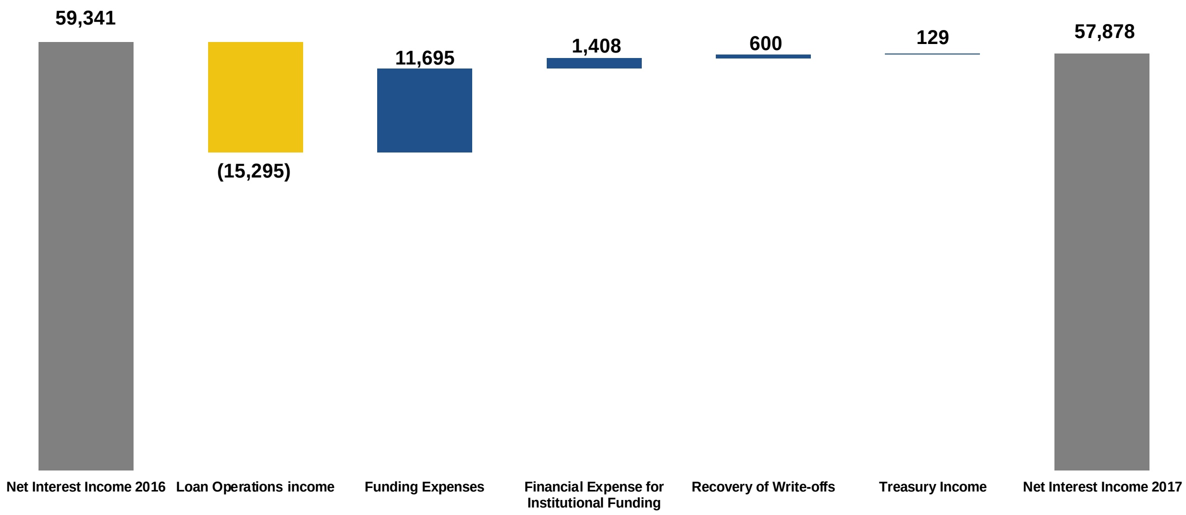
Figure 3. Transactions by channels (%) and number of users (millions) - Monthly series



Funding expenses decreases by 26.5%

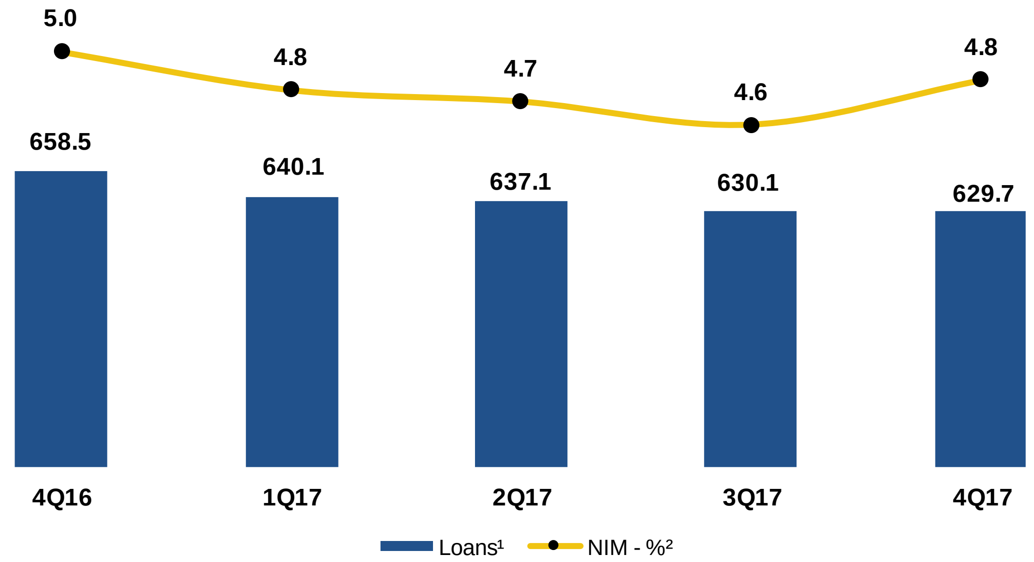
Compared to 2016, the NII was down by 2.5%. The NII breakdown can be found in Chapter 5 of the MD&A. The reduction in Funding Expenses was due to lower deposits average balances and also the decrease in funding cost in the period.

Figure 4. Net Interest Income – R$ million



The NIM grew 27bps compared to 3Q17, due to the lower earning assets average balances.

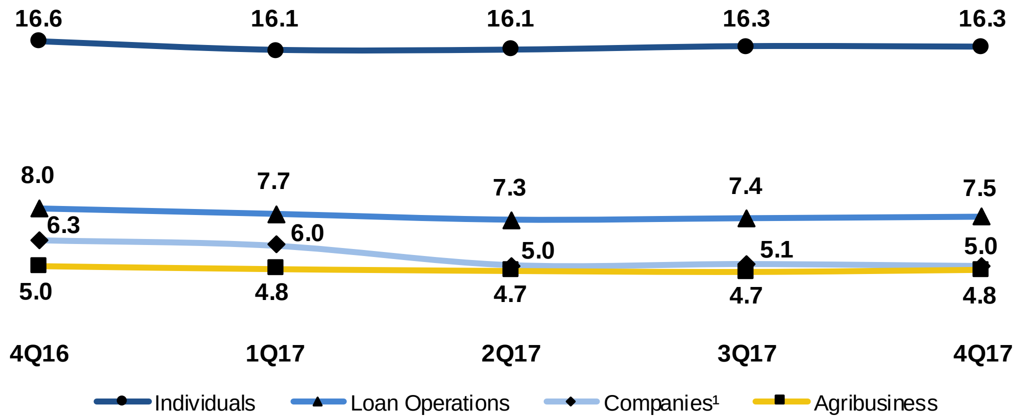
Figure 5. NIM and Loans Average Balance – R$ billion



1 Average balances of loans operations, leasing and acquired loan portfolio.
2 NIM - NII/Earning Assets average, annualized.

The managerial net interest margin is calculated as the managerial financial income divided by the average balances of the loan portfolios, annualized. In the case of fixed rates transactions, the managerial net interest margin takes into account the cost of funding at the time the loan was signed, and it is not affected by the variation in the Selic rate.

Figure 6. Managerial net interest margin by Segment – %



1 – It does not include transactions with the Government.

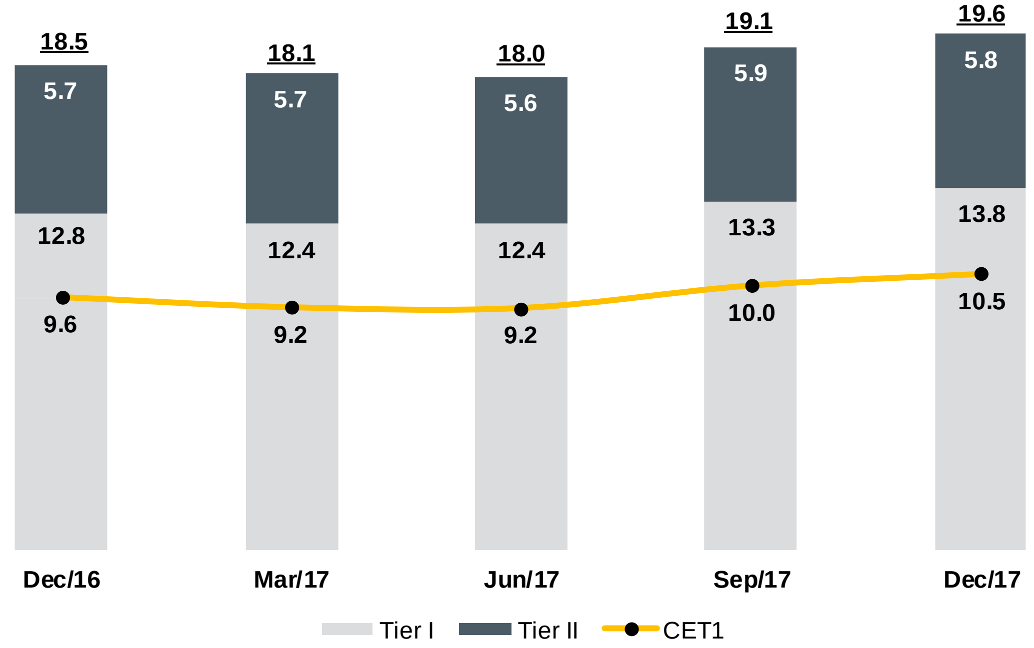
CET 1 came to 10.5%

Banco do Brasil has a three-year prospective Capital Plan incorporating the effects defined by Basel III and considering (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

The BIS III index was 19.6%. The tier 1 capital ratio came to 13.8% and the CET1 was 10.5%. The RE reached R$135.5 billion.

The focus is on organic capital generation and credit growth on more attractive lines under the criterion of return versus risk and strategic holdings in the Bank's core business. As a goal, the objective to maintain the CET1 above 9.5% in 2019, when the rules of Basel III will be fully implemented in Brazil. In addition, following the Statement of Appetite and Risk Tolerance and Capital Plan, for January 2022, the goal is to maintain at least 11.0% of CET1.

Figure 7. Basel – %



Full application of Basel III rules

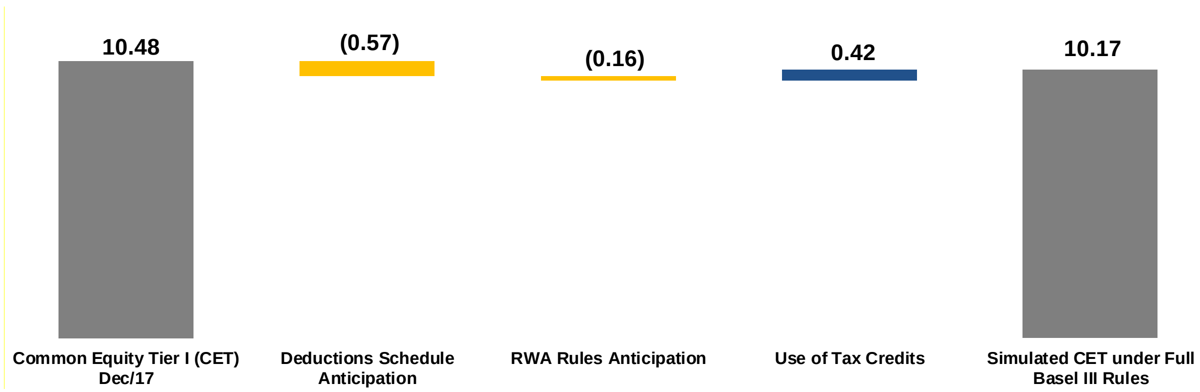
The following figure simulates the full application of Basel III and its impacts on the Bank's CET1. It takes into account the capital base on December 29, 2017 and has three stages:

A First stage: the regulatory adjustments calculation takes into account the assumptions of (i) anticipation of the deduction schedule (phase-in) and (ii) use of goodwill and intangible assets that were not amortized by 2017;

B Second stage: the calculation takes into account the effects of the first stage combined with the anticipation of Factor F (from 9.25% to 8.0%) for operating and market risks; and

C Third stage: the calculation takes into account all the effects of the previous stages combined with the usage of tax credits from temporary differences of 11% and tax losses of 17%, both in accordance with the usage estimates disclosed by the Bank in the Notes to the Consolidated Financial Statements.

Figure 8. Tier 1 Capital Ratio Simulation with the Full Application of Basel III ratio (%)



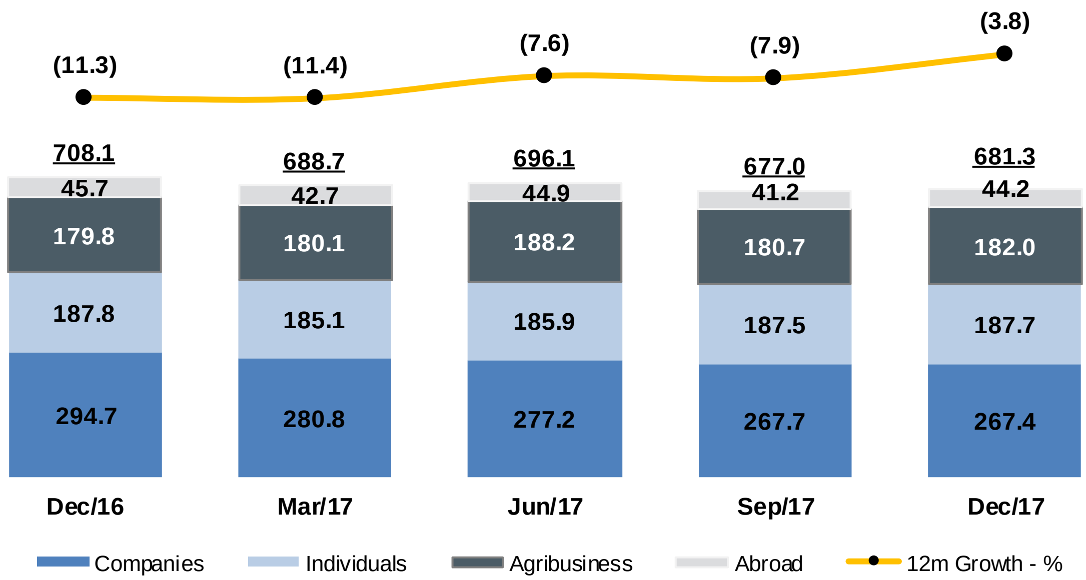
Loan Portfolio and Commercial Funding

The loan portfolio (expanded view) decreased by 3.8% in 12 months.

The corporate loan portfolio decreased by 9.3% in the same period, due to the decrease of R$9.2 billion in working capital transactions (7.6%) and R$5.1 billion in Private Securities and Guarantees (11.2%). This decrease was offset by the growth of R$3.1 billion in the Investments, ACC/ACE and Receivables in the quarter, due to the growth on the Government portfolio and the Bank focus on these products.

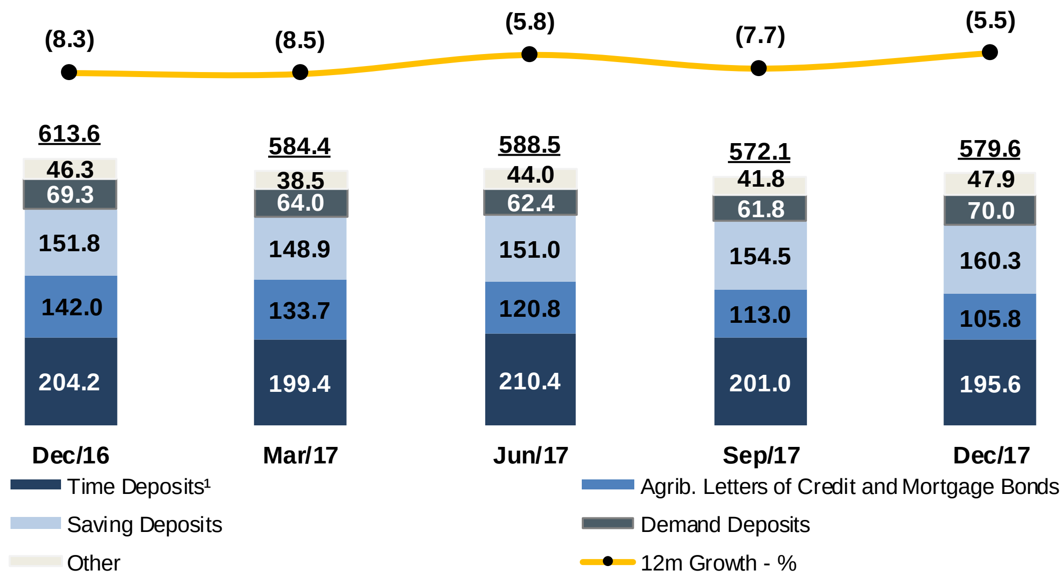
The individuals organic portfolio increased by 2.7% in 12 months, as a result of the positive performance in payroll loans (R$4.6 billion) and a 6.0% increase in mortgage (R$2.5 billion). The agribusiness portfolio registered a positive performance of 1.3% in the year-on-year comparison, especially the rural credit portfolio (R$9.3 billion growth), specially on the Working Capital for Input Purchase (R$4.5 billion) and FCO Rural (R$3.4 billion) which was offset by the R$7.0 billion decrease in loans to agribusiness companies..

Figure 9. Loan Portfolio (Expanded View) – R$ billion



In line with the the loan portfolio behavior, commercial funding decreased by 5.5% in 12 months. The decrease came mainly from agribusiness letters of credit (R$36.1 billion or 28.9%) and time deposits in R$8.5 billion (4.2%). This result was partially offset by the growth of R$8.5 billion in Savings Accounts deposits (5.6%).

Figure 10. Commercial Funding – R$ billion

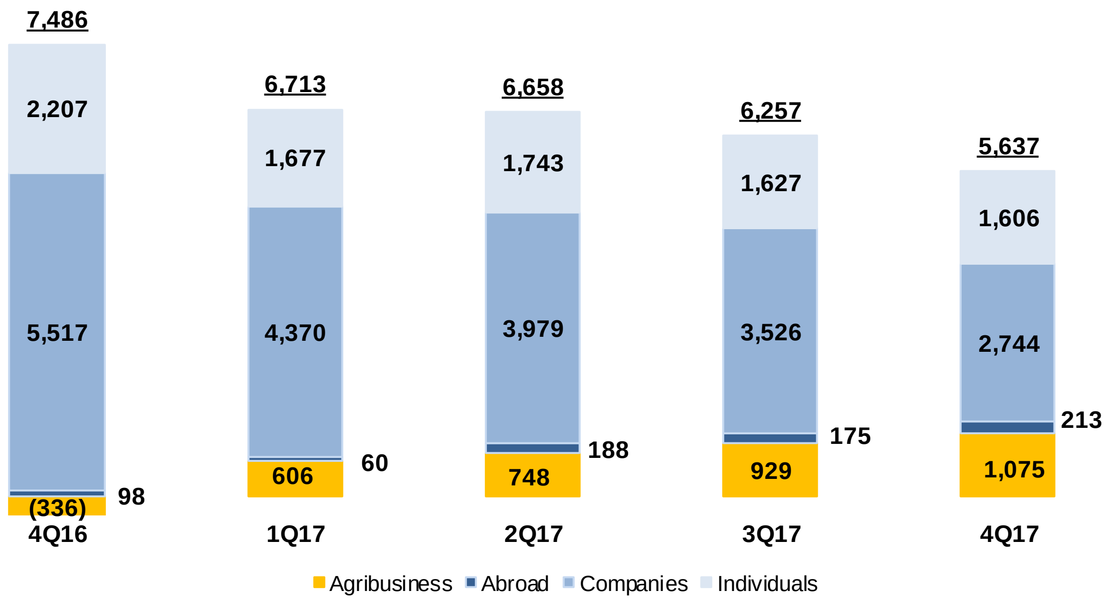


1 Includes Judicial Deposits.

Lower ALLL since 3Q15

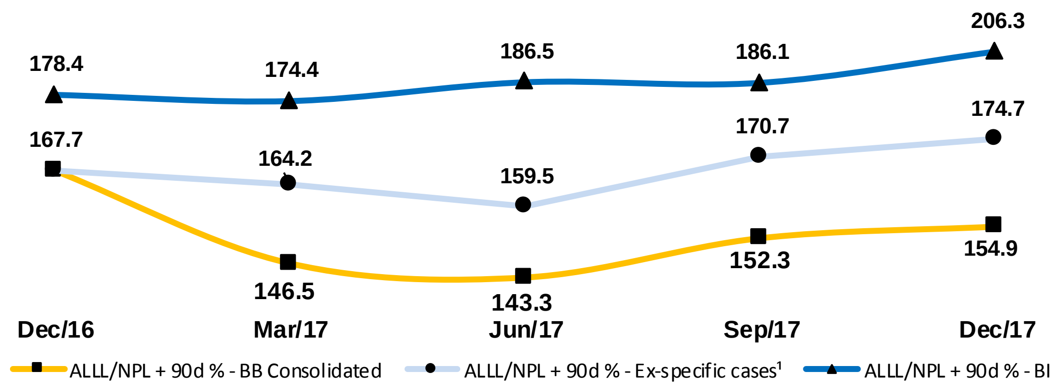
The ALL expenses in the quarter was R$5.6 billion, decrease by 24.7% over 4Q16 and 9.9% over the 3Q17. Compared to 2016, the decrease reached R$6.3 billion or 19.9% reduction.

Figure 11. ALLL Expenses by Segment – R$ million



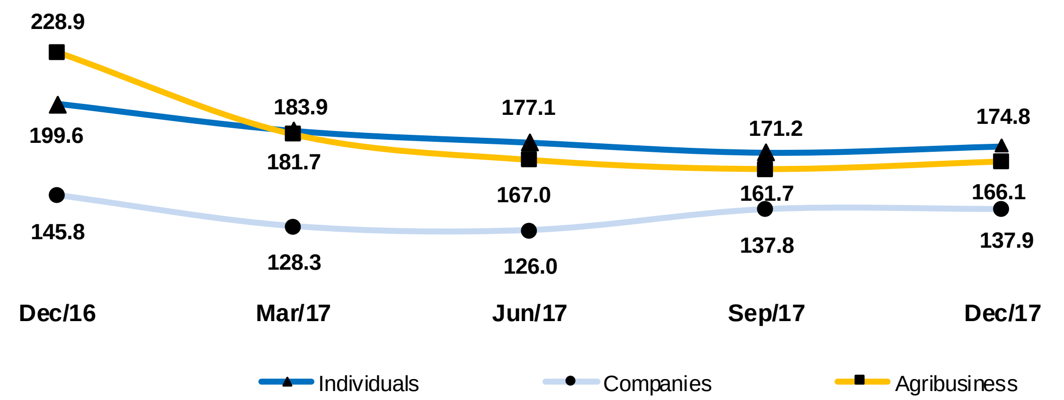
The coverage of Banco do Brasil increased from 152.3% in September/17 to 154.9% in December/17. This result was due to the NPL +90 days in the period.

Figure 12. Coverage Ratios – %



1 Simulation excluding the effect of specific cases.

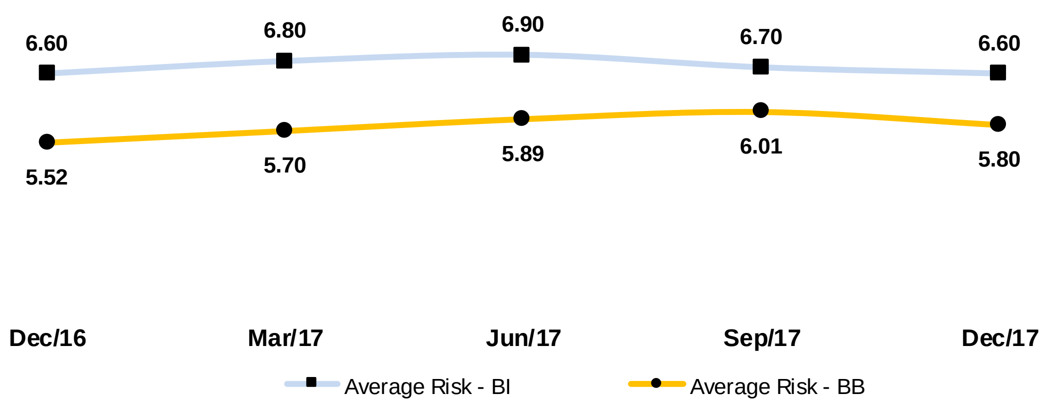
Figure 13. Coverage[1] by Segment – %



1 Ratio between the total balance of the provision (required plus additional) and the balance of operations more than 90 days overdue.

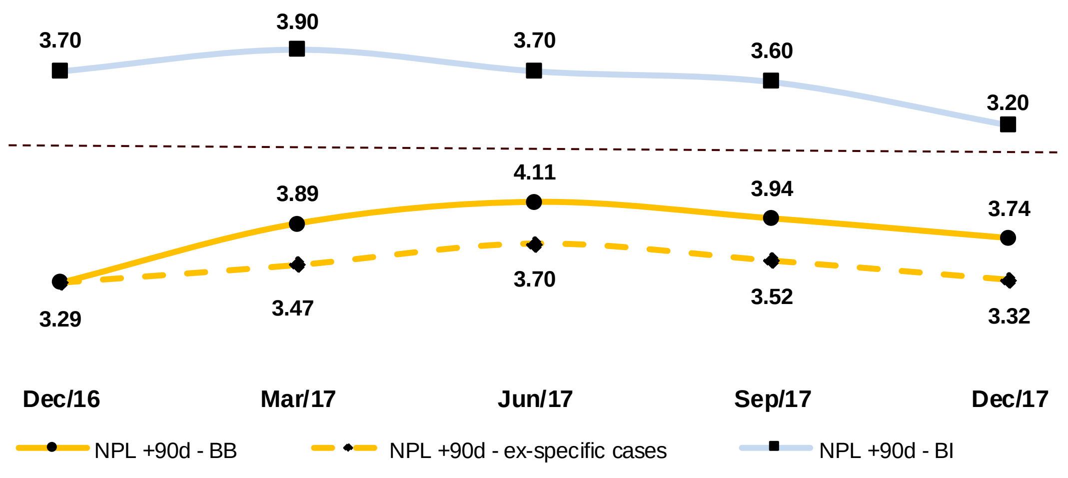
The Bank average risk (ratio between the required provision and the classified loan portfolio) remains below that of the Brazilian Banking Industry (BI).

Figure 14. Average Risk – %



The NPL +90d (ratio between transactions more than 90 days overdue and the classified loan portfolio balance) was 3.74% in December/2017. Excluding a specific case the NPL +90d would have been 3.32%.

Figure 15. NPL +90 days – %



The following table shows the renegotiated loan portfolio. It does not include the renegotiated transactions of the agribusiness portfolio. In 4Q17, 30.1% of new renegotiations included transactions more than 90 days past due, and 13.5% included written off transactions.

Table 5. Credits Renegotiated When Past Due – R$ million

				Chg. %	
	4Q16	3Q17	4Q17	On 4Q16	On 3Q17
Credits Renegotiated When Past Due	**27,086**	**25,867**	**25,297**	**(6.6)**	**(2.2)**
Initial Balance	25,694	27,042	25,867	0.7	(4.3)
New Transactions	3,873	1,870	3,101	(19.9)	65.8
Amortization Net of Interest[1]	(1,113)	(773)	(1,467)	31.8	89.8
Write-Off	(1,368)	(2,273)	(2,204)	61.1	(3.0)
ALLL / Loan Portfolio - %	44.0	48.0	49.2		
NPL + 90 days / Loan Portfolio - %	27.2	24.6	23.4		
ALLL Balance/NPL + 90 days - %	161.7	195.2	210.2		
Credits Renegotiated/Classified Portfolio - %	4.1	4.1	4.0		

1 Principal and interest payments net of interest accrued in the period.