



# **Annual Chart 2017**

## **Position 12/31/2016**

**Rule 12g3-2(b)**  
**Exemption # 82-35186**

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## Annual Chart of Public Policies and Corporate Governance (Annual Chart)

In accordance with article 8, item I and VIII, of Law 13,303, dated June 30, 2016, the Board of Directors subscribes the Annual Chart on Public Policies and Corporate Governance referring to the fiscal year of 2016.

### Identification

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<b>Registry (CNPJ)</b>	00.000.000/0001-91. NIRE 5330000063-8
<b>Headquarters</b>	Brasília/DF
<b>Type</b>	Mixed Capital
<b>Controlling Shareholder</b>	Federal Government
<b>Corporate Type</b>	Joint Stock Corporation
<b>Type of Capital</b>	Publicly Traded
<b>Scope</b>	International
<b>Sector</b>	Finance/Banks
<b>Investor Relations Director - DRI</b>	Alberto Monteiro de Queiroz Netto
<b>Current Independent Auditors:</b>	KPMG Auditores Independentes Name: Sr. Marcelo Faria Pereira E-mail: <a href="mailto:mfpereira@kpmg.com.br">mfpereira@kpmg.com.br</a> Phone: (55 61) 2104-2400
<b>Board of Directors underwriters of the Annual Chart</b>	Beny Parnes Daniel Sigelmann Fabiano Felix do Nascimento Fabrício da Soller Julio Cesar Costa Pinto Luiz Serafim Spinola Santos Paulo Rogério Caffarelli Paulo Rogério Caffarelli
<b>Annual Chart Underwriting Administrators</b>	Position: CEO Alberto Monteiro de Queiroz Netto Position: Vice-President of Finance Management and Investor Relations (CFO)

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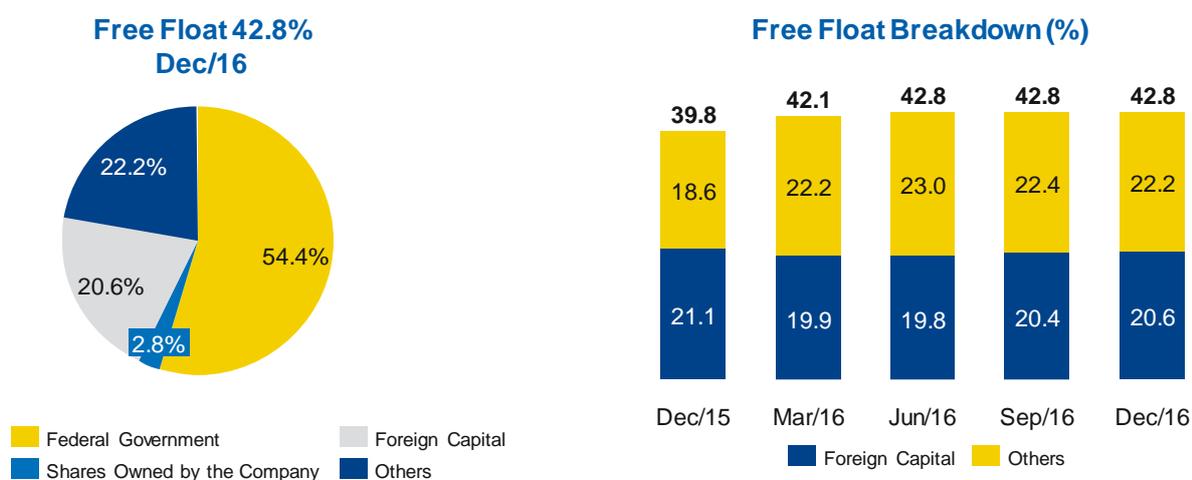
## Corporate Governance and Public Policies

The Law 13,303/16, article 8, subsections I, III and VIII, requires the commitments explanation to achieve public policy objectives by a mixed capital company, in accordance with the collective interest or imperative of national security that justified the authorization for their respective creations, with a clear definition of the Resources to be used for this purpose, as well as relevant information disclosure, especially those related to activities developed, ownership structure, risk factors, economic-financial data, management comments on corporate governance performance, policies and practices and description of the management composition and compensation. This information is detailed below.

### 1. Ownership Structure

BB's ownership structure, on 12.31.2016, is represented by figure 1.

Figure 1 – Ownership Structure



### 2. Public interest underlying business activities

Law No. 4,595/64 established the Brazilian Financial System, comprised of the Brazilian Monetary Council, the Central Bank of Brazil, Banco do Brasil, BNDES, and the other financial institutions. Pursuant to Law No. 4.595/64, we are the financial agent of the National Treasury and the main tool for the execution of the credit policy of the federal government, responsible for the financing of commercial, industrial and rural activities, the circulation and orientation of credit, and foreign trade policy implementation, among others.

With a history of more than 200 years, aligned with the mission of being a commercial bank with a public spirit, BB operates in a responsible manner to promote social inclusion through the generation of jobs and income. The Bank supports agribusiness, micro and small companies, and foreign trade.

Agribusiness is one of the main sectors of the Brazilian economy and it is fundamental for Brazil's growth and development. BB finances the production and commercialization of agricultural products; foster rural investments such as storage, processing, industrialization of agricultural products and modernization of machinery and implements; and adjust rural properties to environmental law. Accordingly, BB supports the Brazilian agribusiness in all stages of the production chain.

BB offers to micro and small companies working capital, financings for investments, and foreign trade solutions, in addition to several other options related to cash flow, social security, pension plan, and services. The Bank provides financing alternatives and business models that promote the transition to an inclusive economy to several companies, including Individual Microentrepreneurs (Microempreendedores Individuais – MEI).

In foreign trade financing, BB operates public policy instruments regarding productive development, entrepreneurship, social and financial inclusion, including the Income Generation Program (*Programa de Geração e Renda – Proger*) and the Export Financing Program (*Programa de Financiamento às Exportações – Proex*). BB is the exclusive agent of the federal government in Proex.

Additional information on BB's history and its main products and services can be found in sections 6 and 7 of the Reference Form, respectively.

### 3. Activities developed

BB operates mainly in banking retail. Through strategic partnerships, affiliate companies and subsidiaries, it offers a wide range of products and services. In general, businesses are grouped in six segments: (i) Banking; (ii) Investments; (iii) Funds Management; (iv) Insurance, Pension Plans and Capitalization; (v) Means of Payment; and (vi) Other Segments.

In order to offer special solutions and strengthen relationships, BB's clients are separated in three large markets: Individuals, Companies, and Public Sector. BB's market knowledge allows it to develop proposals of value according to the clients' profile, as follows: service model, channels, portfolios of products and services, prices and fee, integrated communication approach, and specific brand, in some cases.

Additional information on BB's developed activities can be found in section 7 of the Reference Form.

Aligned with public interest, BB's activities meet Public Policies and corporate purpose, pursuant to Articles 5 and 6 of BB's Bylaws:

*Article 5. Pursuant to applicable law, the Bank shall enter into agreements, directly with the federal government or with the federal government's consent, to:*

*I – apply the charges and provide the services of financial agent of the National Treasury and of other functions attributed to it by law;*

*II – provide financings of governmental interest and execute official programs through the use of federal funds or funds of any nature; and*

*III – provide guarantees in favor of the federal government.*

*Sole paragraph. The abovementioned is subject to, as applicable:*

*I – the availability of the corresponding funds to the banks and the establishment of the due remuneration;*

*II – previous and formal establishment of the adequate remuneration of funds to be applied in case of equalization of financial charges; and*

*III – previous and formal establishment of the assumption of risks and remuneration, at least equal to the cost of services to be provided.*

*Article 6. The Bank may enter into agreements to apply charges, provide services, and engage into transactions attributed to the Central Bank of Brazil, subject to the sole paragraph of Article 5 of these Bylaws.*

As an important agent for the economic and social development of Brazil, BB seeks to boost the economy and growth, supporting the government in the promotion of improvements in a number of sectors. In order to maintain the credit portfolio growth, with stability in the assets quality, the Bank seeks to establish partnerships that ensure the same values of integrity, trustworthiness, and respect to the community and the environment.

BB operates public policies through financial services made available to clients. The Bank also participates in a number of programs, projects, and government initiatives, offering customized solutions that help to meet social demands. It has businesses with the federal government, controlling shareholder, that generate financial effects on Assets and Result.

In Section 16 of the Reference Form, the Bank presents relevant information about agreements with related parties. Among the material transactions with the controlling shareholder (federal government) are the official funding agreements, used in credit facilities offered to meet Public Policies. The Bank provides qualitative and quantitative information that meets the recommendation of CVM/SEP Circular Official Chart No. 01/2017 for each financial fund, as follows:

- a) details and conditions of the official funding used to implement major Public Policies in the "subject matter of the agreement" and "amounts involved and balance" fields;
- b) financing sources and conditions in the "subject matter of the agreement" field;
- c) estimated impacts of public policies in the "interest rate charged" field; and
- d) pricing process and applicable rules in the "show the strict interchangeability of the agreed conditions or appropriate compensatory payment" field.

#### **4. Targets relating to the development of activities that meet the public policies purposes**

The Pluriannual Plan (Plano Plurianual), or PPA, set forth by Article 165 of the Brazilian Federal Constitution, is the planning tool that establishes the guidelines, objectives, and targets of the federal government to enable the implementation and management of public policies, direct the strategic reach of the governmental action, direct the establishment of priorities, and assist in the promotion of sustainable development.

The Ministry of Planning, Development and Management (Ministério do Planejamento, Desenvolvimento e Gestão), or MPDG, together with the other agencies and entities of the Executive Branch, coordinates the preparation, monitoring, assessment, and review of the PPA in effect, providing the method, orientation, and technical support for its management (Law No. 13,249, dated January 13, 2016, regulated by Decree No. 8,759, dated May 10, 2016).

BB is included in the PPA as the agent responsible for implementing public policies through the use of governmental funds for financing, other initiatives (own funds), and its fixed investments, aligned with the Programs, Objectives and Targets previously established by MPDG and sector agencies corresponding to the ministries that implement public policies.

The governmental initiatives and investment actions that comprise the PPA must remain consistent with the Corporate Strategy directions.

#### **5. Risk and internal control management policy**

The Bank has specific policies to risk identification. Most of them are reviewed annually, considering the ones incurred in several business segments BB or its subsidiaries operate in. The risk governance model adopted by BB involves a superior and executive committee structure, with several areas participation. This processes guide the Bank. The Subsidiaries, Associated Companies and Interest can define their direction from these guidelines, taking into account the specific needs and legal and regulatory issues to which they are subject.

Banco do Brasil's Management is responsible for establishing, keeping and improving the internal controls related to the Bank's consolidated financial statements. These controls follow policies and procedures established to ensure that financial statements reflect, with reasonable certainty, assets and liabilities transactions, guarantees provided, positions held and held in custody by the Bank and consolidation of other Conglomerate companies. The internal control practices are clearly established and systematized and assume an integrated and coordinated work.

Additional information on BB's risk and internal control management policy can be found in section 5 of the Reference Form.

#### **6. Risk factors**

Banco do Brasil's securities potential purchasers must carefully consider the specific risks related to BB and to its securities and stocks. The Bank exposes any risk factors that may influence the investment decision, especially those related to the issuer and its: controller; subsidiaries and affiliates; suppliers; and customers, and the sectors of the economy in which the Issuer acts and its respective regulation acts and to social and environmental issues.

Additional information on BB's risk factors can be found in section 4 of the Reference Form.

#### **7. Economic-Financial data**

The consolidated financial statements of Banco do Brasil for the fiscal years ended December 31, 2014, 2015 and 2016 were prepared and audited in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and its predecessor bodies, in the closing date of the fiscal years. The consolidated financial statements in accordance with Brazilian accounting standards (BR GAAP) have been audited in accordance with Brazilian and international standards and reflects the Conglomerates' assets, liabilities, revenues and expenses.

All intragroup transactions and unrealized results in transactions between companies were excluded in the consolidation. Non-controlling interest is presented in the Consolidated Balance Sheet separated from shareholders' equity. Net income attributable to non-controlling shareholders is stated separately in the consolidated statement of income and in the consolidated statement of comprehensive income.

Additional information on economic-financial, on IFRS, data can be found in section 3 of the Reference Form.

**7.1 Management comments on performance and other factors that influenced the operational performance**

The Banco do Brasil Executive Board members, pursuant to CVM Instruction 480/09, comments the main aspects related to the Bank in Reference Form section 10, retrospectively to 2014, 2015 and 2016. Declaring that the information is true, complete and consistent.

Initially are present BB’s position about its: financial conditions; capital structure; sources of loan; and indebtedness level. And further are presented the variations between the years 2016/2015 and 2015/2014 of the most relevant Balance Sheet itens. The commented performance is based on the financial statements using the IFRS - International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) and the predecessor bodies.

Following next, the Bank reports the income formation based on Income Statement vertical and horizontal analysis. With evidence: (i) Interest income; (ii) Interest expenses; (iii) Provision for losses with loans to customers’ net expenses; (iv) Non-interest income; and (v) Non-interest expenses.

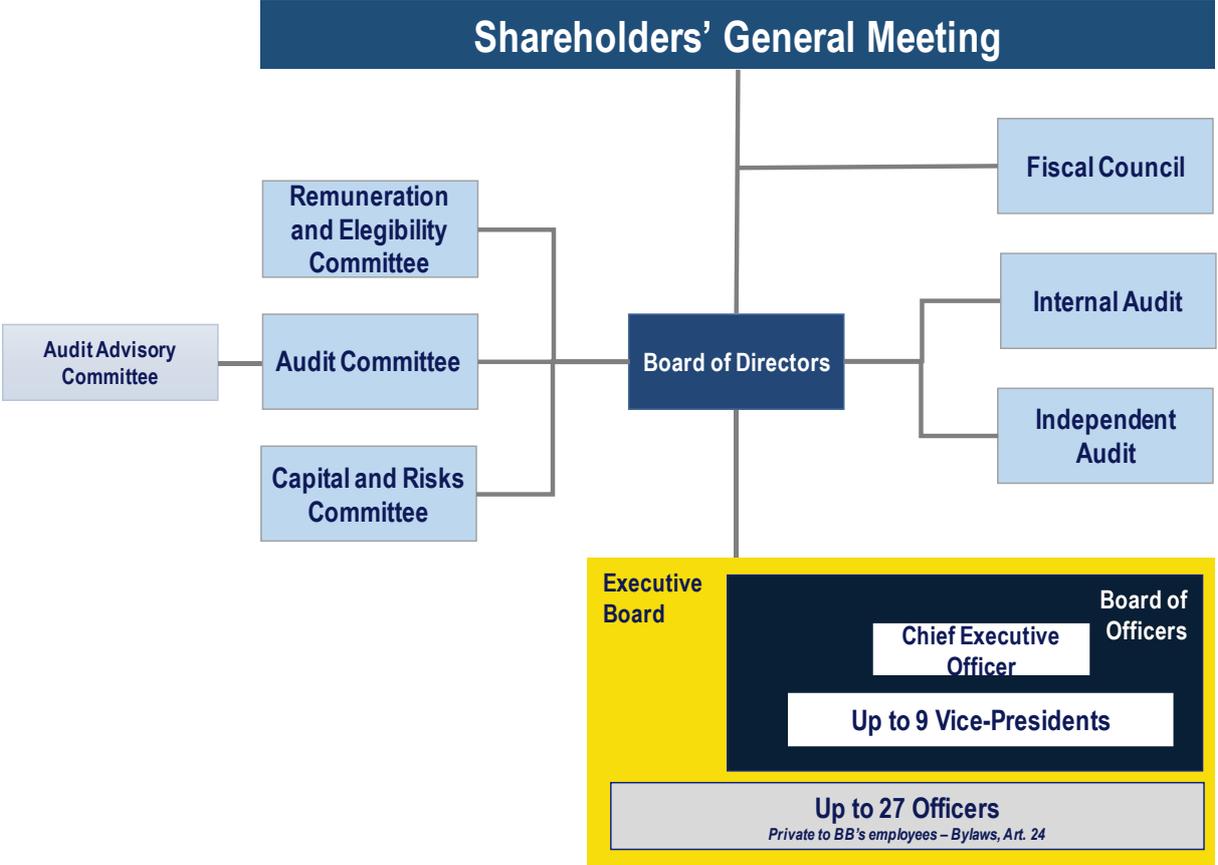
Finally, it is reported the budgeted and carried out amounts of the items for advertising expenses and promotions and sponsorship.

Additional information on management comments on corporate governance performance can be found in section 10 of the Reference Form.

**8. Corporate governance policies and practices**

BB’s administrative structure is established in its Bylaws and governing bodies internal regulations, available on the Bank’s Investor Relations website. In addition, BB also makes available on its website the Code of Corporate Governance, which presents a panoramic view and simplified consultation on company’s principles and practices.

Figure 2 – BB’s Corporate Governance Structure



BB's management bodies are made up of Brazilians with notorious knowledge, including the best Corporate Governance practices, experience, moral suitability, unblemished reputation and technical capacity compatible with the position:

- I. The Board of Directors has, as prescribed by law and in the Bylaws, strategic, guiding, elective and auditing functions, not including operational or executive functions, whose members are elected by the General Meeting; and
- II. The Executive Board, which is responsible for the Bank's management, composed by Board of Officers and other Executive Officers, all resident in Brazil, as established by Bylaws.

In addition, the following bodies are part of BB's governance structure:

- I. Audit Committee, which advises the Board of Directors regarding its audit and supervisory functions and to express its opinion on: (I) the financial statements quality; (Ii) the internal control system effectiveness; And (iii) internal and independent audits effectiveness;
- II. Compensation and Eligibility Committee, whose purpose is to advise the Board of Directors on the managers remuneration policy establishment and BB's succession policy;
- III. Risk and Capital Committee, which advises the Board of Directors on assessments related to risk and capital management; e
- IV. Fiscal Council, whose duties are established by article 163 of Law 6,404/76.

### **8.1 Other committees**

At Banco do Brasil, all decisions are taken collectively. BB has non-statutory committees composed of Executive Officers. These members, upon being appointed, automatically accumulate the position in the other Bank's committees without receiving any additional remuneration.

Additional information on BB's management structure, governance policies and composition can be found in section 12 of the Reference Form.

### **8.2 Management compensation policies or practices**

As provided by BB's Bylaws, article 16, the Board of Directors compensation is established annually by the Ordinary General Meeting (AGO), observing the legal prescriptions. Values are defined based on market research, internal balance, responsibility, Company and individual performance, among other factors. The total compensation includes fixed and variable remuneration, as well as benefits.

Banco do Brasil has the Variable Remuneration Program (RVA), governed by Law No. 6,404/76 (Public traded company), and by CMN Resolution No. 3,921/10 (which regulates the remuneration policy for Directors of Financial institutions) and by BB's Bylaws.

Additional information about Banco do Brasil's management policy and remuneration can be found in section 13 of the Reference Form.

## DECLARATION OF THE BOARD OF DIRECTORS

Banco do Brasil S.A. Board of Directors declares that, in a meeting performed at this date, approved the Annual Chart of Public Policies and Corporate Governance related to the fiscal year ended 2016, in compliance with the item V of Article 8 of Law 13,303, from June 30, 2016.

May 29, 2017.

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Fabício da Soller

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Beny Parnes

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Daniel Sigelmann

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Fabiano Felix do Nascimento

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Julio Cesar Costa Pinto

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Luiz Serafim Spinola Santos

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Paulo Rogério Caffarelli