Consolidated Financial Statements IFRS

Year 2017

BANCO DO BRASIL

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Members of Management **180**

Dear Shareholders,

We thank the dedication and commitment of our employees, as well as the customers and society trust.

The year of 2017 was challenging, but we had total confidence in the delivery of results compatible with the disclosed estimates and the commitments assumed, as we know the capacity and the commitment of our employees.

We ended the year with a net income of R$12,275 million, an increase of R$3,615 million when compared to 2016. The return on equity (ROE) was 12.8% in relation with 9.8% of the previous year. Part of this outstanding result was reached by the decrease of 6.42% in administrative expenses even with a inflation (IPCA) of 2.95% and the allowance for loan losses substantial reduction of R$5,555 million (19.5% against 2016).

Our revenues from services and bank fees increased by 5.9% in relation to 2016, which demonstrated the successful development of our customer relationship strategy, especially with the use of new technologies. The result is reflected in our improvement of our Basel and equity tier one ratio, which increased to 19.6 % and 10.5%, respectively, in 2017.

By 2018, we believe that the transformation and complexity of the business environment will intensify. Therefore, an improvement of the customer experience and investment in innovation will continue to be the basis for our work. Greater efficiency in operations and processes, greater use of artificial intelligence in data analysis, greater employee specialization and a constant pursuit of customer convenience when using our service channels will be pillars in the profitability evolution.

We also believe that the economic recovery acceleration will be platform for the growth of our credit portfolio, especially for individuals, small and very small companies and agribusiness. The economic activity strengthening services will also be reflected in the increase in business with insurance, payment methods, capital market and asset management.

For more information, we suggest a review of our MD&A available at our Investor Relations web site (www.bb.com.br/ir).

1. Corporate Strategy

In recent years, the more connected and competitive economy has significantly influenced the financial industry. As the business environment challenges and complexity increase, the greater the need for organizations to develop a culture of innovation that guides strategic planning. Due to the scenario dynamism and our clients needs, we keep our Corporate Strategy always updated and adherent to the challenges present in our segment.

Our purpose is to take care of what is valuable to people. For the period 2018-2022, our Vision is "To be the company that provides the best experience for people's lives and to promote the development of society in an innovative, efficient and sustainable way" and five perspectives guide us in this direction:

a) Financial: the priority is the profitability and revenues growth with services, the improvement of operational efficiency, the sustainability of capital and the operational and credit losses reduction.

b) Customers: the objective is to provide valuable experiences, prioritizing actions that favor the customer satisfaction improvement.

c) Processes: the focus will be on Digital Transformation and the processes, products and channels improvement, which make them simpler, agile, innovative, integrated and oriented to the customers' journey.

d) People: focus on the development of the strategic skills needed to meet the challenges presented for the next five years, namely: entrepreneurship, customer relationship, innovation, digital business, leadership and efficiency. We will continue to be guided by meritocracy in succession programs, by the recognition of talents and the diversity appreciation.

e) Sustainability: complements and crosses the other perspectives; the focus is to improve our performance in sustainability, in the economic, social and environmental dimensions, since the generation of sustainable returns in the long term presupposes going beyond financial issues and traditional risks.

In addition to the corporate strategy, we believe that in order to face the challenges of current and future scenario, especially with regard to the greater demand of our clients, it was necessary to create two new specialized units. Committed to operational efficiency and expense control, the creation of the new units did not generate incremental costs, as we re-staff and structure other areas.

• **Investment and Funding Unit**, to develop strategies in specialized advisory services for investors, diversifying our products portfolio and disseminating the vision guided by the investor's journey.

• **Foreign Trade Unit**, to develop strategies in international businesses, strengthening our recognized partnership with the foreign trade segment, promoting skills development and our professionals specialization.

Following next, awards received and other highlights events:

I. we won 21 categories in the efinance[1] 2017 Award for several innovations, among them the possibility of points[2] purchase in real stores with Ourocard app, Open Banking solution with the Developer Portal launch, digital culture dissemination by LABBS in Silicon Valley development and the Conta Fácil[3] (Digital Account), first step for the checking account opening with a cell phone;

II. for the 9th consecutive year, we were considered the preferred credit card, according to the Credit Cards National Survey, organized by CardMonitor;

III. we won the Prêmio Atendimento Ouro prize, from Associação das Relações Empresa Cliente (Costumer-company relationship association), as the best receptive call center service;

IV. BBDTVM's (Asset management) fund was considered the best in the share fund category in FGV's "Melhor Banco para Investir";

V. we conquered the Top Básico category in the Broadcast Projections Award. The event, promoted by Agência Estado, rewarded institutions whose projections for the country's main economic indicators more closely approximated those observed during 2016. In the same event, four out of ten awarded in the Broadcast Analysts Award analysts worked for BB-Banco de Investimentos. The award evaluates the stock recommendations that obtained the best profitability in 2016;

VI. we won the Gold Trophy of the CIC 2017 Award for the case "A game that won hearts and results", a gamification project recognized as the best internal, motivational and endomarketing campaign;

VII. we received for the second consecutive year the "Certificado de Empresa Legal" during the Brazilian Symposium on Consumer Defense, an initiative of the Dialogue Era, promoted by the CIP, with the support of the Brazilian Association of Client Company Relations - Abrarec, recognizing our investment in the solution of conflicts with consumers in an agile, economic and conciliatory manner, without the need to propose lawsuits;

VIII. we ranked first among Brazilian banks in social networking relationships (Facebook and Twitter) based on the analysis of the Socialbakers - Socially Devoted World Ranking (3rd quarter/2017), which is a leading provider of analytical brands in the social network;

IX. we received the label "Responde Rapidamente" on BB's official website on Facebook. The badge appears on pages that account for at least 90% of private messages with an average time of 15 minutes. Direct contribution to the implementation of chatbot service in 2017.

2. Corporate Governance

Our corporate governance is structured by the Board of Directors (BoD) and the Executive Board (EB). Decisions are taken collectively at all levels to conduct the adequate debate over strategic themes and business proposals. For such, management uses committees, subcommittees and commissions at a strategic level, which ensure the agility and security for the decision making.

[1] The efinance Award identifies and highlights the most important projects in IT and Communication in finance in Brazil.

[2] Regards "Ponto pra Você" loyalty program.

[3] Payment account for those who do not have a account in BB yet and can be opened with a mobile phone.

The BoD is composed by eight members and advised by the Audit, Compensation and Eligibility, Risks and Capital (recently created) and Internal Audit Team.

EB is composed by Managing Board (CEO and nine Vice-Presidents) and 27 Statutory Directors. We also have a permanent Fiscal Council composed by five sitting members and five alternate members.

As a good corporate governance practice, we instituted a process to evaluate the performance of the Board of Directors, the General Auditor, the Remuneration, Audit and Risk and Capital Committees and the Executive Board.

We have reviewed several governance practices in 2017, such as our Bylaws, Code of Ethics, Standards of Conduct, corporate governance bodies Internal Regulations and the Code of Corporate Governance, documents that support our governance practices. We have also created a policy of transactions with related parties, policy of appointment and succession of executives (BoD, FC and EB), in order to give even more transparency to our strategies and our management.

In May, as provided for Law No. 13,303/2016 (State owned companies law), we released the Annual Chart of Public Policies and Corporate Governance, a document written in clear, direct language to the general public and investors and subscribed by the Board of Directors. In August we entered the B3 Highlight Program on State Governance, being the first financial company to join the program. In November, we received the certification with Level 1 Governance Seal at IG-Sest, with a maximum score in the observed issues.

Our shares (BBAS3) have been listed, since 2006, in the "Novo Mercado" of B3, the most demanding segment of the Brazilian stock exchange in governance requirements.

3. Macroeconomic Environment

Domestic

The year 2017 was characterized by the improvement in the domestic economic environment. Even though this improvement has occurred heterogeneously throughout the year and unfavorable non-economic events have been observed, there has been significant progress. An important reform agenda was approved and supported the first signs of moderate recovery of activity, despite the postponement of deliberation on relevant points of this agenda. In addition, controlled inflation, falling interest rates and the employment resumption were elements that reinforced the business-friendly environment.

Driven by the agriculture and livestock sector excellent result, the record harvest, GDP figures showed a previous years reversal historic recession. Still on the supply side, the extractive and processing industries showed positive signs. On the demand side, household consumption consolidated its recovery and gross fixed capital formation showed in the third quarter the first advance after fifteen consecutive quarters of decline.

The record harvest was also significant for the year's balance of trade (US$67 billion), driven on the one hand by the favorable trend in commodity prices and, on the other, by the increase in exports of basic products (mainly grains and minerals metallic). The trade balance performance, combined with the high liquidity scenario and low risk aversion, contributed to the flow of foreign resources to Brazil, allowing the Real to remain relatively strong for most of the year (average R$/US$3.20). In this context, the Ibovespa index increased by 27% in 2017, in line with positive assessments of the Brazilian economy.

However, the favorable market environment did not prevent the occurrence of more volatile episodes, especially due to uncertainties in the political arena and doubts about the reversal of the upward trajectory of public indebtedness. In this context, the spending rigidity remains a challenge in the fiscal field for the coming years.

The inflationary environment was extremely benign. Deflation of food prices and high economic idleness guaranteed consumer inflation, measured by the IPCA variation, below 3.0% (the target tolerance range lower limit) and the shift from monetary policy to expansionist. In this sense, the Selic rate was reduced by 675 bp, reaching the level of 7.0% p.a. at the end of 2017. Historically low interest rates and the compression of spreads will continue to demand gains in terms of efficiency from the financial industry.

The strong decline in inflation, which has preserved workers' income, reduced lending costs and a slight recovery in the labor market favored a credit to households resumption. On the other hand, the uncertainties still present in the economy, the idleness of factors and the recession collateral effects on the productive system affected investment decisions and inhibited the credit to the business credity recovery.

Abroad

Economic activity in the United States continued to expand but did not exert any significant pressure on inflation, which remained below the Federal Reserve target. As a consequence, the US monetary authority continued with the policy of gradual increases in basic interest rates, which contributed to maintaining international liquidity at high levels and to the low degree of risk aversion. Still, uncertainties about the direction of US economic policy and geopolitical issues (especially in the Middle East and Asia) have caused occasional increases in market volatility.

In Europe, probably in response to the expansionist policies, especially the monetary one, the economic activity continued in recovery. In Asia, Chinese growth within the range set by the Communist Party (6.5% to 7.0%) temporarily averted fears of a stronger economic slowdown.

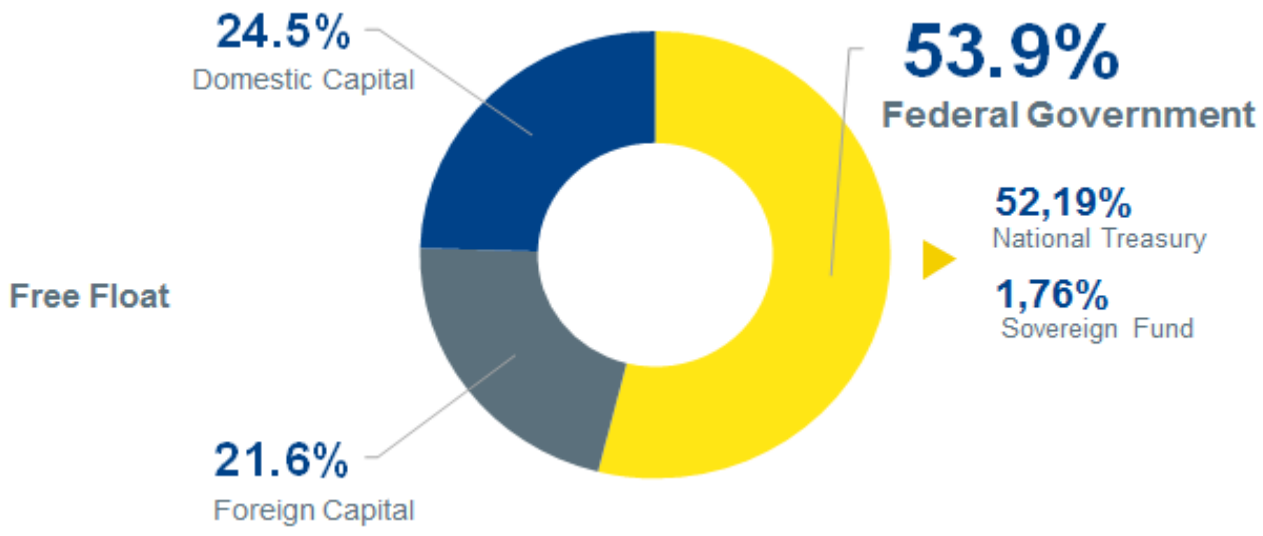
In this context, the capital flow to emerging economies continued to be favorable throughout 2017, and commodity prices, in general, remained at high levels.

4. Market indicators and shareholders service

Our shares (BBAS3) remained in all B3 trading sessions and represented 3.3% of Ibovespa index for the four-month period from September and December, 2017. Banco do Brasil also has a level 1 ADR program (BDORY), traded on the over-the-counter market in the United States.

Our shareholding structure, at the end of 2017, was distributed as follows:

Figure 1. Shareholding Structure (%)[1]



1 – Does not consider the shares owned by the Company.

We release reports and information to CVM, and at the Investor Relations website. We also invite market analysts to conferences whenever Management considers it necessary to elucidate specific topics concerning Banco do Brasil.

We keep an exclusive analyst and investors relationship team which had 994 contacts, including meeting and phone calls in 2017.

To institutional investor, we had 956 meetings, including eight conferences in Brazil and other eleven abroad, besides promoting four earnings teleconferences and eleven non-deal roadshow and one roadshow.

To retail investors, we had meeting along with Private banking offices in Porto Alegre, Rio de Janeiro, Belo Horizonte, Salvador and São Paulo e two Apimec meetings.

Table 1. Market Index

	Indexes	
	2016	2017
BBAS3 - Book Value	32.3	36.4
BBAS3 - Closing Price	28.1	31.8
Return on Assets (%)	0.6	0.9
Return on Equity (%)	9.8	12.8
ADR Price (US$)	8.3	9.7

Profit Distribution

We distributed, in 2017, R$3,229 million in Interest on Own Capital (IOC).

According to Material Fact dated 02.23.2016, the Board of Directors (BoD) decided, in the exercise of its attributions established in art. 21, item II in BB's Bylaws, set at 25% the net income percentage for the year to be distributed to shareholders as dividends and/or interest on own capital. In june, 2017, the Board of Directors approved the Stockholder Remuneration Specific Policy creation, available at bb.com.br/ir.

Further clarifications on our dividend policy may be found in the Reference Form, section 3 or in Article 46 of the Bylaws, available at bb.com.br/ir.

5. Clients Experience

As part of our sustainability planning, of our 209-year-long company, we have chosen 2017 as the "Year of Service." This was a sign to all employees of our company efforts to priorize the customer experience.

This direction was materialized in executive actions, all focused on the service. The actions were distributed in the following topics: customer experience, innovation, management, efficiency, business solutions and training.

The digital environment will also transform the way we work, as our employees will be more efficient in their routines and assertive in offers, adapted to the different needs of each client. The technology support will reduce the time in execution of operational tasks, allowing our employees to prioritize the relationship with the clients.

We know, however, that being digital is not everything. There is no guarantee of future soundness. For this reason, personal care will continue to be fundamental in building lasting relationships based on ethics and trust. So we chose 2018 as the "Year of Relationship."

In the next paragraphs, we will present some of the main actions implemented to increase the convenience and improve the experience our clients, through the services specialization and modernization.

Individuals

App BB reaches 15 million users

Our app reached a mark of 15 million users in December, compared to 10.2 million in 2016 and 6.9 million in 2015. Accessed by more than four million people every day, the app accounts for 51% of transactions carried out at the Bank. With the result, we reached the goal set at the beginning of 2017.

In addition, our app is the best evaluated of the Brazilian financial system in the two main application stores - Google Store (4.5) and Apple Store (4.0) and, among all applications, it is the fourth preferred by Brazilians , according to the Panorama Mobile Time/Opinion Box, released by Mobile Time.

Service via "Fale com seu gerente - Talk to your manager"

Available in our app for the high-income public, the instant messaging tool "Talk to your Manager" registered in 2017 an average of 125 thousand messages exchanged per day, by about 1.6 million customers. In the period, improvements were made to ensure better usability and personalization in the relationship with customers, such as the integration of the relationship manager photo and of files and documents exchange.

Checking account smartphone's opening process

In May, we launched the full current account opening throught BB app. The process involves uploading documents to the passwords registration, everything done by the customers in the smartphone. Innovation means more convenience for the customer and lower demand in the branches, which will allow them to focus more on the relationship and doing business.

In 2017, the volume of accounts opened by the app exceeded the opening volume at branches in five states (AM, MA, PA, PE and MT). In DF, AC, RJ, RN, RR and TO, 40% of the accounts were opened through the application. In the year to December, 1.5 million customers opened a current account through the app and the expectation is that in 2018, three million accounts will be opened through this channel.

In addition to having a lower opening cost compared to the traditional process in the branches, approximately R$0.02 for the mobile phone and R$24 at the branch, the digital account presents 13% more satisfied customers, in addition to exclusive service packages profile for this clients. This is our concept of "Digital Bank", which combines efficiency, customer satisfaction and sustainable results.

My Finances - Balanced Budget

A balanced budget is key to achieving financial goals. With that in mind, we launched "My Finances". Developed with the participation of its clients, the application helps to monitor the budget and a more effective financial control, which allows this client a more conscious analysis of their financial life. "My Finance" currently has four million registered users and two million daily accesses to the tool.

Automatic transfer between credit limits

Launched in November, the solution provides greater autonomy and convenience to our customers, since it allows the adjustment of the installment credit limits – Direct Consumer Credit and installment of the card automatically. Another innovation was the transferring amounts possibility from revolving credit (overdraft and credit card) to contract Direct Consumer Credit.

In less than two months, more than 150 thousand accessions were made. Of this universe, 35 thousand clients had credit limits migrated to installment credit - Direct Consumer Credit, totaling R$126 million in transferred amounts, and R$18.4 million contracted in the most advantageous credit modalities. Digital channels accounted for 41% of these accessions.

Preventive overdue management

This new process, made available in November, systematically and preventively allowed the sensitization of clients with special indebtedness characteristics. From this identification, we contribute, through the provision of payroll loans, to the organization of the clients' commitments, adjusting them to their payment capacity. In addition to improving the risk of operations, this solution increases satisfaction and contributes to the loyalty of our customers.

In the last two months of 2017, 13.8 thousand preventive driving operations were contracted, in the amount of R$450 million in payroll loans.

Investment Simulator

We launched our Investment Simulator in November. This new tool, available in internet banking and the mobile channel, seeks to simplify the investor's journey and encourage diversification in the resources allocation, by customizing the investment solutions offer in an intelligent way and oriented to a better user experience.

The solution, used by more than 9,800 clients, with a volume of R$198.8 million, considers the Investor Profile Analysis and other information, such as the desired value for investment, investment horizons and products that are already part of the portfolio of our clients, to indicate the best options among the existing ones in our portfolio, by risk range.

Customer Council

We started in November, the Customer Council, a dynamic that brings together a permanent group of invited clients that expose their needs and expectations in relation to our services and products. This interaction provides us with an opportunity to improve our service and our business. In 2017, 36 individuals were heard and the notes were directed to our decision-making areas. We will continue with the Council in 2018.

Vehicle Credit via Mobile reaches R$ 1 billion in disbursement

Our customers can contract Vehicle Credit on the mobile channel, which represented, in 2017, approximately R$1 billion disbursement for this channel. The app's share of total operations grew by 120% in the last year and represents more convenience to customers, as more than half of the sales were made outside of banking hours, including on weekends.

Launch of Pulseira Ourocard (Bracelet)

In March, at the Congress of Payment Methods (CMEP), we launched the Ourocard Bracelet, the first Banco do Brasil wearable, through which customers can make payments, by approximation, in the debit and credit functions, without the necessity of using of the traditional card.

Acceptance and Contract of Mortgage Credit

As a pioneer in the financial system, we offer the hosting and contracting of real estate financing through our app.

In the first phase of the project, available in July, it was possible to simulate and request proposal analysis on the mobile channel and the internet. At that stage, four million simulations were carried out.

In December, it was possible to complete the full operation via app. Through this channel, our client can approve credit, contract insurance, upload documents and send proposal for analysis and contracting of real estate financing. In just over 15 days, more than a thousand proposals were received, with the first mobile contract taking place in just 13 days.

We also provide in the checking account statement information about the real estate credit limit for more than 1.2 million clients with limits ranging from R$50 thousand to R$1.5 million.

Chat service via bot

Among the several initiatives developed based on cognitive intelligence, we highlight our chat bot, that answered 70% of the subjects dealt with the clients who come in contact with us through Facebook Messenger.

This application is the only one of the Brazilian banking system based on conversation and currently deals with issues related to accounts, cards, loans, financing, Ponto Para Você, renegotiation of debts, security, fees and services, ATM operation and password issuance for branch service by the app. The goal is that in 2018, the bot will answer 100% of the questions asked by Messenger.

In addition, our customers are also being served via chat bot on the mobile and internet channels.

Branches Telephone System

We modernize the telephone system with technology deployment that allows us to converge for our Customer Service Center the connections that originally intended for branches. Convergence expands scale gains as more customers are served at the same time with high adherence to the established standard.

About 1,000 branches are connected to this new platform and by 2018 we expect that number to be doubled. In this way, we estimate to more than 600 thousand connections per month, which will allow us to strengthen our relationship with our clients, as well as to seize opportunities for making business, with the service intensification supported by offerings from our customer management system.

Financial Manager facilitates the farmer's life

The Farmer's Producer Financial Manager, launched in 2017, allows the farmers and its representatives to carry out financial transactions and use Bank applications. The solution facilitates the producers cash flow management and the delegation of administrative activities, which makes the customer's life easier, their business management more efficient and increases their satisfaction with us.

Farmer's can contract Working Capital for Input Purchase through mobile phone

At the beginning of the year we launched the Digital Working Capital for Input Purchase. The functionality, available in BB app, allows producers to submit proposals for hiring this product through the smartphone. The new solution eliminates the prior presentation of the technical project, the real liabilities certificate and previous operations documents already in our possession, making the process more agile for the client.

Tecban 2020 Project

The project with Tecban seeks to replace our own ATM network through the Banco24Horas ATM, combining quality and customer convenience, with a reduction in our costs.

In 2017, 853 terminals were deactivated and 1,309 new Banco24Horas points were activated, an approximate saving of R$5.4 million, responsible for processing approximately 23.8 million transactions per month for our customers.

Companies and Government

Customers in the Wholesale segment have greater convenience in service and participate in the construction of solutions offered by us

The Digital Atacado (Wholesale) program, started in 2017, provides more agility and comfort in services. With the "Fale com seu Gerente - Talk to your manager", the entrepreneur has access to the Bank via chat and video chat, without the need to visit the branch.

Building the best service is only possible if we listen our customers. This was our intention when we formed the Wholesale Clients Council, a forum that brings together clients to express their perceptions about the experience with

BB, its needs and expectations. The meetings will occur periodically with the Wholesale customers in the Middle, Upper Middle and Corporate segments.

SME client has more facility to open accounts

The small and very small business owner that wants to open an checking account with us, can do it through the internet. From the portal bb.com.br/mpe, the client provides some information, chooses the branch for relationship and uploads the documents. After cadastral analysis, the new clients attend the branch only once, for signing and formalizing the contracts.

A similar solution is available to the individual microentrepreneur (MEI) with the BB Conta Fácil Microempreendedor, digital current account, whose opening can also be done by the BB app.

Being digital without giving up personal contact

Visits are a key part of building a lasting and trusting relationship with the client, so we invest in an application that facilitates the relationship managers routine. The BB Visitas app assists in preparing and conducting visits by speeding up access and registration of customer information. Managers will be able to better understand customers' needs, serve them better and do more business. In addition, the data recorded by managers are valuable inputs for the development of new strategies and more assertive business induction actions.

Customization of service packages: convenience and economy

Since October, our customers can customize their service package by hiring additional service modules. The value of the module is less than the sum of the separate service charges, which generates savings and adapts the package to the customers needs.

More than digital Municipality

Supported by the Ourocard Cidades solution, this initiative stimulates the affiliation of shopkeepers and offers benefits to expand the use of cards by customers within local commerce. In addition, the customer who uses the card will have benefits, such as annuity exemption and exchange of points for products. The aim is to boost the local economy and increase operational efficiency by reducing the circulation of paper money and hence the transporting cash costs and providing more security for customers and shopkeepers.

Debt settlement for companies

Since 2016 we allow our Individual customers to renegotiate their debts through the mobile phone, in the “Soluções de Dívidas - Mobile Debts Solution”, guaranteeing agility and convenience. In 2017 the solution was also extended to companies. 177,000 operations have already been contracted, reaching R$1.6 billion in 2017.

6. People

For us, the policies development and practices on people management are guided by meritocracy, competencies development for work and organizational climate. They are the foundation that allows the strategic objectives achievement.

Following, our employees profile:

Table 2. Employee Profile

	2016	2017
Employee Profile		
Employees	100,622	99,161
Female	41,549	41,044
Male	59,073	58,117
Education's Level		
High School	19,750	17,533
College	43,083	41,073
Specialization, Master's and Doctorate	37,575	40,354
Others	214	201
Geographic distribution		
North	4,689	4,440
Northeast	16,719	16,637
Mid West	16,349	16,748
Southeast	44,924	43,752
South	17,899	17,549
Abroad	42	35
Turnover (%)	9.95	1.59

In 2017, we invested R$70.9 million in corporate training through UniBB (Banco do Brasil Corporate University). This investment made it possible to offer 10,397 undergraduate scholarships, 11,311 postgraduate scholarships and 4,744 scholarships.

This year, we can highlight the following trainings available in the UniBB catalog, the face-to-face training focused on SME credit, in line with our performance in the credit market with quality and sustainability:

I. the **Companies and Agro Credit Management Workshop**, is part of the Credit Training Program, and has trained more than 4,100 agency managers (98% of the target audience), whose objective is to carry out profitable and through improved credit, relationship and customer service management;

II. the **MPE Client Portfolio Management Workshop**, addresses the concepts of negotiation, credit management and customer portfolio management for portfolio planning, aiming to achieve sustainable results with this public. Since its launch, more than 2,500 relationship managers have been trained;

III. and the **Credit Workshop and the Empresa Client** dealt with aspects of the credit and risk analysis for Company segment clients. Approximately 900 relationship managers from Empresa Portfolio participated in the workshop.

In line with our planning and a new generation of leaders, we launched the DesEnvolver game, an educational solution whose objective is the development of leadership skills and strengthening the protagonism of our employees and professionals. 10,377 employees were appointed as mentors and more than 28 thousand participated in the process.

As the investments's result, we won the award for best corporate university in the world in the Innovation category at the Global CCU Awards. Aligned with the Digital Transformation strategic move, UniBB has been offering the most innovative technologies and educational methodologies. There were approximately 8 million hours of training, including face-to-face and distance courses, and 3 million courses completed on the UniBB Portal, with an average of 80 hours of training per employee, considering on-site and distance learning courses.

As a state owned company, we selected our employees through a public test, with a minimum schooling requirement, no maximum age limit and 5% quota for people with disabilities and 20% for black and brown people.

There are no wage differences between women and men holding the same position. In addition, the professional ascension process is based on meritocracy, taking into account training, experience and results obtained.

Aligned with our national and global commitments to value diversity and to provide equal opportunities for men and women, we launched, on March, 2017, measures to accelerate the organic ascention and increase women representation at all levels, including leadership roles. Among those measures are:

I. the adherence of all executives to United Nations Women HeForShe movement, in which they commit to do their part for a world without violence and discrimination against women. HeForShe reinforced the perception of men's fundamental role in making gender equity a reality;

II. gender affirmative action in all professional promotion corporate programs;

III. extension to transgender, of women exclusive Ombudsman.

Table 3. Compensation and Benefits

	Financial Statements	
R$ million	2016	2017
Payroll[1]	20,631	18,153
Supplementary Pension[2]	1,565	1,471
Statutory Profit Sharing[3]	1,016	1,422
Training[4]	67	64
Directors Fee	49	46

1 - Expenses with salaries, benefits and social charges, as note 13 – Personnel Expenses;
2 - Funding of supplementary pension, pursuant to note 45 - Employee Benefits;
3 - Amount set aside for Profit and Gain Sharing, as note 13 - Personnel Expenses;
4 – As note 13 – Personnel Expenses.

7. Financial Performance

The MD&A report, published quarterly on the date of our balance sheet, provides a comprehensive and in-depth analysis of our results and is available for consultation on the investor relations website bb.com.br/ri.

Below, we present the main figures for our performance in the year. This result is the materialization of our corporate strategy.

Table 4. Financial Performance

	2016	2017
Earnings (R$ million)		
Net Income	8,660	12,275
Interest Net Income	61,914	53,230
Net Fee Income	20,848	22,071
Administrative Expenses[1]	(33,300)	(31,161)

1 – Refers to the sum of Personnel Expenses and Other Administrative Expenses.

Equity (R$ million)		
Assets	1,387,216	1,353,075
Classified Loan Portfolio	603,857	585,191
Deposits to clients	425,316	426,077
Shareholders Equity	90,077	101,238
BIS Ratio (%)	**18.5%**	**19.6%**

8. Service

The table below shows our service model.

We highlight the growth of 43.2% in digital and specialized service points in the year. This form of relationship values the convenience of our clients, with extended hours, consultants and specialized professionals, exclusive presence channels and branches, as well as specific products and services for each segment.

Table 5. Service

	2016	2017	Var.%
Branches	**5,440**	**4,770**	**(12.3)**
Traditional Branches	**5,053**	**4,216**	**(16.6)**
Digital and Specialized Service	**387**	**554**	**43.2**
Estilo Branches	250	249	(0.4)
Empresa Branches	38	122	221.1
Government Branches	32	30	(6.3)
Agro Branches	5	17	240.0
Private Banking	7	9	28.6
Exclusivo Offices	34	85	150.0
SME Offices	20	31	55.0
Estilo Offices	1	11	1,000.0

9. Capital

Solidity is the essence of a Bank. Therefore, we have a Capital Plan with a prospective view of three years, 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 .

Our capital ratio reached 19.6% in December 2017. The Tier I capital ratio reached 13.8%, with 10.5% of CET1 and reference equity reached R$135.5 billion.

Our 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. We have, 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 our Statement of Appetite and Risk Tolerance and Capital Plan, by January 2022, our goal is to maintain at least 11.0% of CET1.

10. Conglomerate Businesses

We seek to offer the most complete financial solution for our clients, with credit being the most relevant business. Our solutions include fund raising, asset management, treasury, payments and services in general. In synergy with these businesses, we also operate through companies in several segments.

More information can be found on our investor relations website (bb.com.br/ir), BB Seguridade (bbseguridaderi.com.br) and Cielo (cielo.riweb.com.br).

The following are the main markets in which we operate:

Credit

We emphasize the Portal de Adimplência, a channel that brings together strategies and information in a single tool, in order to assist in the management of credit portfolios, in the delinquency control and in the ALLL flow reduction. In addition, we use artificial intelligence to assist our employees in collecting and recovering credits. The tool uses cognitive computing, one of the applications of artificial intelligence and allows the computer to "understand" what the interlocutor questions, identifying their intentions and responding appropriately, in a context of "conversation" and successive interactions.

Insurance

BB Seguridade is the Banco do Brasil company that concentrates the insurance, open pension, premium bonds, reinsurance, dental plans and brokerage business. Incorporated in 2012, the company is the result of corporate reorganizations undertaken since 2008 and culminating in the opening of its capital in April 2013.

In 2017, BB Seguridade recorded a R$4.0 billion result, with growth of 0.9% over 2016 and return on equity of 45.5%. In the year the companies affiliated to BB Seguridade maintained important market leadership, such as insurance premiums issued (in the segments in which BB Mapfre operates), pension and premium bonds reserves.

Further information on BB Seguridade and the insurance business can be found in the company's Performance Review report, available at http://www.bbseguridaderi.com.br/

Payment Methods

We operate through BB Administrador do Cartões and the BB Elo Cartões holding company, which concentrates the business Alelo, Stelo, Livelo and Cateno, as well as the stake in Cielo S.A., through our wholly owned subsidiary BB - Banco de Investimento S.A.

Our wide customer base, quality and diversity of services make us one of the main issuers of Elo, Visa and Mastercard.

At the end of 2017, the total number of cards issued reached 70.6 million, including credit, debit and prepaid cards, growth of 0.7% in one year. The base of Elo cards generated reached 13.0 million in the period, an growth of 24.5%. The number of recurring cards, used at least once in the last 30 days, reached 8.1 million in the credit function and 11.7 million in the debit function.

The volume traded in 2017 reached R$280.2 billion, growth of R$ 9.1 billion compared to last year.

Asset Management

We maintained the leadership in the investment funds industry through BB Gestão de Recursos (BB DTVM), with a market share of 22.9% and a total of R$864.5 billion in managed funds (funds managed by BB DTVM and other institutions), an increase of 18.3% compared to 2016.

In 2017 the BB DTVM net funding was positive by R$ 46.8 billion, especially in Fixed Income, Private Pension and Multimarket categories.

Regarding investor segmentation, according to the Global Ranking of Anbima Resources Management in December 2017, BB DTVM remained leader in the segments: Institutional, Public and Retail Investors.

Capital Market

The capital market has been recovering in recent quarters and is an important alternative to financing, especially for large companies, with the potential to generate revenue with fees and create other business opportunities. In that year, we evaluated our clients in 40 domestic and international fixed income issues, totaling R$59.1 billion raised. In the variable income market, it participates in the distribution of nine transactions, which totaled R$2.8 billion.

We operate on the domestic capital markets through BB-Banco de Investimento SA (BB-BI), and not abroad through brokers BB Securities Ltd (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte Ltd. (Singapore), focusing on retail and institutional investors. Our coverage is global and updated in fixed and variable income operations, mergers and acquisitions, evaluation in transactions of Financial Projects, offering to the clients different funding alternatives and access to investors in Brazil and abroad.

Consortium

We presented innovations and good results on the consortium deals in 2017. We traded 218 thousand new shares of consortiums, totaling R$ 8.6 billion in turnover, an increase of 27.7% over the period of 2016.

In the "Year of Service", we recorded a record of contemplations, which resulted in R$4 billion in volume. In addition, our client can contract, offer and confirm recommendations through the BB app.

Infrastructure

We analyzed 48 infrastructure projects in 2017, an increase of 45% compared to 2016, reflecting the greater demand for financing and financial advisory services. The operations volume of R$ 6.2 billion and as revenue from a service rendered increased 23%, including a structuring of issues in the Capital Market in the sector.

Based on projects already launched, they have not yet obtained financing, recurrent investments and renewal of contracts for several projects, we will continue to support the infrastructure sector in 2018. In addition, new resources should generate opportunities to intensify the provision of evaluation and financial support to auctions, helping the development of the country and generating income and employment.

11. Social Businesses and Sustainable Development

Our social businessess have as a priority the economically profitable initiatives development, using market mechanisms, to resolve socioeconomic inequalities in a sustainable manner, guaranteeing income, productive inclusion and access to public services.

As we believe in the feasibility of conciliate our shareholders' interests with socially and environmentally sustainable businesses development, we have the Integrated Sustainable Development Model (SD). This system allows programs, projects and actions mapping, as well as identifying opportunities in an integrated way, driving initiatives in Sustainable Development Action Plans (PADS).

Table 6. Main Social Businessess

	Balance	
R$ million	2016	2017
Fies	28,150.4	35,834.5
MPO	560.2	305.2
Crédito Acessibilidade	169.3	163.6

12. Risk, Control and Security Management

Risk Management

Our practice is based on the policies and processes approved by our Senior Management and the management structure segregates the risk management process of the other corporate processes.

We have adopted a structure of governance and risk management compatible with the size, nature of the business, the complexity of the products and services and the relationships established with the various stakeholders.

The risk management structure aims to identify, measure, evaluate, monitor, report, control and mitigate risks and includes Directors and Units with defined roles and responsibilities, with the participation of the Management Bodies and the Strategic Committees.

Internal Controls

Aligned with our corporate strategy, the Internal Control System continues with cohesive and coordinated action in risk management and controls. The model preserves the Internal Controls Directorship authority and independence, 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.

Institutional Security

We support and actively contribute to the actions taken within the Sistema Nacional de Prevenção e Combate à Lavagem de Dinheiro e à Corrupção (National System for Prevention and Combat Against Money Laundering and Corruption) through its participation in meetings to prepare and implement the Enncla (National Strategy for the Combat Against Corruption and Money Laundering), and technical cooperation agreements formalization with institutions such as Ministério da Justiça (Ministry of Justice), Coaf (Council for Financial Activities Control).

During the year, 44,903 employees participated in corruption and 18,202 in money laudering prevention training.

13. Legal Information

In accordance with criteria defined by the Very Small and Small Companies Brazilian Statute, 94.7% of our companies clients are very small and small companies. The funds used by small and very small companies were R$28.1 billion in December, 2017. The working capital operations balance contracted by very small companies was R$1.1 billion, and of small companies was R$16.3 billion. Investment operations aimed at very small companies was R$1.0 billion; for small companies, investments was R$9.7 billion.

In the engagement of services non related to external audits, we adopt procedures based on the applicable legislation and on internationally accepted principles that preserve the auditor independence. These principles consist on: (i) the auditor should not audit his own work and (ii) the auditor should not act managerially before his client nor promote the clients' interests.

During the period, Banco do Brasil's Conglomerate companies contracted KPMG Auditores Independentes to provide other services not related to the Bank's and its subsidiaries' external audit R$2,652 thousand, representing 5.2% of the fees related to the external audit service. The contracted services were:

Table 7. Hiring of KPMG Audit

Hiring Company	Hiring Date	End of Contract	Description	Amount - In R$ Thousands
BB Securities Asia	01/01/2017	12/31/2017	Consulting	17.1
Cielo	02/09/2017	05/12/2017	Assurance	91.4
BB AG	03/06/2017	03/06/2017	Training Fit&Proper	15.4
Tecban	03/23/2017	08/23/2018	Consulting	167.9
Banco Patagonia	04/01/2017	06/01/2017	Consulting	23.2
Banco Patagonia	04/01/2017	05/01/2017	System	49.2
Banco Patagonia	04/01/2017	06/01/2017	Consulting - Regulation	12.0
BB AG	04/05/2017	04/05/2017	Consulting	10.9
Banco Votorantim	04/06/2017	11/30/2017	Training	16.0
BB Securities Londres	04/10/2017	-	Consulting - ICAAP	107.6
Banco Votorantim	05/10/2017	07/31/2017	Consulting	95.0
BB Londres	06/01/2017	12/31/2017	Consulting	52.4
BB AG	06/09/2017	06/09/2017	Training	16.3
Banco Votorantim	06/24/2017	07/31/2017	Consulting - Taxes	100.0
Neoenergia	06/30/2017	06/30/2017	Consulting	163.2
Livelo	07/04/2017	08/28/2017	Consulting	33.8
BB AG	07/07/2017	08/30/2017	Training	45.5
Tecban	08/01/2017	10/30/2017	Consulting	363.0
GIC	08/18/2017	N/A	Assurance	260.0
BB Londres	09/07/2017	09/07/2018	Tax Compliance	155.4
GIC	10/30/2017	N/A	Consulting	270.0
Banco Votorantim	11/03/2017	11/30/2017	Consulting	233.2
Banco Votorantim	11/03/2017	11/30/2017	Consulting	254.3
BB Tóquio	12/12/2017	12/11/2018	Consulting - Taxes	99.4

In compliance with CVM Instruction 381, we report that in 2017, 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 Audit Committee's opinion.

Affiliates and Subsidiaries

Pursuant to article 243, Law 6,404/76, we hereby announce that the Company's investments in affiliates and subsidiaries are listed in notes 2 - Presentation of Financial Statements and 26 – Investments in Associates and Joint Ventures.

Additional Information

I. Fixed investments amounted to R$1,372.5 million, emphasizing the investment in new service points and in branches ambience improvement (R$501.9 million) as well as the investment made in information technology (R$816.3 million).

II. Banco do Brasil, its Shareholders, Officers, and the Fiscal Council members undertake to resolve all and any dispute or controversy related with Novo Mercado Listing Regulation by means of B3 Market Arbitration Chamber, in conformity with a commitment clause contained in Banco do Brasil By-laws.

Acknowledgements

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

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

KPMG Auditores Independentes
SBS - Qd. 02 - Bl. Q - Lote 03 - Salas 708 a 711
Edifício João Carlos Saad
70070-120 - Brasília/DF - Brasil
Caixa Postal 8587 - CEP 70312-970 - Brasília/DF - Brasil
Telefone +55 (61) 2104-2400, Fax +55 (61) 2104-2406
www.kpmg.com.br

Independent auditors' report on the consolidated financial statements

To the Board of Directors, Stockholders and Administrators
Banco do Brasil S.A.
Brasília - DF

Opinion

We have audited the accompanying consolidated financial statements of Banco do Brasil S.A. (the “Bank”) and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. and its subsidiaries as at December 31, 2017, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Opinion Basis

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

- **Impairment of loans to customers**
  As mentioned in notes 3i, 4b, 24 to the consolidated financial statements, in order to measure impairment of loans to costumers, the Bank periodically reviews its customer loan portfolio by evaluating the estimated impairment loss on its operations (Impairment). The determination of the impairment of loans to customers was documented in internal policies and requires, by its nature, the use of judgments and assumptions by the Bank, which include analyzes of the client's economic and financial factors, retention of risks, debtor´s payment history and collateral considerations. The Bank divides its impairment assessment between individualized analysis, for clients with exposures considered to be "individually significant" and collective assessment for other clients. In addition, as from 2018, IFRS 9 - Financial Instruments enter into force, which changes the criteria for the classification and measurement of impairment of loans to customers and, in this context, Bank has structured a new process to meet the new requirements established in this standard. According to IAS 8, Accounting Policies, changes in accounting estimates and errors, Bank made qualitative and quantitative disclosures related to the most significant impacts of the new standard based on the balances as of December 31, 2017. Due to the relevance of customer loan operations and the related judgment to determine impairment and disclosure of the impacts of the application of IFRS 9, we consider this to be one of the key audit matters.

  How our audit conducted this matter
  We evaluated the design and effectiveness of the relevant internal controls, and using our information tecnology specialists assistance, we evaluated the general controls of information technology and automated key controls related to the processes related to the approval and registration of loans to costumers, the evaluation of the methodologies, index and assumptions used by the Bank in the calculation of the collective impairment and assessments of the adequacy of the impairment for loans to customers assessed individually. We also evaluate the impairment of loans that were considered individually singificant on a sample basis and inspect the documentation and assumptions supporting the Bank's decision on the recoverable value of the operations, including the adequacy analysis of the collateral. We also tested the sufficiency of the guarantees and sufficiency of the models, assumptions and data used by the Bank to measure the impairment losses of customer loan portfolios that were valued collectively. We also analyzed whether the disclosures made in the financial statements, described in the notes to the financial statements, are in accordance with the applicable rules.

  We also carry out, using our financial risk management specialists, the understanding of the internal controls related to the processes implemented by Bank to prepare the information contained in the financial statements related to changes in the criteria for classification and measurement of impairment of loans to customers and, based on sampling, we evaluated the reasonableness of the expected and disclosed impacts on this matter.

  Based on the evidence obtained through the procedures described above, we consider acceptable the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

- **Fair value of financial instruments**
  The Bank has significant balances of derivative financial instruments and securities classified as available for sale and trading securities at market value, in accordance with IAS 39, and information disclosed in notes 3f, 4a, 20, 21 and 38 of the consolidated financial statements. For financial instruments that are not actively traded and for which prices and market parameters are not available, the determination of the fair value is subject to significant Bank judgments to estimate these values. The use of different valuation techniques and assumptions may result in significantly different estimates of fair value. In this way we consider the measurement of the fair value of these financial instruments as one of the key audit matters.

  How our audit conducted this matter
  We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our system specialists we evaluated the general information technology controls and automated key controls performed by the Bank to mitigate the risk of distortion in the consolidated financial statements arising from measurement judgment of the fair value of financial instruments, especially those that depend on the Bank's internal models. In addition, we analyze the process of approval by the Bank of the assumptions used for marking to market, as well as the calculations made in the measurement of the values. For a sample, with the technical support of our specialists in financial instruments, we evaluate the models developed by the Bank to determine the fair values and the reasonableness of the data, the parameters and information included in the pricing models used and recalculate the values of the operations. We also analyze whether the disclosures in the consolidated financial statements described in notes 3f, 4a, 20, 21 and 38 are in accordance with the applicable rules.

  Based on the evidence obtained through the procedures described above, we considered acceptable the fair values measurement of the financial instruments in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

- **Provisions and contingent liabilities - labor, civil and tax**
  As described in notes 3r, 4i, and 35 to the consolidated financial statements, the Bank establishes a provision for labor, civil and tax lawsuits, when these are due to past events in which the financial disbursement is probable and the amount be estimated reliably. Estimates of the outcome and the financial effect are determined by the nature of the actions and the Bank's judgment, based on the opinion of the internal and external legal advisors, based on the elements of the process, complemented by the experience of similar demands. Due to this evaluation conducted by the Bank involve relevant estimates for Provisions measurement and discloasures determination for Contingent Liabilities, we consider this area as one of the key audit matters.

  How our audit conducted this matter
  We evaluated the design and effectiveness of the relevant internal controls, and with the assistance of our information technology specialists we evaluated the general controls of information technology and automated key controls related to registration processes, process risk assessment, calculation of mass supply, Processes and closing stages. In this area, our procedures included the analysis, by sampling, of the adequacy of the measurement and recognition of provision and contingent liabilities, regarding constitutions, reversals, procedural risk of the causes of relevant matters and amounts, adequacy of the provision, as well as data and historical information. We analyze the processes conducted by outsourced lawyers hired by the Bank, based on external confirmation procedures. We also assess whether the disclosures in the consolidated financial statements described in

notes 3r, 4i and 35 are in accordance with the applicable rules and provide information on the nature, disclosure and amounts provisioned or disclosed for the main processes in which the Bank is involved.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

- **Employee benefits**
As mentioned in notes 3q, 4h and 45 to the consolidated financial statements, the Bank is a sponsor of closed supplementary pension and supplementary health entities that ensure the complementation of retirement benefits and medical assistance to its employees. Relevant part of the retirement plans of these entities are classified as defined benefit plans and the amounts arising from the Bank's sponsorship of these plans are recognized in accordance with IAS 39. The obligations of these plans are calculated with reference to a series of actuarial assumptions, including discount rate, inflation and mortality rate. Due to the judgment involved in the treatment and measurement of these assumptions and the significant impact that eventual changes would have on the consolidated financial statements, we consider that this is one key audit matters.

  How our audit conducted this matter
  We evaluated the design and implementation of the Bank's internal controls in determining the assumptions used to measure the actuarial liability, as well as the Bank's assessment of the adherence to these assumptions. With the assistance of our actuaries, we conducted a review of the reasonableness and sensitivity of the main assumptions used and reported in the actuarial reports of the relevant benefit plans, as well as the adequacy of the amounts of the actuarial liability and the database used in the calculations performed by the external actuaries. We analyzed the accounting of transactions involving retirement plans and also evaluated the adequacy of the disclosures in the consolidated financial statements, specifically the sensitivity analysis of the net amount of defined benefit liability in relation to the actuarial assumptions used and other applicable rules.

  Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of actuarial obligations in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

- **Projection of future results for the realization of assets**
The consolidated financial statements include assets related to tax credits (notes 3s, 4g and 36) and goodwill on the acquisition of a merged company (notes 3l and 29), whose realizations are supported by future estimates of future profitability In the business plan and budget prepared by the Bank. In order to prepare the projections for future results, the Bank adopts assumptions based on its corporate strategies and the macroeconomic scenario, considering current and past performance and expected growth in the market. Due to the relevance of estimates of future profitability, we consider this area as one of the key audit matters.

  How our audit conducted this matter
  We evaluated the design and implementation of the internal controls related to the Bank's process regarding the determination and approval of the assumptions used for the purpose of projecting profits for realization of assets. We analyzed, with technical support from our corporate finance specialists, the adequacy of the results projections, economic and financial evaluations that supported the purchase price of the business, evaluation of the present value of the results of the Cash Generating Units (CGUs) and Assumptions of

profitability growth. The reasonableness of the assumptions used by the Bank and whether these were consistent with the valuation methodologies commonly used in the market were evaluated. We evaluate the calculation bases in which the current tax rates are applied and the study of the realization capacity of the deferred tax assets. We also evaluate whether the disclosures made in the consolidated financial statements are in accordance with the applicable rules.

Based on the evidence obtained through the procedures described above, we consider acceptable the measurement of the recoverable amounts of the assets specified above in the context of the consolidated financial statements taken as a whole, for to the year ended in December 31, 2017.

- **Ownership interest**
  As mentioned in notes 3a, 5 and 26 to the consolidated financial statements, the Bank has equity interests in several entities and business segments, with specific investment structures, which are controlled through Corporate Governance structures. Considering that these investees are subject to different structures and regulatory requirements, the existence of transactions with related parties, the need to harmonize the different accounting practices and the interpretations and judgments involved in each investment model, this is one of the key audit matters.

  How our audit addressed this issue
  Our audit procedures included an understanding of the Bank's internal controls focused primarily on the management of its equity interests, and harmonization of accounting practices in consolidation. They also included planning and reporting the scope of our work, discussing the risks of material misstatement and sending the instructions to the auditor of the relevant investees, holding meetings with the auditor responsible for the relevant investees and evaluating the work performed.

  We evaluate the design and effectiveness of the relevant internal controls, and with the assistance of our system specialists we evaluate the general controls of information technology and automated key controls related to the consolidation process, as well as we perform tests on the process of identification, And elimination of transactions between related parties, and determination of the results of the equity method of the investees. We also evaluate whether the disclosures made in the consolidated financial statements are in accordance with the applicable rules.

  Based on the evidence obtained through the procedures described above, we consider acceptable, the accounting treatment of equity investments and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Other information accompanying the consolidated financial statements and the auditor's report
The Bank's management is responsible for such other information that comprises the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion about this report.

In connection with the audit of the consolidated financial statements, our responsibility is to read the Management Report and, in so doing, to consider whether this report is materially

inconsistent with the financial statements or with our knowledge obtained in the audit or , Otherwise it appears to be materially distorted. If, based on our work, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance that the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant material misstatements. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the said financial statements.
As part of an audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

- We identify and evaluate the risks of material misstatement in the consolidated financial statements, whether caused by fraud or error, we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve circumvention of internal controls, collusion, falsification, omission or false intentional representations.

- We obtain an understanding of the internal controls relevant to the audit to design audit procedures appropriate to the circumstances, but not, in order to express an opinion on the effectiveness of the internal controls of the Bank and its subsidiaries.

- We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.

- We conclude on the adequacy of the management's use of the accounting basis for operating continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that may raise significant doubt regarding the company's operational continuity Bank and its subsidiaries. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in the consolidated financial statements or include a change in our opinion if the

disclosures are inadequate. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank and its subsidiaries to no longer be in operational continuity.

- We evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether the consolidated financial statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

- We obtain adequate and adequate audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

- We communicate with those responsible for governance regarding, among other things, the planned scope, timing of the audit, and significant audit findings, including any significant weaknesses in the internal controls we have identified during our work.

  We also provide those responsible for governance with a statement that we have complied with the relevant ethical requirements, including the applicable requirements for independence, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, the respective safeguards.

  Of the matters that were the subject of communication with those responsible for governance, we determined those that were considered most significant in the audit of the current period's financial statements and that, in this way, are the main audit subjects. We describe these matters in our audit report unless the law or regulation has prohibited public disclosure of a matter or when, under extremely rare circumstances, we determine that the matter should not be reported in our report because the adverse consequences of such disclosure could , From a reasonable perspective, overcome the benefits of communication to the public interest.

Brasília, March 21, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Marcelo Faria Pereira
Contador CRC RJ-077911/O-2

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONSOLIDATED STATEMENTS OF INCOME

For the year ended December 31,	Note	2017	2016	2015
Interest income		139,763,614	168,039,236	182,368,871
Interest expense		(86,533,899)	(106,124,895)	(136,620,920)
Net interest income	[8]	**53,229,715**	**61,914,341**	**45,747,951**
Allowance for losses on loans to financial institutions, net of recovery	[18]	-	13,867	5,863
Allowance for losses on loans to customers, net of recovery	[24]	(22,864,367)	(28,420,155)	(23,288,968)
Net interest income after allowance for loan losses		**30,365,348**	**33,508,053**	**22,464,846**
Non-interest income		**33,943,994**	**32,190,947**	**38,037,526**
Net commissions and fee income	[9]	22,071,288	20,847,786	18,521,352
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	[10]	(427,696)	(1,957,607)	1,808,465
Net gains/(losses) from financial assets available for sale	[11]	471,874	128,063	(596,247)
Net gains from equity method investments	[26]	3,750,978	3,959,882	4,392,986
Other operating income	[12]	8,077,550	9,212,823	13,910,970
Non-interest expenses		**(48,378,881)**	**(54,808,573)**	**(50,364,868)**
Personnel expense	[13]	(20,560,025)	(22,615,509)	(21,329,593)
Administrative expenses	[14]	(10,601,093)	(10,685,388)	(10,380,962)
Contributions, fees and other taxes		(5,482,208)	(5,659,758)	(5,639,919)
Amortization of intangible assets	[29]	(2,416,403)	(2,607,135)	(2,720,550)
Labor, tax and civil lawsuits	[35]	(2,832,984)	(3,011,849)	(4,153,573)
Depreciation	[28]	(1,162,822)	(1,149,168)	(1,123,904)
Other operating expenses	[12]	(5,323,346)	(9,079,766)	(5,016,367)
Income before taxes		**15,930,461**	**10,890,427**	**10,137,504**
Income taxes	[36]	**(3,655,158)**	**(2,230,850)**	**5,660,535**
Current		(3,290,685)	(6,635,568)	(6,145,380)
Deferred		(364,473)	4,404,718	11,805,915
Net income		**12,275,303**	**8,659,577**	**15,798,039**
Attributable to shareholders of the Bank		10,628,794	7,027,281	14,069,582
Attributable to non-controlling interests		1,646,509	1,632,296	1,728,457
Earnings per share				
Earnings per share (R$) – basic and diluted		3.82	2.52	5.03
Weighted average shares outstanding – basic and diluted		2,784,905,261	2,787,552,822	2,794,842,378

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31,	2017	2016	2015
Net income	**12,275,303**	**8,659,577**	**15,798,039**
Items that are or may be subsequently reclassified to profit or loss			
Financial assets available for sale	**703,493**	**1,577,837**	**(2,076,136)**
Unrealized gains/(losses) on financial assets available for sale	1,372,158	2,045,205	(3,108,144)
Realized (gains)/losses on financial assets available for sale – reclassified to profit or loss	(471,874)	(128,063)	596,247
Tax effect	(196,791)	(339,305)	435,761
Share in other comprehensive income of associates and joint ventures	**99,525**	**97,524**	**(131,777)**
Unrealized gains/(losses) on financial assets available for sale	203,131	205,355	(251,769)
Unrealized gains/(losses) on hedge of net investments in a foreign operation	(11,142)	(16,947)	1,774
Tax effect	(92,464)	(90,884)	118,218
Foreign currency translation differences	**(323,636)**	**(868,919)**	**269**
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension plans	**3,048,369**	**(1,573,065)**	**(5,238,095)**
Remeasurement of losses related to defined benefit pension plans	5,091,650	(2,623,835)	(8,486,480)
Tax effect	(2,043,281)	1,050,770	3,248,385
Other comprehensive income net of income taxes	**3,527,751**	**(766,623)**	**(7,445,739)**
Total comprehensive income	**15,803,054**	**7,892,954**	**8,352,300**
Attributable to shareholders of the Bank	14,277,709	6,580,180	6,664,897
Attributable to non-controlling interests	1,525,345	1,312,774	1,687,403

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Cash and bank deposits	[16]	13,471,112	12,798,204
Compulsory deposits with central banks	[17]	69,081,139	63,451,094
Loans to financial institutions net of allowance	[18]	35,116,862	49,119,008
Securities purchased under resale agreements	[19]	348,186,760	371,682,685
Financial assets at fair value through profit or loss	[20]	8,453,138	7,669,398
Debt and equity instruments		7,798,219	6,056,835
Derivatives		654,919	1,612,563
Financial assets available for sale	[21]	120,214,877	104,669,675
Financial assets held to maturity	[22]	10,457,429	9,120,261
Loans to customers net of allowance	[23],[24]	585,190,941	603,856,735
Non-current assets held for sale	[25]	94,512	44,531
Investments in associates and joint ventures	[26]	20,532,053	19,641,884
Property and equipment	[28]	7,466,150	7,614,059
Intangible assets	[29]	7,615,120	8,743,714
Goodwill		591,582	591,582
Other		7,023,538	8,152,132
Tax assets		47,869,809	54,462,800
Current		8,389,350	12,289,713
Deferred	[36]	39,480,459	42,173,087
Other assets	[30]	79,325,140	74,341,638
Total		**1,353,075,042**	**1,387,215,686**
Liabilities			
Deposits of clients	[31]	426,076,603	425,315,886
Amount payable to financial institutions	[32]	24,649,124	21,276,934
Financial liabilities at fair value through profit or loss	[20]	789,887	2,234,846
Debt instruments		-	364,455
Derivatives		789,887	1,870,391
Securities sold under repurchase agreements	[33]	376,242,695	374,634,032
Liabilities from issuance of securities and other financial liabilities	[34]	337,982,290	368,350,768
Provisions for labor, tax and civil lawsuits	[35]	9,600,351	9,562,939
Tax liabilities		5,434,568	8,843,301
Current		2,365,251	5,946,803
Deferred	[36]	3,069,317	2,896,498
Other liabilities	[30]	71,061,096	86,920,287
Total		**1,251,836,614**	**1,297,138,993**
Shareholders' equity	[37]		
Share capital		67,000,000	67,000,000
Additional equity instrument		8,100,000	8,100,000
Treasury shares		(1,850,043)	(1,854,749)
Capital reserve		5,604,313	5,607,386
Profit reserves		35,280,691	27,646,569
Accumulated other comprehensive income		(13,960,404)	(17,609,319)
Unallocated retained earnings		(2,817,724)	(2,513,647)
Shareholders' equity attributable to shareholders of the Bank		**97,356,833**	**86,376,240**
Shareholders' equity attributable to non-controlling interests		3,881,595	3,700,453
Total		**101,238,428**	**90,076,693**
Total liabilities and shareholders' equity		**1,353,075,042**	**1,387,215,686**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to shareholders of the Bank												
						Accumulated other comprehensive income							
	Share capital	Additional equity instrument	Treasury shares	Capital reserve	Profit reserves	Available for sale	Defined benefit plans remeasurement	Foreign currency translation	Gains/(losses) on hedge	Unallocated retained earnings	Shareholders' equity attributable to shareholders of the Bank	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at December 31, 2015	**60,000,000**	**8,100,000**	**(1,697,380)**	**5,606,203**	**29,031,090**	**(3,090,199)**	**(13,918,187)**	**(156,613)**	**2,781**	**(1,320,444)**	**82,557,251**	**3,672,743**	**86,229,994**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,027,281**	**7,027,281**	**1,632,296**	**8,659,577**
Other comprehensive income	-	-	-	-	-	1,674,611	(1,573,065)	(538,479)	(10,168)	-	(447,101)	(319,522)	(766,623)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,674,611**	**(1,573,065)**	**(538,479)**	**(10,168)**	**7,027,281**	**6,580,180**	**1,312,774**	**7,892,954**
Capital increase – capitalization of reserves	7,000,000	-	-	-	(7,000,000)	-	-	-	-	-	-	-	-
Share-based payments	-	-	6,157	1,183	-	-	-	-	-	-	7,340	-	7,340
Other	-	-	(163,526)	-	-	-	-	-	-	12,012	(151,514)	(11,494)	(163,008)
Constitution of profit reserve	-	-	-	-	5,615,479	-	-	-	-	(5,615,479)	-	-	-
Interest on additional equity instrument (Note 37.c)	-	-	-	-	-	-	-	-	-	(262,410)	(262,410)	-	(262,410)
Distribution of interest on own capital	-	-	-	-	-	-	-	-	-	(2,354,607)	(2,354,607)	(1,266,328)	(3,620,935)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(7,242)	(7,242)
Balance at December 31, 2016	**67,000,000**	**8,100,000**	**(1,854,749)**	**5,607,386**	**27,646,569**	**(1,415,588)**	**(15,491,252)**	**(695,092)**	**(7,387)**	**(2,513,647)**	**86,376,240**	**3,700,453**	**90,076,693**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,628,794**	**10,628,794**	**1,646,509**	**12,275,303**
Other comprehensive income	-	-	-	-	-	806,800	3,048,369	(199,252)	(7,002)	-	3,648,915	(121,164)	3,527,751
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**806,800**	**3,048,369**	**(199,252)**	**(7,002)**	**10,628,794**	**14,277,709**	**1,525,345**	**15,803,054**
Share-based payments	-	-	4,706	(3,073)	-	-	-	-	-	-	1,633	-	1,633
Other	-	-	-	-	-	-	-	-	-	7,628	7,628	(45,563)	(37,935)
Constitution of profit reserve	-	-	-	-	7,634,122	-	-	-	-	(7,634,122)	-	-	-
Interest on additional equity instrument (Note 37.c)	-	-	-	-	-	-	-	-	-	(77,424)	(77,424)	-	(77,424)
Distribution of interest on own capital	-	-	-	-	-	-	-	-	-	(3,228,953)	(3,228,953)	(1,298,640)	(4,527,593)
Balance at December 31, 2017	**67,000,000**	**8,100,000**	**(1,850,043)**	**5,604,313**	**35,280,691**	**(608,788)**	**(12,442,883)**	**(894,344)**	**(14,389)**	**(2,817,724)**	**97,356,833**	**3,881,595**	**101,238,428**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,	2017	2016	2015
Operating activities			
Net income	**12,275,303**	**8,659,577**	**15,798,039**
Adjustments for:	**28,771,528**	**41,126,168**	**3,735,374**
Allowance for losses on loans to customers	27,049,679	31,965,644	26,082,477
Provision for labor, tax and civil lawsuits	2,832,984	3,011,849	4,153,573
Amortization of intangible assets	2,416,403	2,607,135	2,720,550
Depreciation	1,162,822	1,149,168	1,123,904
Deferred taxes	364,473	(4,404,718)	(11,805,915)
Adjustment of actuarial assets/liabilities	49,715	(67,600)	(1,487,004)
Net (gains)/losses of capital in other assets	19,504	90,806	7,051
Impairment of other assets	(34,693)	3,734	(29,284)
Effect of exchange rate changes on cash and cash equivalents	(36,146)	9,361,703	(4,343,112)
Net gains from disposal of property	(201,265)	(219,041)	(5,960,442)
Net (gains)/losses in foreign currency translation	(346,511)	1,835,683	(3,365,755)
Net (gains)/losses from disposal of financial assets available for sale	(471,874)	(128,063)	596,247
Net gains from equity method investments	(3,750,978)	(3,959,882)	(4,392,986)
Net (gains)/losses from disposal of investments in associates and joint ventures	-	2,347	-
Allowance for losses on loans to financial institutions	-	(13,867)	(5,863)
Other	(282,585)	(108,730)	441,933
Adjustments for net change in operating assets and liabilities	**(87,972,072)**	**(45,400,703)**	**8,535,293**
Compulsory deposits with central banks	(5,630,045)	(2,640,176)	2,413,319
Loans to financial institutions	4,086,213	2,943,197	2,210,495
Securities purchased under resale agreements	(23,202,996)	(48,066,639)	(15,159,110)
Financial assets at fair value through profit or loss	(1,741,384)	1,799,283	3,091,829
Loans to customers	(8,492,992)	37,993,472	(68,412,902)
Non-current assets held for sale	-	-	20
Other assets	(9,008,195)	(21,339,989)	(2,645,214)
Deposits of clients	760,717	2,379,101	(14,884,968)
Amounts payable to financial institutions	3,372,190	(20,538,911)	11,140,596
Financial liabilities at fair value through profit or loss	(1,080,504)	(1,418,783)	638,990
Securities sold under repurchase agreements	1,608,663	41,112,385	39,601,213
Liabilities from issuance of securities and other financial liabilities	(31,623,805)	(46,586,588)	51,035,699
Current taxes	318,811	(480,932)	473,168
Deferred taxes	2,636,805	345,216	(2,411,579)
Other liabilities	(19,975,550)	9,098,661	1,443,737
Net cash provided by (used in) operating activities	**(46,925,241)**	**4,385,042**	**28,068,706**

Continued	2017	2016	2015
Investing activities			
Acquisition of financial assets available for sale	(65,392,379)	(38,827,077)	(30,565,505)
Disposal of financial assets available for sale	61,367,698	51,825,031	29,801,581
Acquisition of financial assets held to maturity	(3,021,096)	(4,865,232)	-
Redemption of financial assets held to maturity	188,414	-	70,892
Acquisition of property and equipment	(1,199,667)	(1,501,536)	(1,400,292)
Disposal of property and equipment	26,313	111,339	47,711
Acquisiton of investments in associates and joint ventures	(275,761)		
Acquisition of intangible assets	(1,309,115)	(2,726,111)	(1,581,971)
Disposal of intangible assets	14,295	42,372	8,605
Dividends and interest on own capital received	3,219,813	2,520,093	2,344,781
Net cash provided by (used in) investing activities	**(6,381,485)**	**6,578,879**	**(1,274,198)**
Financing activities			
Repayments and extinguishments of long-term liabilities	(4,973,256)	(4,819,711)	(4,195,245)
Interest paid on additional equity instrument	(77,424)	(262,410)	(81,872)
Net effect of equity interest in associates and joint ventures	(10,713)	(7,242)	-
Net effect related to treasury stock disposal	-	-	(85,029)
Dividends and interest on own capital paid to Bank's shareholders	(1,374,862)	(2,708,471)	(6,330,861)
Dividends and interest on own capital paid to non-controlling interests	(2,463,694)	(1,266,328)	(1,653,688)
Issue of long-term liabilities	6,228,583	7,878,581	21,829,959
Net cash provided by financing activities	**(2,671,366)**	**(1,185,581)**	**9,483,264**
Net increase or decrease in cash and cash equivalents	**(55,978,092)**	**9,778,340**	**36,277,772**
Cash and cash equivalents at the beginning of the year	103,116,103	102,699,466	62,078,582
Effect of exchange rate changes on cash and cash equivalents	36,146	(9,361,703)	4,343,112
Cash and cash equivalents at the end of the year	47,174,157	103,116,103	102,699,466
Complementary information about cash flow	**44,003,478**	**39,856,713**	**53,687,354**
Interest paid	(89,298,729)	(106,136,282)	(131,002,633)
Interest received	136,340,858	152,621,273	189,311,898
Taxes paid	(3,038,651)	(6,628,278)	(4,621,911)

Accounting changes not involving cash and cash equivalents			
Assets reclassified as non-current assets held for sale	49,982	(1,437)	21,823
Loans to customers transferred to non-operating assets (Others assets)	23,331	1,382	17,124
Unpaid dividends	1,353,830	107,581	291,656

The accompanying notes are an integral part of the consolidated financial statements.

1 – THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. ("Banco do Brasil", the "Bank" or the "Group") is a publicly-traded company subject to the rules of Brazilian Corporate Law. The Brazilian Federal Government controls the Bank. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Federal District, Brazil. The Group's business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil's National Financial System.

As an agent for execution of the Brazilian Federal Government's credit and financial policies, Brazilian Law requires the Bank to perform the following functions under the supervision of the National Monetary Council (CMN):

(i) act as financial agent for the National Treasury;
(ii) provide banking services on behalf of the Federal Government and other governmental agencies;
(iii) collect voluntary deposits from financial institutions in the form of cash or equivalents;
(iv) provide clearing services for checks and other documents;
(v) buy and sell foreign currencies as determined by the CMN for the Bank's own account and for the account of the Brazilian Central Bank (Bacen);
(vi) provide receipt and payment services for Bacen, in addition to other services;
(vii) finance the purchase and development of small and medium-sized farms; and
(viii) disseminate and provide credit.

The corporate governance structure is outlined in internal policy statements. These policies provide a decision-making framework for the Bank's businesses and activities. They also outline procedures for complying with legal and regulatory requirements established by the Bank's regulators.

The Bank has a self-regulatory system for controlling trading in securities issued by the Bank and BB Seguridade. The system limits the amount of people who have information about relevant acts or facts prior to the disclosure of the information to the market. Parties subject to the self-regulatory system include:

- the controlling shareholder;
- the Bank's officers and directors;
- members of the Bank's Fiscal Council and Audit Committee; and
- anyone with a business or professional relationship with the Bank, or in a relationship of trust, who has knowledge of accounting or strategic matters or other relevant acts or facts with respect to the Bank's business.

The Bank's public disclosures are designed to meet the needs of external users and to comply with the requirements of regulatory agencies such as Bacen, Brazil's Security and Exchange Commission (CVM) and the United States Securities and Exchange Commission (SEC). The Bank follows the highest standards of corporate governance, providing information that is transparent, accurate, complete, consistent, fair and timely.

The Group's Vice President of Financial Management and Investor Relations is responsible for the disclosure of relevant acts, facts and other information to investors. Joint and several liability extends to the Bank's other officers and directors in cases of non-compliance with the information disclosure requirements.

More information about the subsidiaries is included in Note 5, while Note 7 contains a description of the Bank's business segments.

2 – PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Bank's Executive Board approved these consolidated financial statements and authorized for issuance on March 21, 2018.

b) Functional and presentation currency

The consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. Financial information is presented in thousands of Brazilian Reais (R$ thousand), unless otherwise indicated.

c) Going concern

Management believes that the Bank has sufficient funds to continue its business in the future. Management is not aware of any material uncertainty that may generate significant doubts about the capacity to continue operating. Accordingly, these consolidated financial statements have been prepared based on a going concern basis.

d) Changes in accounting policies

These consolidated financial statements were prepared using the same policies and accounting methods used to prepare the consolidated financial statements for the year ended December 31, 2016.

3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied by the Bank and its subsidiaries during all of the periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries.

Intra-group balances and transactions, and any unrealized income and expenses arising from transactions between the Bank and entities under its control, are eliminated from the consolidated financial statements. Unrealized gains or losses (to the extent that there is no evidence of impairment) arising from transactions with equity-accounted investees are eliminated against the investment in to the extent of the Bank's interest in the investee.

Non-controlling interests are presented within equity in the balance sheet, separately from the equity of the Bank's shareholders. Net income attributable to non-controlling interest is presented separately in the statement of income and statement of comprehensive income.

At the end of each reporting period, the Bank evaluates the scope of the consolidation. This analysis considers the possibility of structural changes in the relationships, including changes in the Bank's contractual arrangements.

Subsidiaries – Subsidiaries are investees under the Bank's control. The Bank controls an entity when it has power over the investee, is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Bank consolidates subsidiaries beginning on the date it obtains control over the relevant activities up to the moment it loses control.

Business combinations – The acquisition of a subsidiary through a business combination is recognized on the acquisition date (the date on which the Bank obtains control) using the acquisition method. Under this method, on the acquisition date, identifiable assets (including intangible assets not previously recognized), liabilities assumed and contingent liabilities are recognized at their fair value. A positive difference between the acquisition cost and the fair value of the identifiable net assets is recognized as goodwill. Negative differences (gains on a bargain purchase) are recognized in statement of income in the line-item other operating income.

Transaction costs incurred by the Bank as part of a business combination, except for costs related to the issuance of debt or equity securities, are recognized in the statement of income. Contingent consideration is measured at fair value on the acquisition date.

The financial statements of subsidiaries acquired during the period are included in the consolidated financial statements from the acquisition date through the end of the year. Financial statements from subsidiaries disposed of during the year are included in the consolidated financial statements from the beginning of the year through the date of disposal, or the date on which the control ceases.

Business combinations under common control – A combination between entities or businesses under common control is one in which the Bank controls all of the combining entities or businesses both before and after the business combination, and the control is not transitory.

Assets and liabilities are not restated to their fair values. Rather, the Bank recognizes assets and liabilities at their pre-combination carrying amounts.

No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

Changes of ownership interests in subsidiaries – Changes in the ownership interest of a subsidiary that do not result in loss of control are accounted for as equity transactions (i.e., transactions among owners acting in their capacity as owners). As a result, these transactions do not give rise to goodwill.

In these situations, the carrying amounts of controlling and non-controlling interests are adjusted to reflect the relative change in their interests in the subsidiary's equity. Differences in the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received are recognized in shareholders' equity and attributed to the Bank's shareholders.

Loss of control – Upon the Bank's loss of control of a subsidiary, the Bank derecognizes:

- the carrying amount of the subsidiary's assets (including goodwill) and liabilities; and
- the carrying amount of non-controlling interests in the former subsidiary, including any components of other comprehensive income attributed to these interests.

In addition, on the date control is lost, the Bank recognizes:

- the fair value of consideration received, if any, originating from the transaction, event or circumstances that gave rise to the loss of control;
- the distribution of the subsidiary's shares to the owners (if the transaction resulting in the loss of control involved a distribution of shares);
- any investment held in the former subsidiary at fair value; and
- any difference as a gain or loss attributable to the Bank's shareholders.

Structured entities (SE's) – The Bank sponsors the creation of SE's for asset securitizations, and it may or may not control the SE. Before consolidating a SE, the Bank evaluates the criteria contained in IFRS 10. The Bank consolidates a SE beginning on the date it obtains control over the relevant activities of the SE and ceases consolidating upon loss of such control.

If facts and circumstances indicate that there have been changes in one or more elements of control, as set forth in IFRS 10, the Bank reassesses the need to consolidate the SE.

Joint ventures – A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement, rather than rights to the individual assets or obligations for the individual liabilities. The Bank has joint control over an arrangement when it shares control pursuant to a contract and when decisions about relevant activities require the unanimous consent of the parties sharing control. The Bank recognizes investments in joint ventures using the equity method.

The Bank's investments in joint ventures are initially recorded at cost, and subsequently, are accounted for using the equity method. The investment is increased (or decreased) to recognize the Bank's share of the investee's profit or loss subsequent to the acquisition date. The Bank's share of the investee's profit or loss is recognized on the reporting date in the statement of income. Adjustments to the carrying amount may be required to reflect changes in the Bank's proportionate interest in the investee due to gains or losses recognized in the investee's other comprehensive income. The Bank's share of these changes is recognized in accumulated other comprehensive income in shareholders' equity.

Upon investing in a joint venture, any positive difference between the cost of the investment and the Bank's share of the net fair value in the investee's identifiable assets and liabilities is accounted for as goodwill. This goodwill is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Any excess in the Bank's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized as income in the statement of income.

If the Bank's share of losses of a joint venture equals or exceeds its investment in the joint venture, the Bank discontinues recognizing its share of future losses. If the Bank's interest is reduced to zero, it provides for additional losses and recognizes a liability to the extent that it has incurred a legal or constructive obligation or has made payments on behalf of the joint venture. Subsequently, if the joint venture reports profits, the Bank recognizes its share of the profits to the extent that they exceed the amount of previously unrecognized losses.

All of the Bank's investments in joint ventures are structured using separate legal vehicles.

Associates – An associate is an entity over which the Bank has significant influence. It means that the Bank has power to participate in the financial and operating policy decisions of the investee, but has not control or joint control over those policies. Significant influence is presumed to exist when the Bank holds 20% or more of an entity's voting capital. Even if the Bank's voting rights are less than 20%, it may still exert significant influence by participating in the associate's management or committees. The Bank considers the existence and effect of potential voting rights that are currently exercisable or convertible and material transactions between the companies when determining if it has significant influence over an entity.

The Bank's investments in associates are initially recorded at cost. Subsequently, they are accounted for using the equity method. The investment is increased (or decreased) to recognize the Bank's share of the investee's profit or loss subsequent to the acquisition date. The Bank's share of the investee's profit or loss is recognized on the reporting date in the statement of income. Adjustments to the carrying amount may be required to reflect changes in the Bank's proportionate interest in an investee due to gains or losses recognized in the investee's other comprehensive income. The Bank's share of these changes is recognized in the line-item accumulated other comprehensive income in shareholders' equity.

Upon acquisition of an investment in an associate, any positive difference between the cost of the investment and the Bank's share of the net fair value in the investee's identifiable assets and liabilities is accounted for as goodwill. This goodwill is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Any excess in the Bank's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is recognized as income in the statement of income.

If the Bank's share of losses of an associate equal or exceed its interest in the associate, it no longer recognizes its share of future losses. If the Bank's interest is reduced to zero, it provides for additional losses and recognizes a liability to the extent that it has incurred a legal or constructive obligation or has made payments on behalf of the associate. Subsequently, if the associate reports profits, the Bank recognizes its share of the profits to the extent they exceed the amount of previously unrecognized losses.

Non-monetary contributions to associates and joint ventures – When the Bank contributes non-monetary assets in exchange for an equity interest in an associate or jointly controlled entity, it recognizes a gain or loss on the transaction to the extent of the unrelated investors' interests in the associate or joint venture. No gain or loss is recognized if the contribution lacks commercial substance.

b) Offsetting assets and liabilities

The Bank only offsets assets and liabilities or income and expenses if there is a legally enforceable right to offset the amounts and offsetting better represents the substance of the transaction or other event. The Bank's accounting policy for offsetting financial assets and liabilities is described in item "j" of this Note. The Bank's accounting policy for offsetting income taxes is described in item "s" of this Note.

c) Translation of foreign currency transactions

Functional and presentation currency – These consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For most of the Group entities, the functional currency is the Real.

Transactions and balances – Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of the transactions.

Assets and liabilities denominated in foreign currencies, most of which are monetary in nature, are translated into the functional currency at the exchange rate at the reporting date. All exchange differences are recognized in profit or loss in the period in which they arise.

Translation to the presentation currency – The financial statements of foreign subsidiaries (none of which operate in a hyperinflationary economy) are translated into the Bank's presentation currency based on the following criteria:

- assets and liabilities are translated at the exchange rate at the reporting date; and
- income and expenses are translated at the average exchange rate for the period.

Foreign exchange differences arising from the translation of financial statements of foreign entities whose functional currency is the Real are recognized in profit or loss. For entities whose functional currency is not the Real, accumulated foreign exchange differences are recognized directly in shareholders' equity. Upon disposal or loss of control of the foreign subsidiary, accumulated foreign exchange differences are reclassified from other comprehensive income to profit or loss for the period. Foreign exchange differences attributable to non-controlling shareholders are recognized as part of the interests of non-controlling shareholders in the consolidated balance sheet.

d) Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis in the period they are generated or incurred. Interest income and fee and commission income are recognized when the amount, related costs and stage of completion of the underlying transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Bank. Considering the Bank's main revenue streams, these principles are applied as follows:

Net interest income – Interest income and expenses on interest-bearing assets and liabilities are recognized in profit or loss on an accrual basis. The Bank uses the effective interest rate method for its financial instruments.

The effective interest rate method is used to calculate the amortized cost of a financial asset or liability (or group of financial assets or liabilities) and to allocate interest income or expense over the instrument's life.

The effective interest rate discounts the estimated cash flows over the expected life of a financial asset or liability. It is calculated when a financial asset or liability is initially recognized. When calculating the effective interest rate, the Bank considers all of the contractual terms of a financial instrument to estimate cash flows, except for future credit losses.

The calculation includes all of the commissions, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs correspond to incremental costs directly associated with acquiring or issuing a financial asset or liability.

Interest income and expenses included in the statement of income consist mainly of:

(i) interest on financial assets and liabilities measured at amortized cost, based on the effective interest rate;
(ii) interest on financial assets at fair value through profit or loss;
(iii) interest on available-for-sale financial assets;
(iv) interest incurred on liabilities for repurchase agreements;
(v) interest incurred on liabilities from issuance of securities and other financial liabilities; and
(vi) remuneration on customer deposits, except for demand deposits.

Fees and commissions – Recognition of fee and commission income considers the purpose of the fee and whether there is a financial instrument associated with the transaction. If there is a financial instrument and the fee is part of the effective interest rate calculation, revenue is recognized as interest income (except if the financial instrument is measured at fair value through profit or loss). Fees for services provided during a specific period are recognized in that period. Fees for specific services or a significant event are recognized upon completion of the services or when the event occurs.

Income from investments in associates and joint ventures – Income from equity-accounted investments (associates and joint ventures) is recognized in proportion to the Bank's interest in the results generated by the investees.

Dividends – Dividend income is recognized when the Bank has the right to receive the income. They are included in net interest income based on the classification of the underlying equity investment.

e) Cash and cash equivalents

Cash and cash equivalents include available funds and investments readily convertible into cash, with maximum maturities of three months from the acquisition date, and subject to an insignificant change in value. In the consolidated balance sheet, cash and cash equivalents include highly liquid investments such as cash and bank deposits, interbank deposits and securities purchased under resale agreements, except for any balances that are restricted for use.

f) Financial instruments

The Bank classifies financial instruments in accordance with the nature of the instrument and the Bank's intent. All financial assets and liabilities are initially recognized on the trading date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Classification of financial assets and liabilities is determined upon initial recognition.

All financial instruments are initially measured at fair value plus associated transaction costs (except for financial assets and liabilities recorded at fair value through profit or loss).

Below is a description of the accounting policy for each category of financial instrument:

Financial assets at fair value through profit or loss – Financial instruments are classified in this category if they are held-for-trading or if they are so designated by Management upon initial recognition.

A financial asset is classified as held-for-trading if:

- it is acquired primarily to be sold in the short-term;
- upon initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking; or
- it is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments – Note 3.h).

Derivatives in this category include:

- derivatives held-for-trading, such as swaps, futures, forwards, options and other types of derivatives indexed to an interest rate, exchange rate, share price, commodity price or credit risk. Derivatives are measured at fair value and recognized as assets when the fair value is positive and as liabilities when the fair value is negative;
- derivative financial instruments that do not qualify for hedge accounting but are used to manage exposures to market risks, including interest rate, currency and credit risk; and
- derivatives contracted on behalf of clients for the sole purpose of mitigating risks related to their economic activities.

The Bank only designates a financial instrument at fair value through profit or loss upon initial recognition if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would arise from measuring assets and liabilities or recognizing the corresponding gains and losses in different ways;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and have their performances evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument has one or more embedded derivatives, which significantly modifies the cash flows that would be required by the contract.

The Bank may not transfer financial assets from this category to another category, except for non-derivative financial assets held-for-trading, which may be reclassified after initial recognition when:

- in rare circumstances, a financial instrument is no longer held-for-sale in the short-term; or
- it meets the definition of a loan and receivable and the Bank has the intent and ability to hold the financial asset for a long-term future or until maturity.

Financial instruments recorded in this category are initially recognized at fair value. Interest and dividends are recognized as interest income. Transaction costs, when incurred, are recognized in the statement of income.

Realized and unrealized gains and losses from changes in the fair value of these instruments are included in the line-item net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Embedded derivatives – Certain hybrid contracts may contain a derivative and a non-derivative component. In such cases, the derivative component is known as an embedded derivative and the non-derivative component is known as the host contract. When the risks and economic characteristics of an embedded derivative are not closely related to the risks of the host contract, and the contract is not carried at fair value through profit or loss, the embedded derivative is separated and reported at fair value. Gains and losses on the embedded derivative are recognized in net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Financial assets available-for-sale – The Bank classifies securities as available-for-sale when Management judges that they may be sold in response to or in anticipation of changes in market conditions or are not classified as:

- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit or loss.

These securities are initially recorded at fair value, which includes direct costs and incremental transaction costs. Subsequent to initial recognition, they are measured at fair value.

Unrealized gains or losses (net of taxes) are recorded in a separate component of shareholders' equity (accumulated other comprehensive income) until the security's disposal, except in the case of impairment (Note 3.i). Interest and dividends are recognized in interest income. Gains and losses realized on disposal of the securities are recognized in profit or loss in the line-item net gains/(losses) from financial assets available-for-sale.

If an available-for-sale financial asset is reclassified to the trading category, the unrealized gain or loss up to the reclassification date (recorded in accumulated other comprehensive income), is immediately recognized in profit or loss for the period.

Financial assets held-to-maturity – These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold until maturity. They are initially recorded at fair value, including incremental transaction costs. Subsequent to initial recognition they are measured at amortized cost. Interest, including premiums or discounts, is recorded in the line-item interest income from financial assets held-to-maturity.

The Bank does not classify any financial asset as held-to-maturity if it has, during the current or previous two fiscal years, sold or reclassified more than an insignificant amount of held-to-maturity investments before their maturities. Exceptions are sales or reclassifications that:

- occur so close to the financial asset's maturity or call date that changes in market interest rates would not significantly affect its fair value;
- occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- occur due to a non-recurring isolated event beyond the Bank's control that could not have been reasonably forecasted.

If the sale or reclassification of more than an insignificant amount of held-to-maturity investments does not meet any of these conditions, all remaining held-to-maturity investments must be reclassified to available-for-sale.

Loans and receivables – Loans and receivables include non-derivative financial assets with fixed or determinable payments not quoted in an active market, except for:

- those the Bank intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Bank designates as financial assets at fair value through profit or loss or available-for-sale upon initial recognition; and
- those for which the Bank may not recover substantially all of its initial investment by means other than reducing the recoverable amount of the loan (impairment).

Loans and receivables are presented in the consolidated balance sheet under the following line-items:

- compulsory deposits with central banks;
- loans to financial institutions;
- loans to customers; and
- securities purchased under resale agreements (reverse repo agreements) with maturities of more than three months.

Compulsory deposits with central banks – Compulsory deposits with central banks refer to reserve requirements on demand, time and savings deposits the Bank must hold with the central banks of the countries in which it operates. In Brazil, the National Monetary Council determines the proportion of compulsory deposits that banks are required to hold and the associated interest rates.

Compulsory deposits are initially recognized at fair value and subsequently measured, as applicable, at amortized cost. The related financial income is recognized in the line-item interest income on compulsory deposits with central banks.

Loans to financial institutions – Loans to financial institutions refer to interbank deposits with terms greater than three months and loan portfolios acquired by the Bank for which there is guarantee from the transferor. Loans to financial institutions are recognized at their principal amount, plus accrued income, which includes interest, premiums and discounts. The related financial income is recognized in the line-item interest income on loans to financial institutions.

Loans to customers – Loans to customers are financial assets with fixed or determinable payments. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate. The related financial income is recognized in the line-item interest income on loans to customers.

The carrying amount of loans to customers is reduced by an allowance account. Impairment losses (Note 3.i), which represent estimated losses incurred in the portfolio, are recognized as an expense in the line-item allowance for losses on loans to customers. When a loan (or group of similar loans) is impaired and the carrying amount is reduced through an allowance account, interest is accrued until the loan is placed on non-accrual status (generally when payment is more than 60 days past due).

The allowance is determined based on estimates that consider the occurrence of loss events, the current economic environment, other assumptions and Management's judgment (including previous loss experience with loans to customers, the existence of guarantees and assessment of customers' individual client risk).

Loans to customers on which the principal or interest has been overdue for 60 days or more are considered non-accrual loans. Accordingly, accrual of interest and other financial charges is suspended for accounting purposes. Any cash payments received, whether at the customer's discretion or as a result of judicial proceedings, are considered in the following order:

- payment of financial charges/penalties;
- payment of interest income accrued before the loan was placed on non-accrual;
- payment of interest due up to the payment date that was not accrued (as a result of being placed on non-accrual status); and
- payment of outstanding principal amounts.

This may result in interest income being recognized for some or all of a payment received on non-accrual loans. Generally, non-accrual loans are restored to accrual status when there are no principal or interest payments past due for more than 60 days and the Bank expects to receive all of the remaining principal and interest under the contract.

Reverse repurchase agreements – The Bank invests in securities subject to resale agreements, comprised mainly of securities issued by the Brazilian government. These transactions are treated as collateralized investments and are recognized at the amount of cash paid plus accrued interest. The amount paid for securities subject to resale agreements (reverse repo's), plus the interest recognized, is recorded as an asset under reverse repurchase agreements. This reflects the economic substance of the transaction as a collateralized loan granted by the Bank. The reverse repo assets are separated among those that are:

- guaranteed by securities that have not been repledged/re-sold; and
- guaranteed by securities that have been repledged/re-sold.

The Bank continuously monitors and evaluates the fair value of securities acquired under resale agreements and adjusts the amount of the collateral when appropriate.

Financial liabilities – An instrument is classified as a financial liability when there is a contractual obligation to settle it through the delivery of cash or other financial assets, regardless of its legal form. They include short and long-term debt issued. They are initially measured at fair value, which is the amount of consideration received, net of direct transaction costs. Subsequently, financial liabilities are measured at amortized cost.

Financial liabilities held-for-trading or designated by Management as financial liabilities at fair value through profit or loss are measured at fair value. These mainly consist of derivative financial instruments held-for-trading.

If an existing financial liability is exchanged for another one under substantially different terms (or the terms of the liability are substantially modified), the exchange or modification is treated as an extinguishment of the original financial liability and the recognition of a new one. The difference between the carrying amount of the extinguished liability and the consideration paid is recognized in profit or loss for the period.

The Bank considers the terms to be substantially different if the discounted present value of the cash flows under the new terms (including fees paid net of fees received), using the original effective interest rate, varies by more than 10% from the discounted present value of the original financial liability's remaining cash flows. If an exchange of financial liabilities or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining life of the modified liability.

Securities lending and securities borrowing – These transactions are generally backed by other securities or available funds. A transfer of a security to a third party is only reflected in the consolidated balance sheet if the risks and rewards of ownership are also transferred. Cash paid or received as collateral is recorded as an asset or liability.

Borrowed securities are not recognized in the consolidated balance sheet, unless they have been sold to a third party. In this case, the obligation to return the security is recognized as a financial liability held-for-trading and measured at fair value. Gains or losses are recorded in the line-item net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Repurchase agreements – The Bank raises funds by selling securities subject to repurchase agreements, comprised mainly of securities issued by the Brazilian government. These transactions are treated as collateralized financing and are recognized at the amount of cash received plus accrued interest.

Securities sold under repurchase agreements (repo's) are not derecognized, as the Bank retains substantially all of the risks and rewards of ownership. The cash received, including recognized interest, is recorded as a liability for repurchase agreements. This reflects the economic substance of the transaction as collateralized financing. The repo liabilities are separated into:

- own portfolio, representing securities not subject to resale agreements; and
- third-party portfolio, consisting of securities purchased under reverse repurchase agreements and subsequently transferred.

Short-term borrowings – Short-term borrowings refer to an additional funding source and primarily consist of financial institutions deposits, recognized in the balance sheet line-item amounts payable to financial institutions and repurchase agreements (repo's), recognized in the balance sheet line-item securities sold under repurchase agreements. They represent borrowings that generally have maturities up to one year.

Determination of fair value – Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. This considers the principal market, or in its absence, the most advantageous market, to which the Bank has access.

On the reporting date, the fair values of financial instruments traded in an active market are based on quoted market prices (sales prices for long positions and purchase prices for short positions), with no reduction for transaction costs. A market is considered active if the asset or liability is traded with sufficient frequency and volume to provide pricing information on a continuous basis.

If there is no quoted market price for a financial instrument, the Bank estimates fair value using valuation methods that incorporate the maximum possible number of observable inputs and least possible number of unobservable inputs. The valuation methods incorporate all of the factors market participants would consider in pricing the instrument, including assumptions about risk. The Bank uses valuation methods which include the discounted cash flow method, comparisons to similar financial instruments traded in a market containing observable prices, option pricing models, credit models and other widely used methods.

When necessary, the model-generated values are adjusted to reflect differences between purchase and sales prices, the cost to settle the position, counterparty credit risk and the position's liquidity. Adjustments may also be made to compensate for the theoretical limitations of certain models.

Internal pricing models may require Management to make estimates and use its judgment. The extent of these estimates and judgments depends on, among other factors, the complexity of the financial instrument.

The methods used by the Bank to calculate the fair value of financial instruments are described in Note 38.

g) Derecognition of financial assets and liabilities

Financial assets – A financial asset is derecognized when:

- the contractual rights to its cash flows expire;
- the Bank transfers substantially all of the risks and rewards of ownership to a third party; or
- the Bank transfers control of the asset, even if it retains a portion of the risks and rewards associated with the transaction.

When appropriate, the Bank recognizes rights and obligations retained in a transfer as separate assets and liabilities. The Bank continues to recognize the asset if control is retained, to the extent of its continuing involvement. This is determined by the extent to which it remains exposed to changes in the value of the transferred asset.

Financial liabilities – A financial liability is derecognized when the underlying obligation is eliminated, cancelled or expires. If an existing financial liability is exchanged for another liability with substantially different terms (or the terms of an existing financial liability are substantially modified), the transaction is treated as an extinguishment of the original liability and the recognition of a new financial liability. Any difference in the carrying amounts is recognized in profit or loss.

h) Hedge Accounting

The Bank uses derivatives to manage exposures to interest rates, foreign exchange variation and credit risk, including exposures created by forecasted transactions and firm commitments. In managing these risks, the Bank applies hedge accounting to certain transactions if they meet specific criteria.

The Bank designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedged item(s) and the hedging instrument(s). This includes the risk management objective and strategy of the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At inception of the hedge and on an ongoing basis, the Bank assesses whether the hedging instrument (or instruments) is expected to be highly effective in offsetting changes in the fair value or cash flows of the hedged item (or items) over the life of the hedge and if the actual results of the hedge fall within a range of 80-125% effectiveness. When the hedged item is a forecasted transaction, the Bank determines if it is highly probable and if it presents an exposure to variations in cash flows that could affect profit or loss.

Fair value hedge – For designated and qualifying fair value hedges, the change in fair value of a derivative designated as a hedging instrument is recognized in the statement of income in the line-item net gains/(losses) on financial assets/liabilities at fair value through profit or loss. The change in the hedged item's fair value attributable to the hedged risk is recognized as part of the item's carrying amount and is presented in the same account in the statement of income. The fair value of hedging instruments is presented in the balance sheet in the line-item financial assets or liabilities at fair value through profit or loss.

Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for fair value hedge accounting or the hedge designation is revoked. However, if both parties renegotiate the derivative with a central counterparty for legal or regulatory purposes, with no changes in the terms except for those required to substitute the instrument, the derivative is not considered to have expired or terminated.

Adjustments to a hedged item prior to discontinuation of the hedge, for which the effective interest method is used, are amortized to profit or loss over the hedged item's remaining life based on the recalculated effective interest rate.

The Bank uses derivative financial instruments (futures, swaps and options) designated as fair value hedges to protect against market risk. The derivatives designated as market risk hedges are further described in Note 39.

Cash flow hedges – For designated and qualifying cash flow hedges, the effective part of the gain or loss on the hedging instrument is initially recognized as a separate component of shareholders' equity, in accumulated other comprehensive income. The non-effective portion of the gain or loss on the hedging instrument is recognized in the statement of income. The amount recognized in other comprehensive income is reclassified to profit or loss in the same period in which the hedged cash flows affect profit or loss, using the same line-item in the statement of income and other comprehensive income.

Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for cash flow value hedge accounting or the hedge designation is revoked. However, if both parties renegotiate the derivative with a central counterparty for legal or regulatory purposes, with no changes in the terms except for those required to substitute the instrument, the derivative is not considered to have expired or terminated.

The Bank has no derivative financial instruments designated as qualified cash flow hedges.

Hedge of net investment in foreign operations – Accounting for this type of hedge, including hedges of monetary items recorded as part of the net investment, is similar to the accounting for cash flow hedges. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognized in the line-item accumulated other comprehensive income in shareholders' equity. Gains or losses related to the ineffective portion of the hedge are recognized in the statement of income. Upon disposal of the foreign operation, amounts recognized in other comprehensive income are reclassified to statement of income.

Derivatives not qualifying for hedge accounting – Derivatives entered into as economic hedges that do not qualify for hedge accounting are classified as derivative contracts at fair value through profit or loss (Note 3.f). Derivative financial instruments in this category are used mainly to protect against interest rate and foreign exchange risks and include futures, swaps, options and forward contracts.

i) Impairment of financial assets

At each reporting date, the Bank evaluates whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset is impaired if:

- there is objective evidence of a reduction in the recoverable amount as a result of one or more events occurring after initial recognition of the asset;
- the loss event has an impact on the estimated cash flows of the financial asset; and
- the amount of the loss can be reasonably estimated.

Expected losses due to future events, no matter how likely, are not recognized.

Objective evidence that a financial asset is impaired includes the following indicators:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, including delinquency or delay in payment of interest or principal;
(iii) the Bank, for economic or legal reasons related to the financial difficulty of the borrower, grants the borrower a concession it would otherwise not have made;
(iv) it is likely that the borrower will file for bankruptcy or undergo financial reorganization;
(v) the disappearance of an active market for this financial asset due to financial difficulties;
(vi) observable data indicating that, subsequent to the initial recognition of a group of financial assets, there is a measurable reduction in the estimated future cash flows of the assets, and the reduction cannot yet be assigned to the individual financial assets within the group. This can include changes in the payment situation of borrowers in the group or national or local economic conditions that cause an increase in defaults among the assets in the group.

In some cases, observable data required to estimate an impairment loss on a financial asset may be limited or outdated. In such cases, Management uses its judgment to estimate the amount of the impairment loss. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

The financial assets subject to impairment testing are as follows:

Loans to customers – In evaluating impairment on loans to customers, the Bank determines if there is objective evidence of a loss. All loans are classified as either having recoverability problems (impaired) or non-impaired.

Impaired loans are divided into two groups based on their size:

- individually significant impaired loans, which are evaluated individually; and
- individually insignificant impaired loans, which are evaluated collectively.

The Bank has a multi-layered approvals process for significant loans. In determining a loan's significance for purposes of impairment testing, the Bank uses the same cut-offs that is used to approve new loans to clients. In addition to the factors mentioned above, Management also evaluates the following factors to determine if a loss event on an individually evaluated loan may occur:

- economic, financial and legal situation of the counterparty;
- risks the Bank retains in relation to the counterparty's operations;
- the counterparty's past business relationships with the Bank; and
- credit-related guarantees.

At each reporting date, the Bank uses these criteria to determine if an individually evaluated financial asset is impaired. The information obtained is also used to classify the transaction as high, medium or low risk.

If a loss event is identified in relation to a specific transaction with a counterparty, all other loans with that counterparty are also considered to have evidence of loss.

The Bank identifies customers with material loss events and their loans are individually evaluated. If the customer filed for bankruptcy or judicial recovery (or the Bank reasonably believes the customer may do), its entire outstanding loan balance is impaired. The same policy is applied to loans to customers on public delinquency lists (including those maintained by Brazilian credit bureaus such as Serasa Experian and SPC Brasil) and customers that have had other loans written off.

No impairment loss is recognized if the fair value of a loan's collateral is sufficient to cover 100% of the outstanding loan balance. In these cases, the Bank can recover the outstanding loan balance by collecting and selling the collateral.

For uncollateralized loans, the Bank evaluates customer behavior, including its general credit history and the customer's history with the Bank.

If loans evaluated individually are determined not to be impaired, they are included in a group of assets with similar credit risk characteristics and evaluated collectively for impairment. If a previous individually evaluated loan has already considered impaired, it is not included for collective evaluation.

Loans classified as individually insignificant are evaluated collectively for impairment based on the historic loss rate of the portfolio. For loans with an unlapsed period of up to thirty-six months ("short-term"), the historic loss rate is based on monthly losses as from the thirteenth month prior to the reporting date. For loans with an unlapsed period of more than thirty-six months ("long-term"), a nineteenth prior month period is used.

The short-term monthly historic loss rate is based on a twelve-month migration analysis of performing loans to loss buckets. The long-term monthly historic loss rate is calculated in a similar manner, except a period of eighteen months is used.

For collective impairment evaluation, the Bank calculates the monthly historic loss rate by groups of similar products and types of loans. This considers the internal risk classification of the loans and types of clients grouped according to the Bank's risk analysis methodology and defined credit limits.

Individual and collective impairment is recognized as an expense in the line-item allowance for losses on loans to customers, net of recovery, against the allowance account for the related financial asset in the balance sheet. The amounts recognized in the allowance account represent Management's best estimates of losses incurred in the portfolio. The allowance is based on estimates that consider the occurrence of a loss event, current economic scenario and other assumptions and judgments made by Management.

Impairment losses are reversed when the amount of a previously recognized impairment loss decreases and the decrease relates to an event that occurred after the impairment loss was initially recognized. The reversal of impairment losses is recognized in profit or loss for the period, reducing the allowance account.

Loans to customers are written-off against the allowance account when they are considered uncollectible or permanently impaired. The Bank generally writes-off loans when no payment is received within 360 days following the due date, or within 540 days for loans with an original maturity of more than 36 months. Recoveries on loans previously written-off are recognized in profit or loss in the line-item allowance for losses on loans to customers, net of recovery.

As of December 31, 2017 and 2016, Management considers the allowance reasonable to cover losses incurred in the Bank's portfolio of loans to customers.

Renegotiated loans – The bank seeks to restructure debt as opposed to taking possession of collateral. This may include extending payment terms and agreeing to new terms so that the loan will no longer be considered in arrears. Management monitors renegotiated loans to ensure that the new terms are being met and that the future payments are likely to occur. Renegotiated loans remain subject to individual or collective impairment testing.

In most cases, renegotiated loans are removed from non-performing and non-accrual status if at least one payment is made under the renegotiated terms. Renegotiated loans are placed back on non-performing and non-accrual status when they reach 60 days past due under the renegotiated terms.

Financial assets available-for-sale – On each reporting date, the Bank determines if there is objective evidence that an available-for-sale financial asset is impaired.

To determine if an available-for-sale financial asset is impaired, the Bank considers the likelihood that it will be able to recover the entire value of the asset by evaluating the following factors:

- duration and magnitude of the decline in the asset's value below its carrying amount;
- historical fluctuations in the asset's value and its experience recovering similar assets; and
- likelihood of not receiving the asset's principal and interest due to difficulties with the counterparty, including the counterparty's filing for bankruptcy or chapter 11 protection, deterioration in its credit risk rating and other financial problems (whether or not associated with market conditions in the counterparty's industry).

When objective evidence of impairment exists, the decline in the fair value of an available-for-sale financial asset previously recognized in other comprehensive income is reclassified from shareholders' equity to profit or loss for the period (even when the financial asset is not written off).

The accumulated loss reclassified to profit or loss for the period is recognized in net gains/(losses) from financial assets available-for-sale. The reclassification is calculated as the difference between the carrying amount of the impaired asset and its fair value on the valuation date, less the amount of any impairment losses already recognized in profit or loss.

If an impaired available-for-sale debt security's fair value subsequently increases, and the increase relates to an event that occurred after recognition of the impairment loss, the impairment loss is reversed through profit or loss. Otherwise, it is reversed through other comprehensive income. Reversals of impairment losses on equity instruments classified as available-for-sale are recognized in shareholders' equity.

Financial assets held-to-maturity – When there is objective evidence of impairment on a financial asset held-to-maturity, the Bank recognizes a loss equal to the difference between the carrying amount of the asset and the present value of its estimated cash flows, and the asset is presented net of the impairment loss. If the impairment loss decreases in a subsequent period, and the decrease relates to an event that occurred after the impairment loss was recognized, the impairment loss is reversed through profit or loss for the period.

j) Offsetting financial instruments

Financial assets and liabilities are only presented net if there is a legally enforceable right to offset the amounts and there is intent to settle on a net basis or to realize an asset and settle a liability simultaneously. In all other situations, financial assets and liabilities are separately presented.

k) Property and equipment

Property and equipment (including leasehold improvements), is recognized at acquisition cost less accumulated depreciation and impairment. Property and equipment includes inflation adjustments calculated up to June 30, 1997, the date on which Brazil was no longer considered a hyperinflationary economy.

Depreciation expense is calculated using the straight-line method, which systematically allocates the depreciable amount of property, plant and equipment over its estimated useful life. Land is not depreciated. The Bank estimated the following useful lives for its property and equipment in 2017, 2016 and 2015:

	Estimated useful life
Buildings[1]	From 10 to 55 years
Furniture and equipment	10 years
Leasehold improvements	From 5 to 10 years
Data processing equipment	5 years
Vehicles	5 years
Other	From 5 to 10 years

(1) For depreciation of owned buildings, the Bank considers the useful life of the various components of a building.

The Bank derecognizes property and equipment when it no longer expects to realize future economic benefits from its continued use or through disposal. Gains or losses on disposal are recognized in other operating income in the period in which the asset is disposed of, impacting profit or loss for the period.

l) Goodwill and other intangible assets

Goodwill on the acquisition of equity investments is calculated based on the fair value of the acquired company's assets and liabilities on the acquisition date. Goodwill is not amortized. It is tested at least annually for impairment. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

The Bank recognizes intangible assets separately from goodwill when they are separable or arise from contractual or other legal rights, the fair value can be reliably estimated and it is probable that future economic benefits will flow to the Bank. The cost of an intangible asset acquired in a business combination is its fair value on the acquisition date. Separately acquired intangible assets are initially recognized at cost.

The useful life of an intangible asset is considered either finite or indefinite. Intangible assets with finite useful lives are amortized over their estimated economic lives and presented at cost, less accumulated amortization and impairment. Intangible assets with indefinite useful lives are not amortized and are presented at cost, less impairment.

Costs related to the acquisition, production and development of software are capitalized and recognized as intangible assets. Costs incurred during the research phase are recognized as an expense. Capitalized personnel costs include salaries, social security costs and benefits paid to employees directly involved in the software development.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The amortization period and method is reviewed at least annually. If there is a change in the expected useful life, the amortization period is modified. If there is a change in the expected pattern of realization of future economic benefits associated with an asset, the amortization method is adjusted to reflect this pattern. These types of changes are accounted for as changes in accounting estimates.

Amortization expense on intangible assets with finite useful lives is recognized in profit or loss for the period in the line-item amortization of intangible assets. Impairment losses are recorded as an adjustment to the recoverable amount under the line-item other expenses in the statement of income.

Amortization is calculated using the straight-line method, which allocates the depreciable amount of intangible assets internally generated and acquired, over their useful lives. The Bank estimated the following useful lives for its intangible assets in 2017, 2016 and 2015:

Estimated useful life	Internally generated	Acquired
Software	From 5 to 10 years	From 5 to 10 years
Rights due to payroll management	-	From 5 to 10 years
Related to customers, acquired in business combinations	-	From 2 to 10 years
Related to contracts, acquired in business combinations	-	From 3 to 10 years
Other[1]	-	5 years

(1) Mainly includes brands acquired in business combinations.

m) Non-operating assets

Non-operating assets consist mainly of assets received by the Bank in settlement of loans to customers. They are recognized in the line-item other assets when the collateral is effectively realized or physical possession is obtained, regardless of the status of the foreclosure proceedings.

Non-operating assets are initially recognized at the lower of:

- fair value less estimated selling costs; or
- the carrying amount of the related loan.

Subsequently, they are recorded at the lower of cost or fair value less selling costs. Non-operating assets are not depreciated.

When a non-operating asset meets the criteria for disposal, it is reclassified to the line-item non-current assets held-for-sale.

IFRS 13 describes the fair value measurement of assets qualifying as non-current assets held-for-sale as a non-recurring evaluation, since it is only performed when the fair value less selling costs of a non-current asset held-for-sale is lower than its net carrying amount.

Note 25 includes more information about non-operating assets classified as held-for-sale.

Net gains or losses on the sale of non-operating assets are recognized in the line-item other operating income.

n) Impairment of non-financial assets

At each reporting date, the Bank determines if there is any indication that a non-financial asset may be impaired. This evaluation is based on internal and external sources of information. If there are indications of impairment, the Bank estimates the asset's recoverable amount, which is the higher of its fair value less selling costs or its value in use.

Regardless of whether there are indications of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives (including goodwill acquired in business combinations and intangible assets not yet available for use). The Bank performs these tests at the same time every year.

With respect to investments in associates and joint ventures, the Bank applies IAS 39 to determine if an additional impairment loss should be recognized on the net investment (Note 3.i).

Since goodwill is included in the carrying amount of investments in associates and joint ventures, and not recognized separately, it is not separately tested for impairment under IAS 36. Rather, if the application of IAS 39 indicates that the investment may be impaired, the investment's entire carrying amount is tested for impairment under IAS 36 as a single asset. This is done by comparing the investment's recoverable amount to its carrying amount. Impairment losses recognized in these circumstances are not allocated to specific assets included in the carrying amount of the investment in the associate or joint venture, including goodwill.

If the recoverable amount of an asset falls below the carrying amount, the asset's carrying amount is reduced to its recoverable amount. The impairment loss is recognized in profit or loss in the period in which it occurs, in the line-item other operating expenses.

At each reporting date, the Bank also determines if there is indication that an impairment loss recognized on an asset in a previous period may no longer exists or have decreased (except for goodwill). The Bank estimates the recoverable amount of assets for which there is indication of impairment. Reversal of an impairment loss is recognized in the statement of income for the period as a reduction of the line-item other operating expenses.

The primary categories of non-financial assets subject to impairment testing are described below:

Property and equipment

Land and buildings – The Bank relies on technical evaluations prepared in accordance with the standards of the ABNT (Brazilian Association of Technical Standards) to determine the recoverable amount of land and buildings. The ABNT establishes general concepts, methods and procedures for the valuation of urban properties.

Data processing equipment – When available, the Bank uses market values to determine the recoverable amount of data processing equipment. When market values are not readily available, the Bank considers the amount recoverable by using the asset in its operations. Recoverable amount is calculated based on cash flow projections for the asset over its useful life, discounted to present value using the CDI (interbank deposit certificate) rate.

Other items of property and equipment – These items are individually insignificant. Although subject to evaluation of impairment indicators, the Bank does not determine their recoverable amount on an individual basis due to cost benefit considerations. The Bank conducts annual inventory counts and writes off assets that are lost or showing signs of deterioration.

Investments in associates and joint ventures

The recoverable amount of investments in associates and joint ventures (including goodwill that forms part of the carrying amount of the investment), is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under Capital Asset Pricing Model – CAPM.

Goodwill arising from business combinations

The recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under CAPM.

This methodology, particularly with respect to goodwill on the Bank's acquisition of Banco Nossa Caixa in November 2009, involves comparing the portion of the purchase price attributable to goodwill to the Bank's projected results in the state of São Paulo, less net assets with finite useful lives. These projections are based on Banco do Brasil's historic results adjusted for current assumptions about earnings growth. The discount rate reflects the Bank's cost of capital.

Other intangible assets

Rights due to the acquisition of payrolls – The recoverability of acquired payroll contracts is determined based on the contribution margin of the client relationships generated under each contract. The objective is to determine if the projections that justified the initial acquisition correspond to actual performance. An impairment loss is recognized on underperforming contracts.

Software – The Bank continuously invests in the modernization and adequacy of its internally developed software to accompany new technologies and meet the demands of the business. Since there is no similar software in the market, and because of the significant cost associated with developing models to calculate value in use, the Bank evaluates the ongoing utility of its software to test for impairment. Any software not being used is written off.

Acquired through business combinations – At each reporting date, the Bank evaluates intangible assets acquired in business combinations (mainly brands and rights related to clients and contracts) to determine if there are indicators of impairment. If there are indicators, the Bank estimates the recoverable amount of the assets. The recoverable amount is calculated by determining the present value of the intangible asset's estimated cash flows using a discount rate that reflects current market conditions and specific risks associated with the asset.

Other assets

Non-operating assets – These assets are tested for impairment semi-annually regardless of whether or not there are indicators of impairment. The Bank obtains market values from appraisal reports prepared in accordance with the standards of the ABNT.

o) Leases

Bank as lessor – Assets leased to customers under agreements that transfer substantially all of the risks and rewards of ownership are classified as finance leases, regardless of whether or not legal title is transferred. In finance leases, the leased asset is not recognized. Rather, a loan to customers is recognized at an amount equal to the present value of the minimum lease payments, plus the residual value, discounted using the interest rate implicit in the lease. Income from finance leases is recognized over the lease term based on the return on the net investment.

Assets leased to customers under agreements that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases. Generally, the leased asset is recorded in the line-item property and equipment, and depreciation is based on the Bank's policy for similar assets. Income from operating leases is recognized over the term of the lease using the straight-line method in the line-item other operating income. Initial direct costs of originating an operating lease are added to the carrying value of the leased asset and recognized as an expense over the lease term on the same basis as the associated lease income.

Bank as lessee – Assets obtained under finance leases are initially recorded at the lower of the leased asset's fair value or the present value of the minimum lease payments. The corresponding liability is recorded in the consolidated balance sheet as a long-term obligation. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine. If not, the Bank uses its incremental borrowing rate. Contingent rentals are recognized as an expense in the periods in which they are incurred.

Rental payments under operating leases are recognized on a straight-line basis as an expense over the lease term, beginning when the Bank assumes control over the physical use of the asset. Lease incentives are treated as a reduction of lease expense and are also recognized over the term of the lease on a straight-line basis. Contingent rentals under operating leases are recognized as an expense in the period in which they are incurred.

Sale and leaseback transactions – If a sale and leaseback transaction results in a finance lease, the excess of sales proceeds over the asset's carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, profit or loss is determined as the difference between the sales price and fair value. If the sales price is below fair value, profit or loss is recognized immediately. If the sales price is above fair value, the excess is deferred and amortized over the period during which the asset is expected to be used.

p) Financial guarantees provided

The Bank provides financial guarantees to third parties covering loan agreements with clients. Issuers of financial guarantee contracts are required to make payments to a creditor on behalf of a third-party debtor when the debtor misses payments under the terms of the debt instrument.

When a financial guarantee is granted, a liability is recognized for the fair value of the premium received under the contract. This amount is recorded as income over the life of the contract. Subsequent to initial recognition, the liability is measured at the higher of the amount recognized initially, less amortization, and the Bank's best estimate of its financial obligation under the contract. Impairment losses on financial guarantee contracts are recognized in the line-item other liabilities.

q) Employee benefits

Short-term benefits – Expenses relating to short-term employee benefits are recognized on an accrual basis in the period in which the employee renders the services.

Post-employment benefit plans – In defined contribution plans, the participants bear the actuarial and investment risk. Measurement of the obligation and expense does not require an actuarial valuation. Expenses are recognized in profit or loss in the period in which the employees provide the related services as contributions fall due.

In defined benefit plans, the sponsoring entity bears the actuarial and investment risk either partially or fully. This requires the use of actuarial assumptions to measure the obligation and expense and the recognition of actuarial gains or losses, as applicable. The Bank recognizes a liability if the present value of the actuarial liabilities is higher than the fair value of the plan's assets. It recognizes an asset if the fair value of the plan's assets is higher than the present value of the obligations under the plan, as long as there is evidence that the asset will reduce the Bank's contributions or be reimbursable in the future.

The Bank recognizes actuarial gains/losses in the period in which the actuarial calculation is performed, as follows:

- current service cost and net interest on the net liability (asset) is recognized in other operating expenses (income); and
- remeasurements in the net liability (asset) are recognized in other comprehensive income in shareholders' equity.

In some cases, the Bank must continue to contribute to a health care plan after an employee retires. In this case, the Bank's obligation is measured as the present value of expected contributions over the period in which the participant and his/her beneficiaries will be covered by the plan. These obligations are measured using the same criteria as defined benefit plans.

Actuarial assets recognized in the balance sheet consist of actuarial gains. The asset must be realizable prior to the end of the plan, with partial realization possible based on the fulfillment of certain legal obligations.

r) Provisions, contingent liabilities, contingent assets and legal liabilities

The Bank recognizes a provision when:

- the Bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the obligation can be reasonably estimated.

The Bank recognizes provisions based on its best estimate of the probable losses.

The Bank continually monitors lawsuits in progress to evaluate, among other factors:

- the nature and complexity;
- the progress of the proceedings;
- the opinion of the Bank's lawyers; and
- the Bank's experience with similar proceedings.

In determining whether a loss is probable, the Bank considers:

- the likelihood of loss resulting from claims that occurred prior to or on the reporting date that were identified after that date but prior to issuance of the financial statements; and
- the need to disclose claims or events occurring after the reporting date but prior to the issuance of the financial statements.

Contingent assets are only recognized in the financial statements if the Bank considers the realization of income to be virtually certain. Contingent assets are continually monitored to ensure that the assets and proceeds are appropriately reflected in the financial statements.

The Bank recognizes tax liabilities for taxes that are the object of legal discussions regarding their constitutionality. In these cases, the Bank recognizes an obligation to the government and a judicial deposit in the same amount, however, no payment is made until the Courts reach a final decision. These tax liabilities are generally offset against the related judicial deposits and recognized in the line-item other assets.

s) Income taxes

As a financial institution in Brazil, the Bank is subject to income and social contribution taxes (known as IRPJ and CSLL). Taxpayers owe income tax to the state when a tax-generating event occurs. Taxes are calculated by using the applicable rate to the tax calculation basis.

Income tax is calculated at a rate of 15%, plus a 10% surcharge. Considering the adjustments determined by the tax legislation, social contribution is calculated at a rate of 20% for financial institutions, insurance companies and credit card administrators (the rate has increased from 15% to 20% according to Law 13,169. This law came into force on October 6, 2015 and it is applicable for the period from September 1, 2015 to December 31, 2018). For non-financial entities, the social contribution tax rate is 9%.

Income tax consists of current and deferred taxes and is recognized in profit or loss, except when it relates to items recognized directly in shareholders' equity under accumulated other comprehensive income. Taxes initially recorded in shareholders' equity are recognized in the statement of income when the associated gains and losses are realized.

Current taxes – Current tax expense is the amount of income tax and social contribution payable or recoverable based on taxable income for the period.

Current tax assets represent income and social contribution taxes recoverable in the next 12 months. Unpaid taxes that relate to current and prior periods are recognized as current tax liabilities. If the amount of taxes paid for current and prior periods exceeds the amount owed for those periods, the excess is recognized as an asset.

Current tax assets and liabilities are measured at the amount expected to be recovered or paid. The amounts are calculated based on the tax rates and tax laws in effect on the reporting date.

Deferred taxes – These amounts represent tax assets to be recovered and tax liabilities payable in future periods. Deferred tax liabilities originate from taxable temporary differences. Deferred tax assets originate from deductible temporary differences and unused tax loss carryforwards.

Deferred tax assets from income tax and social contribution losses and temporary differences are only recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be deducted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period. If it becomes probable that sufficient taxable income will not be available for use of either a portion or all of the deferred tax assets, the Bank reduces the amount of the asset. When it becomes probable that sufficient taxable income will be available, the reduction is reversed.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year in which the asset will be realized or the liability settled. These rates are based on tax rates (or tax law) that are effective on the reporting date.

Temporary differences – Temporary differences impact or may impact the calculation of income tax and social contribution arising from a difference between the tax basis of an asset or liability and its carrying amount in the balance sheet.

Temporary differences can be either taxable or deductible. Taxable temporary differences are temporary differences that will result in taxable amounts when determining the taxable income or tax losses of future periods, at the time the carrying amount of an asset is recovered or liability settled. Deductible temporary differences are temporary differences that will result in deductible amounts when determining the taxable income or tax losses of future periods, at the time the carrying amount of an asset is recovered or liability settled.

The tax basis of an asset is the amount that will be deductible for tax purposes against the taxable economic benefits that flow to the entity when it recovers the carrying amount of the asset. If no economic benefit is available, the tax basis of the asset equals its carrying amount.

The tax basis of a liability is its carrying amount less related deductible amounts for tax purposes in future periods. In the case of revenue received in advance, the tax basis of the liability is the carrying amount less revenue that will not be taxable in future periods.

Offsetting income taxes

The Bank offsets current tax assets and liabilities if, and only if:

- it has the legal right to offset the amounts; and
- it intends to settle on a net basis or simultaneously realize the asset and settle the liability.

The Bank offsets deferred tax assets and liabilities if, and only if:

- it has the legal right to offset current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to income taxes owed to the same tax authority by the same taxable entity, or different taxable entities if they intend to settle a current tax liability and asset on a net basis or simultaneously realize the asset and settle the liability, in each future period in which significant deferred tax assets or liabilities are expected to be settled or recovered.

t) Segment reporting

Financial information relating to operating segments is consistent with the internal reports used by the Chief Operating Decision Maker for allocating resources and assessing the Bank's performance. Detailed disclosure of results by segment is presented in Note 7.

u) Earnings per share

Two different methods are used to calculate earnings per share:

- basic earnings per share: calculated by dividing net income attributable to the Bank's shareholders by the weighted average number of common shares outstanding during each of the periods presented; and
- diluted earnings per share: calculated in a similar manner, except that the weighted average number of shares is adjusted to reflect potential common shares resulting from the conversion of outstanding convertible securities. The effect of dilution is to reduce earnings per share by assuming exercise of the outstanding convertible securities.

v) Interest on own capital and dividends

Brazilian companies can make a tax deductible nominal interest payment on own capital. Interest on own capital is considered a dividend and presented in the consolidated financial statements as a reduction of shareholders' equity. The corresponding tax benefit is recognized in profit or loss.

The Bank calculates dividends based on net income determined in accordance with accounting practices adopted in Brazil for financial institutions. The dividends are adjusted for accrued interest using the SELIC rate (basic interest rate in Brazil) from the reporting date up to the date on which the dividends are paid.

In accordance with the Bank's Bylaws, at the beginning of each year, the Board of Directors determines the percentage of net income that will be distributed to shareholders in the form of dividends and interest on own capital. The Bank's current policy is to distribute dividends and interest on own capital at a rate of 25% of net income on a quarterly basis. Dividends and interest on own capital are recognized as a liability and deducted from shareholders' equity upon approval by the Board of Directors.

w) Standards yet to be adopted

A summary of certain amendments, interpretations and standards recently issued by the IASB, that will become effective after December 31, 2017, are presented below:

IFRS 9 – Financial Instruments – In July 2014, the IASB issued IFRS 9 as the first standard published as part of a larger project to replace IAS 39. The replacement project was divided into three main phases: (i) classification and measurement of financial assets and liabilities; (ii) impairment; and (iii) hedge accounting.

(i) classification and measurement of financial assets and liabilities

IFRS 9 establishes the measurement of financial assets by three main categories: (i) amortized cost; (ii) fair value through profit or loss and (iii) fair value through other comprehensive income. Classification and measurement depend on the entity's business model and contractual terms of the financial asset's cash flows.

Amortized cost: An asset is measured in this category when contractual cash flows represents solely payments of principal and interest (SPPI) and Administration intends to hold the asset on a business model only to collect the contractual cash flows.

Fair value through profit or loss: An asset is measured in this category when contractual cash flows does not represent SPPI or when Administration intends to hold the asset on a business model only to sell.

Fair value through other comprehensive income: An asset is measured in this category when contractual cash flows represents SPPI and Administration intends to hold the asset on business models either to sell and to collect the contractual cash flows.

Pre transition

The Bank analyzed the financial products (loans in essence) offered to its clients (individual and corporate), to identify the contractual characteristics of cash flows, beyond to the Management objective (business model) on these products. Management intends to hold these assets to collect contractual cash flows, i.e, they will continue to be measured at amortized cost. Other financial assets acquired by the Bank have several purposes, based on the needs of the banking activity. These products include interbank applications, funds, securities, foreign currency, repo operations, among others. These products were analyzed, both in relation to the contractual characteristics of the cash flows, and the Management's objective in relation to these assets. The new classification and measurement will be carried out in accordance with these analyzes.

Based on its preliminary assessment, the Bank does not expect material impact on the measurement of its financial assets by the adoption of theses new requirements. The categories that are measured at amortized cost in accordance to IAS 39 (financial assets held to maturity and loans / receivables) will substantially continue to be measured in this way. Also for the categories that are measured at fair value through profit or loss (held for trading) and at fair value through other comprehensive income (available for sale).

In relation to the classification of these assets, the financial statements should be adapted in order to apply IFRS 9's requirements about asset classification (amortized cost, fair value through profit or loss and fair value through other comprehensive income).

(ii) impairment

Another change relates to the recognition of impairment on all debt-type financial assets that are not measured at fair value through profit or loss. According to the new requirements, impairment losses should be calculated on an expected credit loss model, instead of the current incurred credit loss model.

Pre transition

IFRS 9's new requirements aim to improve calculation of impairment by replacing models based on incurred losses, which has been losing its efficiency in increasingly unstable global economic environment. The new rules of IFRS 9 are based on the premise of providing for expected losses, thus, all operations may have impairment losses since their origin, and further followed as their credit risk changes.

The methodology for the calculation of impairment losses, at Banco do Brasil, will encompass the evaluation of financial assets in three stages:

Stage 1 - Normal operations: The assets classified in this stage are in falling due situation, with a delay of less than or equal to 30 days without indicative of significant risk increase. In this case, the expected loss is calculated for the next 12 months.

Stage 2 - Transactions with a significant risk increase: The assets classified in this stage are more than 30 days in delay or present a significant risk increase. It also includes renegotiated credits. In this case, the expected loss is calculated up to the end of the asset's life.

Stage 3 - Operations in default (problematic assets): The assets classified in this stage are in qualitative noncompliance or quantitative (assessed on days of delay, generally of more than 90 days). In this case, the expected loss is calculated up to the end of the asset's life.

The asset classification stage will be reviewed periodically, taking into account the Bank's risk sensing processes, in order to capture possible changes in the client's financial capacity, as well as prospective economic scenarios. Migrations of operations between stages may occur, when the analysis indicates an improvement or worsening of the credit risk of the operation.

The impairment calculation model in accordance with IFRS 9, is under internal validation process, performed by an independent internal control team and was applied retroactively during the second half of 2017 for simulation purposes. According to the studies carried out, there was an increase in provisions for losses on financial assets, net of tax effects, of approximately 1.2% of the Bank's net equity.

The impacts of the adoption of IFRS 9 were evaluated based on our best estimates at the reporting date, but when the final implementation of IFRS 9 is implemented, deviations from the result may occur, mainly due to:

- Bank credit, considering the expansion and retraction of certain business segments;
- change in macroeconomic scenarios, reflected by estimates for the variables used in the developed models;
- definitive technological implementation of the risk parameters for the calculation of the expected loss in accordance with IFRS 9 rules in the Bank's systems;
- specific changes in the design of the models used to calculate the risk parameters;
- implementation and development of new risk parameter models: (PD, LGD and EAD / FCC) over the period;
- incorporation of new portfolios and products previously not covered by the current models, in particular, financial instruments not currently subject to credit risk assessment.

(iii) hedge accounting

The new standard also includes a new hedge accounting model, to better align hedge accounting with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers – In May 2014, the IASB issued a new standard specifying how and when an IFRS reporter should recognize contract revenue. The new standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

Pre transition

The Bank has evaluated the standard and it is possible to afirm that, although IFRS 15 presents a new set of principles related to revenues, the current practices adopted by the Bank regarding measurement and recognition are consistent with the new regulatory requirements. Therefore, although recognition and measurement do not have relevant changes, the disclosure requirements have more details than the previous normative framework.

Due to the extension of the new requirements, impacts were identified for the accounting disclosure process, still under study by the Bank, to be in accordance with the new standard.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases – In January 2016, the IASB issued a new standard that change the accounting requirements over leasing obligations for lessees. IFRS 16 eliminates the lease classification into operational and financial. Lessees are required to recognize initially a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The standard does not require a lessee to recognize assets and liabilities for low-value assets and short-term leases. Lessor's accounting requirements are substantially unchanged.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that had already applied IFRS 15's requirements.

IFRS 17 – Insurance Contracts – In May 2017, the IASB published a new standard to replace the IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will change the accounting by all entities that issue insurance contracts and investment contracts with discretionary features.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021, with early adoption permitted for entities that had already applied IFRS 9 and IFRS 15 requirements.

Amendments to IFRS 2 – Share-based Payment – In June 2016, the IASB issued amendments that clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.

These amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 – Insurance Contracts – In September 2016, the IASB issued amendments that concerns about mismatches arising from IFRS 9 and IFRS 4 (in development) about temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach.

These amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 – Investment Property – In December 2016, the IASB issued amendments aiming to clarify the requirements on transfers to, or from, investment property.

These amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – In September 2014, the IASB issued amendments to IFRS 10 and to IAS 28 that address an acknowledged inconsistency between the requirements of these two standards, dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The date these amendments will be effective was postponed and it will still be determined and issued by the IASB.

Amendments to IAS 28 – Investments in Associates and Joint Ventures – In September 2017, the IASB issued amendments to IAS 28 that clarify the long term interest accounting to the associates and joint ventures accounting – to which the equity method is not applied.

These amendments are effective for annual periods beginning on or after January 1, 2019.

The Bank has begun the process of evaluating the impact of adopting the new standards, amendments and interpretation above. Possible impacts from the adoption have being assessed and will be completed before they become effective.

4 – SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the Bank's Management to make judgments and use estimates that affect the recognized amount of assets, liabilities, income and expenses. These estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are recognized prospectively in the period in which the estimates are revised. Actual results may differ from these estimates.

Given that there are certain alternatives to accounting treatments, the Bank's results may differ if alternative accounting principles had been used. Management believes its choice of accounting principles to be appropriate and that the consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of the Bank's operations.

Significant classes of assets and liabilities subject to estimates and the use of assumptions are generally those measured at fair value. The following components of the consolidated financial statements require the highest degree of judgment and use of estimates:

a) Fair value of financial instruments (including derivatives)

When the fair values of financial assets and liabilities cannot be determined based on prices from an active market, they are measured using valuation techniques based on mathematical models. When possible, the inputs to these models are derived from observable market data. However, when market data is not available, the exercise of judgment is required to determine fair value. Note 38 describes the fair value measurement methodologies for certain financial instruments.

b) Impairment of loans to customers and provision for off-balance sheet positions

The Bank periodically reviews the loan portfolio to determine if an impairment loss should be recognized. The valuation of the loan portfolio for purposes of the impairment test requires judgment and the use of estimates. The process involves reviewing factors that may indicate a change in the risk profile of the Bank's loan balances or customers, which could negatively impact the expected cash flows under the loans.

Estimating these cash flows requires the Bank to make judgments about the financial condition of its clients. Since these estimates are based on a series of assumptions, the actual results may vary, so the amount of an impairment loss may require adjustment (additions or reversals) in future periods.

Loans to customers that are individually tested for impairment and do not present an impairment loss, as well as all loans to customers that are not individually significant, are tested for impairment collectively in groups of loans with similar risk characteristics.

For individually significant loans to customers, the Bank will generally evaluate:

- the economic, financial and legal situation of the counterparty;
- risks retained by the Bank in relation to the counterparty's business;
- the counterparty's past business relationships with the Bank; and
- the status of credit-related guarantees.

Some of the factors considered in the collective impairment test are data obtained from the portfolio, historic payment delays, amount of credit used, risk concentrations and economic information. In accordance with the Bank's risk and credit limits policy, the estimates also consider data segmented by product and client type and internal risk classifications.

Inherent losses are losses that have been incurred but not yet allocated to specific transactions. The Bank uses the incurred loss model to quantify loan losses.

Pursuant to IAS 37, to support probable losses resulting from the need to pay off obligations resulting from off-balance sheet agreements, the Bank recognizes provision for estimated probable losses. The loss amount is recognized as an expense for estimated probable losses over guarantees and other commitments.

Note 3.i contains additional information about the methodology and assumptions used by the Bank to test loans to customers for impairment. Note 24 provides a breakdown of the allowance for loan losses balance and Note 40 discloses about financial guarantees provisions.

c) Impairment of financial assets available-for-sale

The Bank considers a financial available-for-sale asset to be impaired when there is a significant or prolonged decline in its fair value below cost. The Bank uses judgment to determine when a decline is considered significant or prolonged. Among other factors, it evaluates the ordinary price volatilities of financial instruments. Recognition of impairment may also be appropriate if there are negative changes in the investee company's financial position or economic sector, its technological position or its financing and/or operating cash flows.

The impairment test also requires the use of market values and valuation models, which may require the use of assumptions and judgments to determine fair value.

d) Impairment of non-financial assets

At each reporting date, based on internal and external sources of information, the Bank determines if there are any indicators that a non-financial asset may be impaired. If an indicator does exist, the Bank calculates the asset's recoverable value.

For non-financial assets other than goodwill, it also determines if there is indication that a previously recognized impairment loss no longer exists or has become smaller. In this case, the Bank recalculates the asset's recoverable amount.

Regardless of whether there is an indication of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives, including goodwill acquired in business combinations, and intangible assets not yet ready for use.

Determining the recoverable amount of non-financial assets requires Management to exercise judgment and make assumptions. These estimates are based on market prices, present value calculations, other pricing techniques, or a combination of these methods.

See Notes 3.n and 29 for additional information on this topic.

e) Financial assets held-to-maturity

The Bank classifies its non-derivative financial assets with fixed or determined payments and maturities defined as financial instruments held-to-maturity, measured at amortized cost, according to IAS 39. Such classification requires a significant level of judgment.

The Bank evaluates its intention and ability of maintaining these investments until maturity. If the Bank does not maintain these investments until maturity, except in specific circumstances – for example, to dispose of a non-significant portion close to maturity – a reclassification of the entire portfolio to financial assets available-for-sale is required, to be measured at fair value instead of amortized cost. Investments classified as held-to-maturity are subject to impairment testing, similar to that for financial assets available-for-sale.

f) Income taxes

Income and gains generated by the Bank are subject to income taxes in the jurisdictions in which the Bank operates. The determination of income taxes requires interpretation and the use of estimates. In the ordinary course of business, the final amount of income tax payable is uncertain for many different types of transactions and calculations. In these cases, the use of different interpretations and estimates may have resulted in different tax amounts being recorded.

The Brazilian tax authorities can review the calculations made by the Bank and its subsidiaries for up to five years subsequent to the date on which a tax becomes due. During this process, the tax authorities may question the procedures adopted by the Bank, mainly with respect to the interpretation of tax legislation. However, Management does not believe that any significant adjustments will be required to the income tax balances contained in these consolidated financial statements.

g) Recognition and evaluation of deferred taxes

Deferred tax assets are calculated on temporary differences and tax loss carryforwards. They are only recognized when the Bank expects to generate sufficient taxable income in the future to offset the amounts. The expected realization of the Bank's deferred tax assets is based on projections of future income and technical analyses in line with prevailing tax legislation (Note 36).

The Bank reviews the estimates involved in the recognition and valuation of deferred tax assets based on current expectations and projections about future events and trends. The most important assumptions affecting these estimates pertain to:

(i) changes in the amounts deposited, delinquencies and customer base;
(ii) changes in tax law;
(iii) changes in interest rates;
(iv) changes in inflation rates;
(v) legal disputes with an adverse impact on the Bank;
(vi) credit, market and other risks associated with lending and investing activities;
(vii) changes in the fair value of Brazilian securities, especially Brazilian government securities; and
(viii) changes in domestic and global economic conditions.

h) Pension plans and other employee benefits

The Bank sponsors defined contribution and defined benefit pension plans. Actuarial valuations for defined benefit plans are based on a series of assumptions, including:

(i) interest rates;
(ii) mortality tables;
(iii) annual rate applied to the revision of retirement benefits;
(iv) inflation index;
(v) annual salary adjustment; and
(vi) the method used to calculate vested benefit obligations for active employees.

i) Contingent assets and liabilities

Contingent assets are only recognized in the consolidated financial statements when it is virtually certain that they will be realized. This is generally the case when there has been a final judgment in a lawsuit and confirmation that the amount will be recoverable either through the receipt of funds or offset against a liability.

Contingent liabilities are recognized in the consolidated financial statements when the risk of loss of a legal or administrative proceeding is considered probable, an outflow of financial resources will be required to settle the obligation and the amount of the loss can be reasonably estimated. The loss probability is based on the nature and complexity of the lawsuit, the opinion of legal advisors, Management's opinion and experience with similar cases. Lawsuits are evaluated when judicial notification is received and reviewed on a monthly basis, as follows:

Individual assessment: for cases considered unusual or whose value is considered significant, as determined by the Bank's legal counsel. The provision is based on the amount of the claim, probability of an unfavorable decision, evidence presented, legal precedents, other facts raised during the case, judicial decisions while the case is being heard and the classification and risk of losing legal motions.

Collective assessment: **f**or cases that are similar and recurring in nature for which the amounts involved are not individually significant. Provisions are based on statistical data regarding the Bank's labor, tax and civil cases (except for labor claims filed by unions and cases considered strategic). In this category, the probable amount of the settlement may not exceed R$ 1 million, as determined by the Bank's legal advisors.

Contingent liabilities evaluated individually, for which the risk of loss is considered possible, are not recognized in the consolidated balance sheet. However, they must be disclosed in the notes to the financial statements. Claims for which the risk of loss is remote are neither provided for nor disclosed.

5 – CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Bank's branches and subsidiaries in Brazil and abroad. Significant account balances and transactions among the consolidated companies are eliminated. The following table demonstrates the Bank's ownership interest in the companies included in the consolidated financial statements by business segment.

	Activity	Country	% Total Share	
			Dec 31, 2017	Dec 31, 2016
Banking Segment				
Banco do Brasil AG	Banking	Austria	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	Leasing	Brazil	100%	100%
BB Securities Asia Pte. Ltd.	Broker	Singapore	100%	100%
Banco do Brasil Securities LLC.	Broker	United States	100%	100%
BB Securities Ltd.	Broker	England	100%	100%
BB USA Holding Company, Inc.	Holding	United States	100%	100%
Brasilian American Merchant Bank	Banking	Cayman Islands	100%	100%
Banco do Brasil Americas	Banking	United States	100%	100%
Banco Patagonia S.A.	Banking	Argentina	58.97%	58.97%
Investment Segment				
BB Banco de Investimento S.A.	Investment Bank	Brazil	100%	100%
Fund management Segment				
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	Asset Management	Brazil	100%	100%
BB Asset Management Ireland Limited	Asset Management	Ireland	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	Asset Management	Brazil	99.62%	99.62%
Insurance, private pension and capitalization Segment				
BB Seguridade Participações S.A. (1)	Holding	Brazil	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. (1)	Broker	Brazil	66.36%	66.36%
BB Seguros Participações S.A. (1)	Holding	Brazil	66.36%	66.36%
Payment methods Segment				
BB Administradora de Cartões de Crédito S.A.	Service rendering	Brazil	100%	100%
BB Elo Cartões Participações S.A.	Holding	Brazil	100%	100%
Other Segments				
Ativos S.A. Securitizadora de Créditos Financeiros	Credit Acquisition	Brazil	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credit Acquisition	Brazil	100%	100%
BB Administradora de Consórcios S.A.	Consortium	Brazil	100%	100%
BB Tur Viagens e Turismo Ltda. (2)	Tourism	Brazil	100%	100%
BB DTVM Ações Saúde e Bem Estar Distribuição Fundo de Investimento em Cotas de Fundo de Investimento	Investment Funds	Brazil	100%	-
BB DTVM Multimercado Multiestratégia LP Distribuição Fundo de Investimento em Cotas de Fundo de Investimento	Investment Funds	Brazil	100%	-
BB Tecnologia e Serviços S.A. (1)	IT	Brazil	99.99%	99.99%
Fênix Fundo de Investimento em Direitos Creditórios do Varejo	Securitization	Brazil	94.94%	95.43%
Compesa Fundo de Investimento em Direitos Creditórios Cia. Pernambucana de Saneamento	Securitization	Brazil	89.22%	91.03%
BB Fund Class D	Investment Funds	Cayman Islands	73.75%	70.72%
BB Fund Class A	Investment Funds	Cayman Islands	56.37%	-
Dollar Diversified Payment Rights Finance Company (SPE)	Securitization	Cayman Islands	-	-
Loans Finance Company Limited (SPE)	Securitization	Cayman Islands	-	-

(1) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.

(2) The financial statements used for consolidation in these financial statements were dated as of November 30, 2017 due to the incompatible schedule between the subsidiary and the Bank.

a) Involvement with consolidated structured entities

The securitization vehicles and investment funds controlled by the Bank, directly or indirectly, are classified as consolidated structured entities. The voting or similar rights are not significant in deciding who controls the entity.

The Bank consolidates structured entities when it has power and current ability to direct the relevant activities, i.e. the activities that significantly affect their returns.

The following structured entities were consolidated:

- Dollar Diversified Payment Rights Finance Company (SPE Dollar);
- Loans Finance Company Limited (SPE Loans);
- Fênix Fundo de Investimento em Direitos Creditórios do Varejo (Fênix);
- Compesa Fundo de Investimento em Direitos Creditórios Cia. Pernambucana de Saneamento (Compesa);
- BB Fund Class D;
- BB Fund Class A;
- BB DTVM Ações Saúde e Bem Estar Distribuição Fundo de Investimento em Cotas de Fundo de Investimento (BB DTVM Ações Saúde); and
- BB DTVM Multimercado Multiestratégia LP Distribuição Fundo de Investimento em Cotas de Fundo de Investimento (BB DTVM Multimercado).

SPE Dollar

Organized under the laws of the Cayman Islands, this SPE has the following objectives:

- to issue and sell securities in the international market;
- to use the resources obtained from issuing securities to purchase rights to USD payment orders from the Bank. These payment orders are issued by banking correspondents located in the U.S. and the Bank's New York Branch to one of the Bank's branches in Brazil ("Rights on Consignment"); and
- to pay principal and interest on the outstanding securities and make other payments required by the securities contracts.

The SPE pays the obligations under the securities with USD funds received from the payment orders. The SPE has no material assets or liabilities other than rights and obligations under the securities contracts. The SPE has no subsidiaries or employees.

The SPE's authorized share capital is US$ 1,000.00, consisting of 1,000 common shares with a par value of US$ 1.00. All 1,000 common shares were issued to BNP Paribas Private Bank & Trust Cayman Limited in its capacity as the Trustee of Cayman Islands Charitable Trust. BNP Paribas Private Bank & Trust Cayman Limited is the SPE's sole shareholder. The Bank holds the "Rights on Consignment" and is the sole beneficiary of the funds obtained by the SPE. The Bank provides the SPE with additional funds so that it can pay the principal and interest on the outstanding securities.

SPE Loans

Organized under the laws of the Cayman Islands, this SPE has the following objectives:

- to raise funds through the issuance of securities in the international market;
- to enter into repurchase agreements with the Bank's Grand Cayman Branch to repass funds raised in the market; and
- to obtain protection against the risk of default by the Bank through acquisition of a credit default swap covering the Bank's obligations under the repurchase agreements.

The amounts, terms, currencies, rates and cash flows of the repurchase agreements are identical to those of the securities. The rights and income created from the repurchase agreements cover and match the obligations and expenses created by the securities. As a result, the SPE does not generate profit or loss. The SPE does not hold any assets and liabilities other those from the repurchase agreements, credit default swap and outstanding securities.

The SPE's paid-in capital is US$ 250.00, consisting of 250 common shares with a par value of US$ 1.00. All 250 shares were issued to Maples Corporate Services, the initial subscriber. They were then transferred to MaplesFS Limited, an exempt limited liability company incorporated in the Cayman Islands. MapleFS Limited is an independent provider of specialized fiduciary and fund services and is the SPE's sole shareholder. The Bank's Grand Cayman Branch is the only counterparty to the repurchase agreements.

Fênix

Securitization vehicle organized as a closed-end fund that seeks to provide long-term returns to the unitholders. Funds raised by the vehicle are used for the purchase of receivables (credit rights) and in some circumstances other financial assets.

The credit rights are generated from the sale of products using credit cards as the form of payment. Cielo (the Bank's jointly controlled entity) must be the company responsible for the processing environment of the cards used to pay for the products. Brazilian retail companies are responsible for selling the products and the credit rights.

The vehicle's equity consists of senior and subordinated units. Senior units have payment priority over subordinated units in amortizations or redemption.

At December 31, 2017, the Bank held all of the 11,563 senior units and 500 subordinated units out of a total of 937.

Compesa

Securitization vehicle organized as a closed-end fund with a finite useful life (96 months). This vehicle allows for early settlement. Funds raised by the vehicle are used for the purchase of receivables (credit rights) and other financial assets.

The credit rights purchased are generated from water and sewage bills payable to Companhia Pernambucana de Saneamento (a public entity responsible for water supply and sewage treatment in the state of Pernambuco).

The vehicle's equity consists of 300 senior units and 15 subordinated units. Subordinated units do not have a fixed interest rate. Senior units have payment priority over subordinated units in amortizations or redemption.

At December 31, 2017, the Bank held all of the 300 senior units and none of the subordinated units.

BB Fund Class D

Investment fund that seeks share appreciation and high yield to its investors. Funds raised are used to purchase Brazilian government securities or debt securities issued by Brazilian companies in the international securities market.

The Bank controls the Fund through its subsidiary BB DTVM.

BB Fund Class A

Investment fund that seeks share appreciation and high yield to its investors. Funds raised are used to purchase equity securities issued by Brazilian companies (or other emerging economies) in the international market.

The Bank controls the Fund through its subsidiary BB DTVM.

BB DTVM Ações Saúde

Investment fund that apply their resources in to the investment funds whose share portfolio are issued by insurance, health, welfare and consumer goods companies.

The Bank controls the Fund through its subsidiary BB DTVM.

BB DTVM Multimercado

Investment fund that seeks share appreciation, looking for profitability higher than CDI variation. Resources raised are used to purchase investment funds units with multiple profile and portfolio duration over 365 days.

The Bank controls the Fund through its subsidiary BB DTVM.

b) Summarized financial information of the subsidiaries with participation of non-controlling interests (NCI)

Dec 31, 2017	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other (1)
Current assets	2,859,539	14,722,710	123,763
Non-current assets	8,143,889	3,235,437	358,439
Current liabilities	1,922,047	15,258,869	149,786
Non-current liabilities	428,138	333,736	63,758
Income	4,144,753	3,778,651	1,035,693
Net income	4,099,159	652,077	33,015
Comprehensive income	4,095,865	635,014	33,015
Dividends paid to NCI	1,160,299	138,341	-
Ownership interest held by NCI (%)	33.64%	41.03%	-
Net income attributable to NCI	1,378,957	267,547	5
Accumulated shareholder NCI	2,910,951	970,582	62

Dec 31, 2016	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other (1)
Current assets	2,082,297	12,381,645	248,963
Non-current assets	8,155,261	3,141,292	237,267
Current liabilities	1,680,429	12,970,803	237,749
Non-current liabilities	428,013	198,347	-
Income	4,266,823	3,695,130	1,020,404
Net income	4,108,823	609,514	22,631
Comprehensive income	4,141,283	609,514	22,631
Dividends paid to NCI	1,111,445	154,882	-
Ownership interest held by NCI (%)	33.64%	41.03%	-
Net income attributable to NCI	1,382,208	250,084	4
Accumulated shareholder NCI	2,734,635	965,759	59

(1) Accounting information related to companies BB Tecnologia e Serviços S.A. and Besc Distribuidora de Títulos e Valores Mobiliários S.A.

The Bank has also indirect ownership interest in BB Seguros Participações S.A. and BB Corretora de Seguros e Administradora de Bens S.A. These companies are subsidiaries of BB Seguridade Participações S.A., that owns all issued shares. The summarized financial information of these subsidiaries are presented below.

Dec 31, 2017	BB Seguros Participações S.A.	BB Cor Participações S.A. (1)	BB Corretora de Seg. e Adm. de Bens S.A.
Current assets	506,255	-	1,713,560
Non-current assets	7,624,929	-	895,118
Current liabilities	41,885	-	2,561,605
Non-current liabilities	427,383	-	-
Income	2,350,064	-	2,943,431
Net income	2,245,061	-	1,570,754
Comprehensive income	2,254,611	-	1,570,775

Dec 31, 2016	BB Seguros Participações S.A.	BB Cor Participações S.A. (1)	BB Corretora de Seg. e Adm. de Bens S.A.
Current assets	399,381	-	2,299,074
Non-current assets	8,297,818	-	818,751
Current liabilities	609,907	-	3,055,859
Non-current liabilities	427,383	-	-
Income	2,641,740	1,473,839	2,989,756
Net income	2,522,511	1,445,680	1,609,938
Comprehensive income	2,554,964	1,445,680	1,609,944

(1) On November 27, 2016, the company was merged into BB Corretora de Seguros e Administradora de Bens S.A..

6 – ACQUISITIONS, DISPOSALS AND CORPORATE RESTRUCTURING

a) Corporate reorganizations in the insurance, pension plans, capitalization and reinsurance areas

BB Cor Participações S.A.

In accordance with the terms of Merger Agreement, BB Cor Participações S.A. (BB Cor) was merged into BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora) on December 27, 2016.

The incorporated net assets of R$ 26,976 thousand were recognized at book value on the date of the transaction (December 27, 2016).

The Bank decided to discontinue the corporate registration of BB Cor, since the company does not intend to engage in operations for the foreseeable future.

As a result, BB Corretora became its successor by assuming title over its net assets.

There was no change in BB Seguridade's capital structure as a result of the merger, since BB Seguridade was the company's sole shareholder on the date of the merger.

Brasildental Operadora de Planos Odontológicos S.A. (Brasildental)

On March 30, 2016, the Ordinary Shareholders' Meeting approved Brasildental's capital increase in the amount of R$ 4,500 thousand, through the issuance of 180 thousand shares, all nominative and without par value, in the same proportion of the number of shares relating to all existing categories. Each shareholder was entitled to exercise a preemptive right over identical shares which he was owner.

The capital increase approval resulted in the acquisition of 44,999 common shares and 90,000 preferred shares in the total amount of R$ 3,375 thousand, by BB Seguros, and 45,001 common shares in the total amount of R$ 1,125 thousand, by Odontoprev. The BB Seguros' shareholding in Brasildental remains unchanged in comparison with the incorporation date of the company.

IRB – Brasil Resseguros S.A. (IRB)

On June 8, 2015, as indirect shareholder of the IRB, the Bank submitted for approval by Bacen the creation of a holding company (IRB – Investimentos e Participações Imobiliárias S.A.) and four specific purpose entities (SPE). The purpose of this corporate reorganization is to optimize the management of IRB's real estate assets. On November 17, 2015, Bacen gave its assent.

On August 21, 2015, the Ordinary Shareholder's Meeting approved:

- the transformation of the IRB to a publicly-traded company and the submission of a registration request to the Comissão de Valores Mobiliários (CVM – Brazilian Securities and Exchange Commission);
- the request for authorization to CVM related to performance of securities distribution offerings;
- the redesign and consolidation of IRB's Bylaws, adapting it to the legal requirements concerning publicly-traded company and the BM&FBOVESPA's Novo Mercado (New Market Segment).

On December 14, 2015, the IRB's Board of Directors approved the Bylaws of IRB – PAR (IRB – Investimentos e Participações S.A.) and SPEs as well as the transfer of real estate which will integrate their capital. Incorporation Public Deeds were drawn up, the records obtained at the National Registry of Legal Entities ("CNPJ") and the registrations at Rio de Janeiro State's Board of Trade ("JUCERJA") in 2016.

On February 18, 2016, in view of unfavorable conditions in the Brazilian capital market, the bidders opted for a non-continuity of IRB Brasil Re's Initial Public Offering ("IPO") process, which ran its course on the Stock Exchange and CVM.

b) Corporate reorganization in the area of cards

Stelo

On June 12, 2015, Aliança Pagamentos e Participações Ltda. (Aliança) acquired 30% of the share capital of Stelo through a capital increase and issue of new shares by Stelo. Aliança is a subsidiary of Cielo whose main objective is to invest in other companies as a partner or shareholder. The new structure consolidates the Memorandum of Understanding's provisions (dated April 15, 2014) between Alelo and Cielo.

The indirect holding of the Bank in Stelo is 43.61%. It considers the indirect holding of the Bank in Cielo and in Alelo (through BB Banco de Investimento S.A. – BB BI - and BB Elo Cartões Participações S.A.).

Stelo began its operations in 2015 with the authorization from authorities and regulators. Note 26 includes additional information about Cielo.

Cateno Gestão de Contas de Pagamento S.A. (Cateno)

On February 27, 2015, BB Elo Cartões Participações S.A. (BB Elo Cartões) and Cielo completed the formation of the strategic partnership, forming a new company called Cateno Gestão de Contas de Pagamento S.A. (Cateno). This partnership was completed after approval by the relevant regulators, supervisors and inspectors, and subject to the fulfillment of all contractual conditions precedent to the transaction closing.

Under the terms of the agreement, BB Elo Cartões contributed an intangible asset (representing the right to explore its payments arrangements in relation to post-paid accounts transactions and purchase made under debt) to the company. In addition, the agreement aims at the formation of associations with other partners in order to exploit opportunities related to the electronic payment market. It also seeks to obtain synergies and optimize the structuring of new businesses in the segment.

According to the appraisal report of an independent firm, the intangible asset (transferred by BB Elo Cartões to Cateno) was valued at R$ 11,572,000 thousand. In return, in order to reach the agreed equity interests in Cateno, BB Elo Cartões received from Cateno a consideration of R$ 4,640,951 thousand in cash, which was the tax cost of this transaction to BB Elo Cartões, and R$ 3,459,449 thousand in debentures issued by Cielo. The net amount of R$ 3,471,600 thousand represents the final equity interest of BB Elo Cartões in Cateno.

As a result of these transactions, Cateno's share capital is held in the proportion of 30.00% by BB Elo Cartões and 70.00% by Cielo. However, taking into account the Bank's indirect holding in Cielo (through BB BI) on the date of the agreement, Bank's total indirect shareholding in Cateno was distributed as follows:

	Common Shares (ON)	Preferred Shares (PN)	Total
BB Direct shareholding - %	22.14	100.00	30.00
BB Indirect shareholding – total - %	42.27	100.00	50.13

Due to the conclusion of the transaction, the amount of R$ 3,456,860 thousand was recognized as income by the Bank in 2015, as shown in the table below:

	Feb 27, 2015
1) BB Elo Cartões' capital gain	11,572,000
2) Tax effects	(4,640,951)
3) Net effect in BB Elo Cartões' income (1+2)	**6,931,049**
4) Unrealized profit (50.13% of item 3)	(3,474,189)
5) Effect in profit or loss (3+4)	**3,456,860**

Livelo

On May 14, 2014, the Bank and Bank Bradesco publically announced that their joint venture Alelo, acting through its wholly-owned subsidiary Livelo S.A., had begun pursuing partners for the formation of loyalty programs.

Livelo's ultimate indirect shareholders are the Bank, with 49.99% of the share capital, and Bradesco, with 50.01% of the share capital. The objective of the company is:

- to serve as an independent partner in loyalty programs, working with payment providers, retailers and other loyalty programs, among others partners;
- to unite a diverse group of key strategic partners to allow for the generation of loyalty points and redemption of benefits; and
- to develop and offer its own rewards programs business partners that will generate and accumulate points which can then be converted into prizes and benefits offered by its redemption partners.

Livelo began its operations in 2016 with the authorization from authorities and regulators.

c) Other corporate transactions

Gestora de Inteligência de Crédito S.A. – GIC

On June 14, 2017, Banco do Brasil S.A. signed the definitive documents necessary for the formation of Gestora de Inteligência de Crédito S.A. – GIC jointly with Banco Bradesco S.A., Banco Santander (Brasil) S.A, Caixa Econômica Federal, through its subsidiary Caixa Participações S.A. and Banco Itaú Unibanco S.A. Each of the parties holds 20% of GIC's capital stock, being the control shared between the parties.

The Bureau of Credit will develop a database aiming to aggregate, reconcile and treat registration data and credit information of individuals and corporations, in accordance with the applicable rules. Such action will allow, by means of an accurate knowledge of individuals' and corporations' profiles, a significant improvement in the processes of credit concession, pricing and direction by the entities that are part of the in the Brazilian Banking Industry, resulting, therefore, in improvement of the country's credit environment at a medium and long term perspective. The parties expect the Company to be fully operational in 2019.

The capital integration occurred in July, 2017. The investment was initially recognized at cost and subsequently measured using the equity method.

7 – OPERATING SEGMENTS

The segment information was prepared based on internal reports used by the Bank's Executive Board to assess performance and make decisions about the allocation of funds for investment and other purposes. The framework also takes into account the regulatory environment and similarities between goods and services.

The Bank's operations are divided into five segments: banking, investments, fund management, insurance (including insurance, private pension funds and capitalization) and electronic payments. The Bank also engages in other activities, including its consortium business and operational support services (aggregated in "Other").

Management (and the Chief Operating Decision Maker) use accounting information prepared in accordance with the laws, standards and accounting practices (recognition and measurement) applicable to financial institutions in Brazil, as determined by Bacen, to evaluate performance and allocate resources. As a result, the Bank presents its segment results in accordance with these standards, which it refers to internally as the 'consolidated managerial' financial information.

The following accounting policies and estimates used to prepare the segment information represent the main differences with IFRS accounting principles (as described in the Summary of Significant Accounting Policies):

- The recognition of impairment on loans to customers is based on an expected loss model, which considers regulatory guidelines defined by Bacen. Loans to customers are classified in buckets representing increased risk, ranging from AA (low risk) to H (high risk). The allowance amount is calculated each month based on minimum provisioning percentages defined by Bacen. These percentages range from 0% (AA loans) to 100% (H loans);
- Investments in joint ventures are proportionately consolidated;
- Fee and commission income from the origination of customer loans is recognized on a cash basis;
- Goodwill and gains from bargain purchase are measured by the difference between the consideration paid and book value of the acquired shares. The amount is amortized when based on expected future profitability; and
- Changes in proportion of non-controlling equity interests results in gains or losses upon a disposal of the equity interest of the Bank;

The segments operate through separate legal entities or groups of legal entities. The segment information includes all of the revenue and expenses as well as all assets and liabilities of companies included in the segment, as shown in Note 5 and Note 26. No revenue or expenses are allocated between the segments.

Inter-segment transactions are conducted at the same terms and conditions as those practiced with unrelated parties for similar transactions. These transactions do not involve any unusual payment risks.

None of the Bank's customers individually account for more than 10% of the Bank's interest income.

a) Banking

This segment is responsible for the most significant portion of the Bank's results, primarily from the operations in Brazil. It includes a wide array of products and services, including deposits, loans and other services provided to customers through different distribution channels.

The banking segment's activities include transactions in the retail, wholesale and public sectors, which are carried out by its network and customer service teams. It also engages in business with micro-entrepreneurs and other activities through its banking correspondents.

b) Investments

This segment engages in the structuring and distribution of debt and equity instruments in Brazil's primary and secondary capital markets, in addition to providing other financial services.

Net interest income in this segment is based on accrued interest on investment securities less expenses from third party funding costs. Non-interest income is derived from economic/financial advisory services from underwriting fixed and variable income securities and the provision of services to associated companies.

c) Fund management

This segment is involved in the purchase, sale and custody of securities, portfolio management and the structuring, organization and management of investment funds and clubs. Income consists mainly of commissions and management fees charged to investors for services provided.

d) Insurance

This segment offers products and services related to life, property and automobile insurance, private pension and capitalization plans.

Income in this segment consists mostly of commissions and fees, insurance premium revenue, contributions to private pension plans and capitalization bonds, and investments in securities. These amounts are offset by selling costs, technical insurance provisions and expenses related to benefits and redemptions.

e) Electronic Payments

This segment provides capture, transmission, processing and financial settlement services for electronic payment transactions (credit and debit cards). Revenue comes from commissions and management fees charged to businesses and financial institutions in exchange for services provided.

f) Other

This segment consists of the operational support services and consortium business, neither of which is individually significant. Revenue is generated mainly from the provision of services not provided by the other segments, including: credit recovery; consortium management; development, manufacturing, sale, rental and integration of digital electronic systems, peripherals, programs, inputs and computing supplies; airline ticket sales; lodging; and the organization of events.

g) Financial information by reportable segment

	2017							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	144,675,094	28,620	82,845	16,874,226	340,208	820,495	(771,641)	162,049,847
Interest expense	(90,017,813)	(343,279)	-	-	(16,326)	(116,176)	788,160	(89,705,434)
Net interest income	**54,657,281**	**(314,659)**	**82,845**	**16,874,226**	**323,882**	**704,319**	**16,519**	**72,344,413**
Allowance for losses on loans to customers, net of recovery	(22,189,218)	-	-	-	(822)	-	(792)	(22,190,832)
Net interest income after allowance for loan losses	**32,468,063**	**(314,659)**	**82,845**	**16,874,226**	**323,060**	**704,319**	**15,727**	**50,153,581**
Non-interest income	**23,952,560**	**1,215,156**	**2,078,783**	**7,069,886**	**5,700,781**	**1,874,398**	**(1,931,824)**	**39,959,740**
Net commissions and fee income	16,254,918	813,134	2,070,708	2,739,479	4,232,116	1,770,635	(1,457,799)	26,423,191
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(441,024)	104,492	(7,820)	(79,099)	-	(25,231)	88,528	(360,154)
Net gains/(losses) from financial assets available for sale	(58,305)	69,266	(1,500)	2,421	-	-	-	11,882
Net income/(loss) from equity method investments	149,050	9,106	-	46,993	(84,696)	-	-	120,453
Income from insurance contracts and private pension plans	-	-	-	4,363,427	-	-	200,908	4,564,335
Other operating income	8,047,921	219,158	17,395	(3,335)	1,553,361	128,994	(763,461)	9,200,033
Non-interest expenses	**(49,999,602)**	**(147,352)**	**(299,693)**	**(17,653,388)**	**(3,461,543)**	**(1,464,735)**	**1,916,097**	**(71,110,216)**
Personnel expenses	(20,609,602)	(58,391)	(91,796)	(583,673)	(218,063)	(380,530)	8,691	(21,933,364)
Administrative expenses	(11,533,956)	(17,317)	(24,432)	(704,778)	(549,367)	(563,682)	1,426,478	(11,967,054)
Contributions, fees and other taxes	(4,808,460)	(80,387)	(147,448)	(751,811)	(547,289)	(261,543)	-	(6,596,938)
Amortization of intangible assets	(2,092,504)	-	-	(83,827)	(27,038)	(1,945)	-	(2,205,314)
Labor, tax and civil claims	(2,522,003)	543	1,004	(54,072)	(10,184)	(5,072)	-	(2,589,784)
Depreciation	(1,158,353)	-	-	(24,350)	(111,517)	(16,325)	-	(1,310,545)
Other operating expenses [1]	(7,274,724)	8,200	(37,021)	(15,450,877)	(1,998,085)	(235,638)	480,928	(24,507,217)
Income before taxes	**6,421,021**	**753,145**	**1,861,935**	**6,290,724**	**2,562,298**	**1,113,982**	**-**	**19,003,105**
Income taxes	**(1,785,920)**	**(263,138)**	**(829,339)**	**(2,302,994)**	**(890,081)**	**(270,823)**	**-**	**(6,342,295)**
Current	(880,247)	(317,396)	(828,797)	(2,341,170)	(852,477)	(257,395)	-	(5,477,482)
Deferred	(905,673)	54,258	(542)	38,176	(37,604)	(13,428)	-	(864,813)
Net income	**4,635,101**	**490,007**	**1,032,596**	**3,987,730**	**1,672,217**	**843,159**	**-**	**12,660,810**
Attributable to shareholders of the Bank	4,352,377	490,007	1,032,596	2,620,425	1,672,217	843,154	-	11,010,776
Attributable to non-controlling interests	282,724	-	-	1,367,305	-	5	-	1,650,034
Total assets	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,633**	**(40,611,591)**	**1,623,035,056**
Total liabilities	**1,308,451,657**	**4,940,858**	**1,510,076**	**201,527,919**	**24,631,666**	**3,841,641**	**(20,592,163)**	**1,524,311,654**
Total shareholders' equity	**96,730,320**	**3,074,109**	**138,722**	**7,597,003**	**8,418,684**	**2,783,992**	**(20,019,428)**	**98,723,402**

(1) Mainly includes technical insurance provisions in the Insurance and related segment.

	2016							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	171,882,246	142,199	98,673	17,320,074	435,653	848,725	(813,081)	189,914,489
Interest expense	(111,617,219)	(446,286)	-	-	(17,586)	(113,930)	929,757	(111,265,264)
Net interest income	**60,265,027**	**(304,087)**	**98,673**	**17,320,074**	**418,067**	**734,795**	**116,676**	**78,649,225**
Allowance for losses on loans to customers, net of recovery	(25,620,735)	-	-	-	(1,368)	-	(133,487)	(25,755,590)
Net interest income after allowance for loan losses	**34,644,292**	**(304,087)**	**98,673**	**17,320,074**	**416,699**	**734,795**	**(16,811)**	**52,893,635**
Non-interest income	**22,719,618**	**1,021,136**	**1,632,997**	**7,167,673**	**6,429,356**	**1,753,575**	**(1,825,572)**	**38,898,783**
Net commissions and fee income	15,591,807	759,925	1,621,910	2,397,260	4,686,500	1,574,328	(1,561,000)	25,070,730
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(1,850,118)	(160,989)	-	(113,233)	-	(31,622)	89,587	(2,066,375)
Net gains/(losses) from financial assets available for sale	26,017	7,272	(1,948)	(251)	-	-	-	31,090
Net income/(loss) from equity method investments	21,557	(19,096)	-	(37,405)	(62,450)	147	-	(97,247)
Income from insurance contracts and private pension plans	-	-	-	4,699,278	-	-	272,281	4,971,559
Other operating income [1]	8,930,355	434,024	13,035	222,024	1,805,306	210,722	(626,440)	10,989,026
Non-interest expenses	**(53,680,493)**	**(511,026)**	**(275,163)**	**(17,705,061)**	**(4,085,385)**	**(1,577,088)**	**1,842,383**	**(75,991,833)**
Personnel expenses	(22,690,269)	(77,778)	(89,864)	(582,249)	(327,618)	(363,863)	8,626	(24,123,015)
Administrative expenses	(11,681,289)	(30,078)	(21,626)	(736,160)	(738,530)	(506,281)	1,514,368	(12,199,596)
Contributions, fees and other taxes	(5,039,720)	(63,311)	(118,507)	(682,481)	(609,795)	(241,788)	3,999	(6,751,603)
Amortization of intangible assets	(2,219,714)	(1,660)	-	(71,523)	(62,706)	(1,969)	-	(2,357,572)
Labor, tax and civil claims	(1,971,062)	(207)	(1,282)	(5,531)	(16,273)	(59,594)	-	(2,053,949)
Depreciation	(1,151,913)	(3,165)	-	(20,546)	(123,089)	(11,568)	-	(1,310,281)
Other operating expenses [1]	(8,926,526)	(334,827)	(43,884)	(15,606,571)	(2,207,374)	(392,025)	315,390	(27,195,817)
Income before taxes	**3,683,417**	**206,023**	**1,456,507**	**6,782,686**	**2,760,670**	**911,282**	**-**	**15,800,585**
Income taxes	**(1,700,168)**	**(39,529)**	**(648,631)**	**(2,571,345)**	**(946,945)**	**(185,372)**	**-**	**(6,091,990)**
Current	(4,621,409)	(88,800)	(649,169)	(2,573,939)	(909,948)	(236,210)	-	(9,079,475)
Deferred	2,921,241	49,271	538	2,594	(36,997)	50,838	-	2,987,485
Net income	**1,983,249**	**166,494**	**807,876**	**4,211,341**	**1,813,725**	**725,910**	**-**	**9,708,595**
Attributable to shareholders of the Bank	1,696,242	166,494	807,876	2,823,312	1,813,725	725,907	-	8,033,556
Attributable to non-controlling interests	287,007	-	-	1,388,029	-	3	-	1,675,039
Total assets	**1,436,760,620**	**7,705,687**	**1,262,881**	**183,037,735**	**14,485,492**	**7,152,660**	**(33,973,852)**	**1,616,431,223**
Total liabilities	**1,351,470,437**	**4,686,872**	**1,131,252**	**175,813,096**	**7,057,961**	**3,683,305**	**(14,605,452)**	**1,529,237,471**
Total shareholders' equity	**85,290,183**	**3,018,815**	**131,629**	**7,224,639**	**7,427,531**	**3,469,355**	**(19,368,400)**	**87,193,752**

(1) Mainly includes technical insurance provisions in the Insurance and related segment.

	2015							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	188,448,726	75,343	85,518	14,615,813	589,751	738,522	(629,587)	203,924,086
Interest expense	(142,713,651)	(332,921)	-	-	(17,390)	(64,496)	745,735	(142,382,723)
Net interest income	**45,735,075**	**(257,578)**	**85,518**	**14,615,813**	**572,361**	**674,026**	**116,148**	**61,541,363**
Allowance for losses on loans to customers, net of recovery	(23,785,790)	-	-	-	(680)	-	(128,724)	(23,915,194)
Net interest income after allowance for loan losses	**21,949,285**	**(257,578)**	**85,518**	**14,615,813**	**571,681**	**674,026**	**(12,576)**	**37,626,169**
Non-interest income	**24,790,679**	**1,082,033**	**1,490,771**	**7,174,092**	**11,226,359**	**1,676,455**	**(1,938,527)**	**45,501,862**
Net commissions and fee income	13,719,098	659,866	1,473,375	2,046,244	4,078,936	1,413,101	(1,420,590)	21,970,030
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	2,607,135	(13,087)	-	(104,613)	-	(491)	81,637	2,570,581
Net gains/(losses) from financial assets available for sale	(618,849)	10,464	(6,591)	(250)	-	-	-	(615,226)
Net income/(loss) from equity method investments	3,596,068	4,917	-	1,496	50,480	6,884	-	3,659,845
Income from insurance contracts and private pension plans	-	-	-	5,067,317	-	-	258,335	5,325,652
Other operating income [1]	5,487,227	419,873	23,987	163,898	7,096,943	256,961	(857,909)	12,590,980
Non-interest expenses	**(51,276,317)**	**(533,505)**	**(261,035)**	**(15,117,743)**	**(4,278,761)**	**(1,438,584)**	**1,924,059**	**(70,981,886)**
Personnel expenses	(21,535,726)	(68,923)	(85,266)	(585,320)	(315,400)	(339,493)	8,615	(22,921,513)
Administrative expenses	(11,203,597)	(39,225)	(23,520)	(766,482)	(677,060)	(468,930)	1,401,172	(11,777,642)
Contributions, fees and other taxes	(4,143,061)	(59,027)	(106,115)	(632,191)	(1,063,334)	(218,675)	7	(6,222,396)
Amortization of intangible assets	(2,263,277)	(1,402)	-	(55,107)	(61,595)	(2,113)	-	(2,383,494)
Labor, tax and civil claims	(3,437,149)	1,095	(1,078)	(20,541)	(10,157)	(31,125)	-	(3,498,955)
Depreciation	(1,117,264)	(3,417)	-	(20,609)	(139,832)	(9,182)	-	(1,290,304)
Other operating expenses [2]	(7,576,243)	(362,606)	(45,056)	(13,037,493)	(2,011,383)	(369,066)	514,265	(22,887,582)
Income before taxes	**(4,536,353)**	**290,950**	**1,315,254**	**6,672,162**	**7,519,279**	**911,897**	**(27,044)**	**12,146,145**
Income taxes	**9,758,764**	**(80,414)**	**(542,320)**	**(2,391,216)**	**(2,532,534)**	**(234,656)**	**17,774**	**3,995,398**
Current	(820,896)	(126,516)	(541,586)	(2,395,164)	(4,397,030)	(202,486)	-	(8,483,678)
Deferred	10,579,660	46,102	(734)	3,948	1,864,496	(32,170)	17,774	12,479,076
Net income	**5,222,411**	**210,536**	**772,934**	**4,280,946**	**4,986,745**	**677,241**	**(9,270)**	**16,141,543**
Attributable to shareholders of the Bank	4,899,827	210,536	772,934	2,861,553	4,986,745	677,234	(9,270)	14,399,559
Attributable to non-controlling interests	322,584	-	-	1,419,393	-	7	-	1,741,984
Total assets	**1,438,660,136**	**6,824,293**	**1,263,763**	**146,797,727**	**13,826,095**	**7,533,299**	**(30,866,302)**	**1,584,039,011**
Total liabilities	**1,358,880,439**	**3,937,451**	**1,132,134**	**140,402,507**	**7,536,739**	**4,136,328**	**(13,522,760)**	**1,502,502,838**
Total shareholders' equity	**79,779,697**	**2,886,842**	**131,629**	**6,395,220**	**6,289,356**	**3,396,971**	**(17,343,542)**	**81,536,173**

(1) Includes in the Payment methods segment, the gain related to the strategic partnership in the electronic payments industry between BB Elo and Cielo.

(2) Mainly includes technical insurance provisions in the Insurance and related segment.

h) Reconciliation of financial information by reportable segment to consolidated financial information according to IFRS

	2017								
	Consolidated Management Statement	Adjustments [1]							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	
Interest income	162,049,847	(5,733,688)	-	-	(16,596,162)	56,909	-	(13,292)	139,763,614
Interest expense	(89,705,434)	3,158,776	-	-	-	16,326	-	(3,567)	(86,533,899)
Net interest income	**72,344,413**	**(2,574,912)**	**-**	**-**	**(16,596,162)**	**73,235**	**-**	**(16,859)**	**53,229,715**
Allowance for losses on loans to financial institutions, net of recovery	-	-	-	-	-	-	-	-	-
Allowance for losses on loans to customers, net of recovery	(22,190,832)	(513,278)	-	-	-	822	-	(161,079)	(22,864,367)
Net interest income after allowance for loan losses	**50,153,581**	**(3,088,190)**	**-**	**-**	**(16,596,162)**	**74,057**	**-**	**(177,938)**	**30,365,348**
Non-interest income	**39,959,740**	**(290,881)**	**975,610**	**-**	**(2,013,332)**	**(5,202,725)**	**-**	**515,582**	**33,943,994**
Net commissions and fee income	26,423,191	(594,484)	-	-	11,058	(4,194,623)	-	426,146	22,071,288
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(360,154)	(58,113)	-	-	79,099	-	-	(88,528)	(427,696)
Net gains/(losses) from financial assets available for sale	11,882	437,594	22,375	-	23	-	-	-	471,874
Net income/(loss) from equity method investments	120,453	124,948	975,922	-	2,077,529	452,126	-	-	3,750,978
Income from insurance contracts and private pension plans	4,564,335	-	-	-	(4,363,427)	-	-	(200,908)	-
Other operating income	9,200,033	(200,826)	(22,687)	-	182,386	(1,460,228)	-	378,872	8,077,550
Non-interest expenses	**(71,110,216)**	**2,430,033**	**123,516**	**-**	**17,259,201**	**3,417,158**	**(175,348)**	**(323,225)**	**(48,378,881)**
Personnel expenses	(21,933,364)	628,540	-	-	530,456	214,422	-	(79)	(20,560,025)
Administrative expenses	(11,967,054)	518,850	-	-	520,542	548,264	(8)	(221,687)	(10,601,093)
Contributions, fees and other taxes	(6,596,938)	195,323	-	-	402,975	516,432	-	-	(5,482,208)
Amortization of intangible assets	(2,205,314)	(321,954)	-	-	83,827	27,038	-	-	(2,416,403)
Labor, tax and civil claims	(2,589,784)	(305,203)	-	-	51,934	10,069	-	-	(2,832,984)
Depreciation	(1,310,545)	11,993	-	-	24,142	111,517	71	-	(1,162,822)
Other operating expenses	(24,507,217)	1,702,484	123,516	-	15,645,325	1,989,416	(175,411)	(101,459)	(5,323,346)
Income before taxes	**19,003,105**	**(949,038)**	**1,099,126**	**-**	**(1,350,293)**	**(1,711,510)**	**(175,348)**	**14,419**	**15,930,461**
Income taxes	**(6,342,295)**	**621,355**	**(55,582)**	**-**	**1,384,938**	**736,426**	**-**	**-**	**(3,655,158)**
Current	(5,477,482)	85,939	-	-	1,387,860	712,998	-	-	(3,290,685)
Deferred	(864,813)	535,416	(55,582)	-	(2,922)	23,428	-	-	(364,473)
Net income	**12,660,810**	**(327,683)**	**1,043,544**	**-**	**34,645**	**(975,084)**	**(175,348)**	**14,419**	**12,275,303**
Attributable to shareholders of the Bank	11,010,776	(312,506)	1,043,544	-	22,993	(975,084)	(175,348)	14,419	10,628,794
Attributable to non-controlling interests	1,650,034	(15,177)	-	-	11,652	-	-	-	1,646,509
Total assets	**1,623,035,056**	**(55,050,661)**	**549,187**	**-**	**(195,865,243)**	**(25,989,661)**	**(2,252)**	**6,398,616**	**1,353,075,042**
Total liabilities	**1,524,311,654**	**(55,923,965)**	**55,925**	**-**	**(196,922,238)**	**(23,929,282)**	**-**	**4,244,520**	**1,251,836,614**
Total shareholders' equity	**98,723,402**	**873,304**	**493,262**	**-**	**1,056,995**	**(2,060,379)**	**(2,252)**	**2,154,096**	**101,238,428**
Shareholders' equity attributable to shareholders of the Bank	95,325,729	744,924	493,262	-	701,453	(2,060,379)	(2,252)	2,154,096	97,356,833
Shareholders' equity attributable to non-controlling interests	3,397,673	128,380	-	-	355,542	-	-	-	3,881,595

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences are the adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

	2016								
		Adjustments [1]							
	Consolidated Management Statement	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated IFRS
Interest income	189,914,489	(4,822,988)	-	-	(17,071,884)	103,065	(6,840)	(76,606)	168,039,236
Interest expense	(111,265,264)	5,157,970	-	-	-	17,586	-	(35,187)	(106,124,895)
Net interest income	**78,649,225**	**334,982**	**-**	**-**	**(17,071,884)**	**120,651**	**(6,840)**	**(111,793)**	**61,914,341**
Allowance for losses on loans to financial institutions, net of recovery	-	13,867	-	-	-	-	-	-	13,867
Allowance for losses on loans to customers, net of recovery	(25,755,590)	(2,635,414)	-	-	-	1,368	-	(30,519)	(28,420,155)
Net interest income after allowance for loan losses	**52,893,635**	**(2,286,565)**	**-**	**-**	**(17,071,884)**	**122,019**	**(6,840)**	**(142,312)**	**33,508,053**
Non-interest income	**38,898,783**	**(242,153)**	**784,859**	**-**	**(1,724,536)**	**(5,873,627)**	**(56,069)**	**403,690**	**32,190,947**
Net commissions and fee income	25,070,730	(394,811)	-	-	266,697	(4,638,449)	(27,090)	570,709	20,847,786
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(2,066,375)	(25,112)	95,944	-	113,233	-	14,290	(89,587)	(1,957,607)
Net gains/(losses) from financial assets available for sale	31,090	175,330	(78,637)	-	280	-	-	-	128,063
Net income/(loss) from equity method investments	(97,247)	115,577	1,058,876	-	2,452,240	430,583	(147)	-	3,959,882
Income from insurance contracts and private pension plans	4,971,559	-	-	-	(4,699,278)	-	-	(272,281)	-
Other operating income	10,989,026	(113,137)	(291,324)	-	142,292	(1,665,761)	(43,122)	194,849	9,212,823
Non-interest expenses	**(75,991,833)**	**57,509**	**329,108**	**-**	**16,995,646**	**4,037,017**	**30,174**	**(266,194)**	**(54,808,573)**
Personnel expenses	(24,123,015)	633,781	19,893	-	529,624	324,282	-	(74)	(22,615,509)
Administrative expenses	(12,199,596)	541,631	14,768	-	513,865	737,422	30,808	(324,286)	(10,685,388)
Contributions, fees and other taxes	(6,751,603)	167,282	7,029	-	336,894	580,302	4,337	(3,999)	(5,659,758)
Amortization of intangible assets	(2,357,572)	(385,452)	1,660	-	71,523	62,706	-	-	(2,607,135)
Labor, tax and civil claims	(2,053,949)	(976,569)	15	-	2,381	16,273	-	-	(3,011,849)
Depreciation	(1,310,281)	14,442	3,165	-	20,344	123,089	73	-	(1,149,168)
Other operating expenses	(27,195,817)	62,394	282,578	-	15,521,015	2,192,943	(5,044)	62,165	(9,079,766)
Income before taxes	**15,800,585**	**(2,471,209)**	**1,113,967**	**-**	**(1,800,774)**	**(1,714,591)**	**(32,735)**	**(4,816)**	**10,890,427**
Income taxes	**(6,091,990)**	**1,564,564**	**(50,565)**	**-**	**1,700,906**	**689,349**	**(43,114)**	**-**	**(2,230,850)**
Current	(9,079,475)	17,719	642	-	1,703,500	722,008	38	-	(6,635,568)
Deferred	2,987,485	1,546,845	(51,207)	-	(2,594)	(32,659)	(43,152)	-	4,404,718
Net income	**9,708,595**	**(906,645)**	**1,063,402**	**-**	**(99,868)**	**(1,025,242)**	**(75,849)**	**(4,816)**	**8,659,577**
Attributable to shareholders of the Bank	8,033,556	(869,723)	1,063,402	-	(94,047)	(1,025,242)	(75,849)	(4,816)	7,027,281
Attributable to non-controlling interests	1,675,039	(36,922)	-	-	(5,821)	-	-	-	1,632,296
Total assets	**1,616,431,223**	**(53,526,881)**	**79,613**	**-**	**(170,504,199)**	**(7,703,956)**	**(545,847)**	**2,985,733**	**1,387,215,686**
Total liabilities	**1,529,237,471**	**(55,042,627)**	**(326,284)**	**-**	**(171,409,306)**	**(6,466,918)**	**74,865**	**1,071,792**	**1,297,138,993**
Total shareholders' equity	**87,193,752**	**1,515,746**	**405,897**	**-**	**905,107**	**(1,237,038)**	**(620,712)**	**1,913,941**	**90,076,693**
Shareholders' equity attributable to shareholders of the Bank	83,980,784	1,372,152	405,897	-	561,216	(1,237,038)	(620,712)	1,913,941	86,376,240
Shareholders' equity attributable to non-controlling interests	3,212,968	143,594	-	-	343,891	-	-	-	3,700,453

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences refers to adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

	2015								
	Consolidated Management Statement	Adjustments [1]							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	
Interest income	203,924,086	(6,862,931)	(421)	900	(14,405,702)	(169,498)	(41,826)	(75,737)	182,368,871
Interest expense	(142,382,723)	5,773,269	-	-	-	17,391	-	(28,857)	(136,620,920)
Net interest income	**61,541,363**	**(1,089,662)**	**(421)**	**900**	**(14,405,702)**	**(152,107)**	**(41,826)**	**(104,594)**	**45,747,951**
Allowance for losses on loans to financial institutions, net of recovery	-	5,863	-	-	-	-	-	-	5,863
Allowance for losses on loans to customers, net of recovery	(23,915,194)	656,197	-	-	-	680	-	(30,651)	(23,288,968)
Net interest income after allowance for loan losses	**37,626,169**	**(427,602)**	**(421)**	**900**	**(14,405,702)**	**(151,427)**	**(41,826)**	**(135,245)**	**22,464,846**
Non-interest income	**45,501,862**	**(4,100,734)**	**654,466**	**(900)**	**(1,826,778)**	**(2,571,414)**	**(103,529)**	**484,553**	**38,037,526**
Net commissions and fee income	21,970,030	(299,737)	38	-	429,062	(4,039,776)	(206)	461,941	18,521,352
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	2,570,581	(799,004)	12,191	-	104,613	-	1,721	(81,637)	1,808,465
Net gains/(losses) from financial assets available for sale	(615,226)	18,429	303	-	250	(3)	-	-	(596,247)
Net income/(loss) from equity method investments	3,659,845	(3,264,586)	976,709	-	2,698,439	329,463	(6,884)	-	4,392,986
Income from insurance contracts and private pension plans	5,325,652	-	-	-	(5,067,317)	-	-	(258,335)	-
Other operating income	12,590,980	244,164	(334,775)	(900)	8,175	1,138,902	(98,160)	362,584	13,910,970
Non-interest expenses	**(70,981,886)**	**2,815,304**	**360,622**	**-**	**14,557,280**	**3,184,152**	**(886)**	**(299,454)**	**(50,364,868)**
Personnel expenses	(22,921,513)	716,234	22,107	-	541,082	312,500	6	(9)	(21,329,593)
Administrative expenses	(11,777,642)	371,582	22,541	-	520,049	675,921	2,926	(196,339)	(10,380,962)
Contributions, fees and other taxes	(6,222,396)	162,946	10,383	-	431,972	(23,207)	383	-	(5,639,919)
Amortization of intangible assets	(2,383,494)	(455,160)	1,402	-	55,107	61,595	-	-	(2,720,550)
Labor, tax and civil claims	(3,498,955)	(687,626)	(1,345)	-	24,196	10,157	-	-	(4,153,573)
Depreciation	(1,290,304)	2,587	3,417	-	20,493	139,832	71	-	(1,123,904)
Other operating expenses	(22,887,582)	2,704,741	302,117	-	12,964,381	2,007,354	(4,272)	(103,106)	(5,016,367)
Income before taxes	**12,146,145**	**(1,713,032)**	**1,014,667**	**-**	**(1,675,200)**	**461,311**	**(146,241)**	**49,854**	**10,137,504**
Income taxes	**3,995,398**	**(38,617)**	**(41,320)**	**-**	**1,603,996**	**126,122**	**32,730**	**(17,774)**	**5,660,535**
Current	(8,483,678)	54,468	3	-	1,607,944	675,820	63	-	(6,145,380)
Deferred	12,479,076	(93,085)	(41,323)	-	(3,948)	(549,698)	32,667	(17,774)	11,805,915
Net income	**16,141,543**	**(1,751,649)**	**973,347**	**-**	**(71,204)**	**587,433**	**(113,511)**	**32,080**	**15,798,039**
Attributable to shareholders of the Bank	14,399,559	(1,737,114)	973,347	-	(72,213)	587,433	(113,510)	32,080	14,069,582
Attributable to non-controlling interests	1,741,984	(14,535)	-	-	1,009	-	(1)	-	1,728,457
Total assets	**1,584,039,011**	**(53,959,105)**	**123,804**	**-**	**(135,409,582)**	**(7,429,011)**	**(546,417)**	**2,045,829**	**1,388,864,529**
Total liabilities	**1,502,502,838**	**(57,554,840)**	**(187,580)**	**-**	**(136,337,046)**	**(6,929,342)**	**14,198**	**1,126,307**	**1,302,634,535**
Total shareholders' equity	**81,536,173**	**3,595,735**	**311,384**	**-**	**927,464**	**(499,669)**	**(560,615)**	**919,522**	**86,229,994**
Shareholders' equity attributable to shareholders of the Bank	78,408,096	3,400,781	311,384	-	577,752	(499,669)	(560,615)	919,522	82,557,251
Shareholders' equity attributable to non-controlling interests	3,128,077	194,954	-	-	349,712	-	-	-	3,672,743

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences refers to adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

i) Geographical information

	Brazil	Other countries			Total
	2017	Before eliminations	Eliminations	After eliminations	2017
Assets	1,273,527,572	252,559,653	(173,012,183)	79,547,470	1,353,075,042
Income	175,475,087	6,987,278	(8,754,757)	(1,767,479)	173,707,608
Expenses	(160,169,199)	(6,163,314)	4,900,208	(1,263,106)	(161,432,305)
Income/(loss) before taxes	17,945,782	1,839,228	(3,854,549)	(2,015,321)	15,930,461
Net income/(loss)	15,305,888	823,964	(3,854,549)	(3,030,585)	12,275,303

	Brazil	Other countries			Total
	2016	Before eliminations	Eliminations	After eliminations	2016
Assets	1,297,541,958	265,758,544	(176,084,816)	89,673,728	1,387,215,686
Income	186,474,824	21,943,849	(8,188,490)	13,755,359	200,230,183
Expenses	(174,374,581)	(21,443,833)	4,247,808	(17,196,025)	(191,570,606)
Income/(loss) before taxes	14,421,946	409,163	(3,940,682)	(3,531,519)	10,890,427
Net income/(loss)	12,100,243	500,016	(3,940,682)	(3,440,666)	8,659,577

	Brazil	Other countries			Total
	2015	Before eliminations	Eliminations	After eliminations	2015
Assets	1,256,650,895	322,586,714	(190,373,080)	132,213,634	1,388,864,529
Income	213,404,699	14,827,442	(7,825,744)	7,001,698	220,406,397
Expenses	(193,140,985)	(14,578,083)	3,110,710	(11,467,373)	(204,608,358)
Income/(loss) before taxes	14,599,513	253,025	(4,715,034)	(4,462,009)	10,137,504
Net income/(loss)	20,263,714	249,359	(4,715,034)	(4,465,675)	15,798,039

Income consists of both interest and non-interest income. Expenses consist of interest expense, the allowance for loan losses and non-interest expense.

From the overseas operations, the branches and subsidiaries located in South and North America provided the majority of the income, and most parts of the assets are located in Europe and South America. Assets abroad are mainly monetary and derived from loans to customers and loans to other financial institutions.

j) Non-current assets and investments in associates and joint ventures

	Dec 31, 2017						
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Consolidated IFRS
Investments in associates and joint ventures	**5,379,727**	**1,652,561**	**-**	**7,475,845**	**5,993,689**	**30,231**	**20,532,053**
Non-current assets (1)	**14,977,257**	**-**	**-**	**5,545**	**-**	**98,468**	**15,081,270**
Property and equipment	7,374,625	-	-	-	-	91,525	7,466,150
Goodwill	591,582	-	-	-	-	-	591,582
Intangible	7,011,050	-	-	5,545	-	6,943	7,023,538

	Dec 31, 2016						
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Consolidated IFRS
Investments in associates and joint ventures	**5,122,151**	**1,243,819**	**-**	**8,209,239**	**5,063,337**	**3,338**	**19,641,884**
Non-current assets (1)	**16,276,504**	**-**	**-**	**3,784**	**-**	**77,485**	**16,357,773**
Property and equipment	7,542,156	-	-	-	-	71,903	7,614,059
Goodwill	591,582	-	-	-	-	-	591,582
Intangible	8,142,766	-	-	3,784	-	5,582	8,152,132

(1) Other than financial instruments, deferred tax assets, employee benefit assets and rights arising under insurance contracts.

k) Income by segments

	2017					
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other
Interest income	**144,675,094**	**28,620**	**82,845**	**16,874,226**	**340,208**	**820,495**
External customers income	144,145,256	25,410	719	16,671,297	301,548	709,987
Intersegments income	529,838	3,210	82,126	202,929	38,660	110,508
Non-interest income	**23,952,560**	**1,215,156**	**2,078,783**	**7,069,886**	**5,700,781**	**1,874,398**
External customers income	23,095,430	845,643	2,048,304	7,056,594	5,696,571	842,393
Intersegments income	857,130	369,513	30,479	13,292	4,210	1,032,005

	2016					
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other
Interest income	**171,882,246**	**142,199**	**98,673**	**17,320,074**	**435,653**	**848,725**
External customers income	171,091,955	139,658	2,355	17,151,364	395,314	709,093
Intersegments income	790,291	2,541	96,318	168,710	40,339	139,632
Non-interest income	**22,719,618**	**1,021,136**	**1,632,997**	**7,167,673**	**6,429,356**	**1,753,575**
External customers income	21,330,158	719,985	1,606,092	7,152,440	6,343,706	732,350
Intersegments income	1,389,460	301,151	26,905	15,233	85,650	1,021,225

	2015					
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other
Interest income	**188,448,726**	**75,343**	**85,518**	**14,615,813**	**589,751**	**738,522**
External customers income	187,988,059	74,089	1,989	14,419,930	572,947	653,453
Intersegments income	460,667	1,254	83,529	195,883	16,804	85,069
Non-interest income	**24,790,679**	**1,082,033**	**1,490,771**	**7,174,092**	**11,226,359**	**1,676,455**
External customers income	23,742,456	856,479	1,462,600	7,157,103	11,183,917	689,411
Intersegments income	1,048,223	225,554	28,171	16,989	42,442	987,044

8 – NET INTEREST INCOME

	2017	2016	2015
Interest income	**139,763,614**	**168,039,236**	**182,368,871**
Loans to customers (1)	76,019,445	94,960,406	100,958,745
Securities purchased under resale agreements	38,691,418	46,280,245	39,128,311
Financial assets available for sale (2)	10,148,362	13,492,530	12,321,800
Compulsory deposits with central banks	3,862,405	5,551,256	4,892,949
Financial assets held to maturity	1,286,916	975,138	403,494
Financial assets at fair value through profit or loss	798,144	652,540	850,016
Loans to financial institutions (3)	438,070	(4,092,386)	12,833,386
Other interest income(4)	8,518,854	10,219,507	10,980,170
Interest expense	**(86,533,899)**	**(106,124,895)**	**(136,620,920)**
Securities sold under repurchase agreements	(40,359,127)	(48,741,310)	(41,614,206)
Deposits of clients	(27,607,036)	(33,018,398)	(33,148,160)
Liabilities from issuance of securities and other financial liabilities	(26,120,571)	(16,534,266)	(60,730,755)
Amount payable to financial institutions (5)	7,552,835	(7,830,921)	(616,426)
Other interest expense	-	-	(511,373)
Net interest income	**53,229,715**	**61,914,341**	**45,747,951**

(1) Interest income recognized on impaired loans was R$ 12,453,462 thousand in 2017 (R$ 14,107,630 thousand in 2016 and R$ 9,062,234 thousand in 2015).
(2) Includes dividend income in the amount of R$ 11,481 thousand in 2017 (R$ 107,849 thousand in 2016 and R$ 41,459 thousand in 2015).
(3) Loss recognized in 2016 relates to negative foreign exchange chages of the period.
(4) Includes interests revenue with guarantee deposits and with National Treasury bonds and credits.
(5) Profit recognized in 2017 relates to negative foreign exchange changes between foreign currencies, related to operations abroad.

9 – NET COMMISSIONS AND FEE INCOME

	2017	2016	2015
Services rendered to customers	**13,418,263**	**13,105,334**	**12,356,574**
Account fee	6,112,664	5,356,082	4,469,595
Collection	2,070,344	2,178,526	2,156,444
Card income	1,768,480	1,647,428	2,092,746
Billing	1,449,887	1,685,602	1,706,885
Interbank and funds transfer	779,291	907,610	789,113
Loans and customer information file	550,418	346,806	267,644
Foreign exchange	330,833	376,076	326,587
Capital market income	175,730	146,503	125,359
Other	180,616	460,701	422,201
Asset management	**7,191,305**	**5,871,493**	**5,397,543**
Commissions	**3,769,902**	**3,860,250**	**3,518,383**
Insurance distribution	2,274,716	2,390,894	2,164,023
Pension plans distribution	646,163	574,577	474,141
Capitalization distribution	503,360	569,944	682,318
Securities distribution	345,663	324,835	197,901
Guarantees provided	**154,669**	**179,684**	**168,639**
Other services	**249,720**	**323,291**	**262,157**
Commissions and fee income	**24,783,859**	**23,340,052**	**21,703,296**
Commissions and fee expense	**(2,712,571)**	**(2,492,266)**	**(3,181,944)**
Service rendering	(2,458,345)	(2,401,575)	(3,119,828)
Commission expense	(6,792)	(1,318)	(8,942)
Other services	(247,434)	(89,373)	(53,174)
Net commissions and fee income	**22,071,288**	**20,847,786**	**18,521,352**

10 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016	2015
Derivative financial instruments	(468,302)	(2,149,201)	1,457,132
Other financial assets and liabilities at fair value through profit or loss	40,606	191,594	351,333
Total	**(427,696)**	**(1,957,607)**	**1,808,465**

11 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AVAILABLE FOR SALE

	2017	2016	2015
Debt instruments	473,374	80,216	(594,433)
Equity instruments	(1,500)	47,847	(1,814)
Total	**471,874**	**128,063**	**(596,247)**

12 – OTHER OPERATING INCOME / EXPENSES

Other operating income	2017	2016	2015
Receivables income	2,220,488	2,281,901	1,053,278
Recovery of charges and expenses	2,045,656	1,390,011	1,302,481
Gains from benefit plans – Surplus agreements	646,880	1,057,658	1,355,063
Reversal of provisions for sundry payments	599,243	367,803	51,929
Card transactions	578,907	564,500	779,601
Gains from foreign investment translation	346,511	-	3,365,755
Income derived from investments (1)	303,622	337,916	124,142
Net gains/(losses) from foreign exchange transactions	268,302	1,650,309	(2,263,947)
Gains from the disposal of other assets (2)	201,265	219,041	5,960,442
Foreign exchange changes of credit cards operations	82,983	-	-
Gains from defined benefit plans – Plano 1 – Previ (3)	17,199	24,175	358,000
Gains/(losses) from the disposal of investments in associates	-	(2,347)	-
Other	766,494	1,321,856	1,824,226
Total	**8,077,550**	**9,212,823**	**13,910,970**

(1) Refers mainly to inflation adjustments of receivable dividends.
(2) On 2015, refers mainly to the recognition of a gain related to the new strategic partnership between BB Elo and Cielo.
(3) Refers to the recognition in profit or loss of certain components of defined benefit plans.

Other operating expenses	2017	2016	2015
Adjustment of actuarial liabilities	(1,410,216)	(1,582,343)	(994,028)
Performance bonus paid to customers for loyalty	(1,066,531)	(698,371)	(87,246)
Inflation adjustments of tax obligations under legal discussion	(1,026,712)	(1,365,510)	(934,671)
Operating losses	(294,300)	(205,872)	(226,384)
Compensation for transactions of Banco Postal (1)	(236,936)	(1,358,351)	(1,169,547)
(Recognition)/reversal of impairment for other assets	(219,953)	(316,454)	(287,334)
Life insurance premium – consumer credit	(132,000)	(159,692)	(174,157)
Inflation adjustments of payables to the National Treasury	(72,473)	(93,889)	(87,261)
Commission for credit recovery	(67,796)	(68,620)	(62,088)
Liabilities for operations linked to assignments	(54,015)	(64,652)	(33,637)
Inflation adjustment of amounts to be released	(46,652)	(69,516)	(89,490)
Proagro expenses	(23,185)	(38,922)	(30,600)
Guarantee services	(23,173)	(253,719)	(396,291)
Fees for the use of Sisbacen – Brazilian Central Bank System	(20,520)	(21,990)	(25,592)
Impairment of property and equipment	(10,222)	(13,482)	(3,721)
Gains/(losses) from foreign investment translation	-	(1,835,683)	-
Impairment of goodwill	-	(47,510)	-
Inflation adjustment of interest on own capital and dividends	-	-	(5,346)
(Recognition)/reversal of impairment for devaluation of other assets	34,693	(3,734)	29,284
Capital gains/(losses)	326,829	(75,569)	(74,559)
Other	(980,184)	(805,887)	(363,699)
Total	**(5,323,346)**	**(9,079,766)**	**(5,016,367)**

(1) Expenses from the partnership between the Bank and Empresa Brasileira de Correios e Telégrafos ECT, for the use of the Banco Postal network.

13 – PERSONNEL EXPENSES

	2017	2016	2015
Wages and salaries	(11,174,867)	(13,747,010)	(12,099,614)
Social security costs	(3,957,025)	(4,075,749)	(4,179,498)
Benefits	(3,021,203)	(2,808,033)	(2,586,349)
Profit sharing [1]	(1,422,159)	(1,015,628)	(1,827,984)
Private pension plans	(874,807)	(853,203)	(520,495)
Staff training	(64,030)	(66,705)	(69,925)
Directors' and officers' remuneration	(45,934)	(49,181)	(45,728)
Total	**(20,560,025)**	**(22,615,509)**	**(21,329,593)**

(1) Includes the amount of R$ 12,190 thousand in 2017 (R$ 12,190 thousand in 2016 and R$ 11,554 thousand in the 2015) related to Share-based payment for the Executive Board (Note 37.I).

14 – ADMINISTRATIVE EXPENSES

	2017	2016	2015
Rental and operating leases expenses	(1,565,351)	(1,449,876)	(1,306,605)
Outsourced services	(1,466,061)	(1,302,182)	(1,427,930)
Surveillance and security services	(1,240,640)	(1,240,053)	(1,112,808)
Communication expenses	(1,108,436)	(1,152,173)	(1,165,896)
Transportation	(1,073,546)	(1,091,907)	(1,115,334)
Data processing	(891,675)	(782,807)	(918,313)
Maintenance and preservation	(726,275)	(921,496)	(714,403)
Specialized technical services	(583,457)	(455,751)	(369,942)
Water, energy and gas	(491,613)	(534,835)	(514,089)
Marketing expenses	(392,218)	(317,599)	(381,395)
Promotion and public relations	(177,408)	(245,838)	(261,214)
Travel expenses	(115,102)	(101,223)	(147,938)
Office supplies	(113,012)	(119,373)	(126,759)
Philanthropic contributions	(66,507)	(82,986)	(60,370)
Other	(589,792)	(887,289)	(757,966)
Total	**(10,601,093)**	**(10,685,388)**	**(10,380,962)**

15 – CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below provides reconciliation between line items in the consolidated balance sheet and categories of financial instruments.

Dec 31, 2017	Note	Trading	Available for sale	Held to maturity	Loans and receivables[1]	Other amortised cost	Total
Assets							
Cash and bank deposits	[16]	-	-	-	13,471,112	-	13,471,112
Compulsory deposits with central banks	[17]	-	-	-	69,081,139	-	69,081,139
Loans to financial institutions net of allowance	[18]	-	-	-	35,116,862	-	35,116,862
Securities purchased under resale agreements	[19]	-	-	-	348,186,760	-	348,186,760
Financial assets at fair value through profit or loss	[20]	8,453,138	-	-	-	-	8,453,138
Financial assets available for sale	[21]	-	120,214,877	-	-	-	120,214,877
Financial assets held to maturity	[22]	-	-	10,457,429	-	-	10,457,429
Loans to customers net of allowance	[23]	-	-	-	585,190,941	-	585,190,941
Total		**8,453,138**	**120,214,877**	**10,457,429**	**1,051,046,814**	**-**	**1,190,172,258**
Liabilities							
Deposits of clients	[31]	-	-	-	-	426,076,603	426,076,603
Amount payable to financial institutions	[32]	-	-	-	-	24,649,124	24,649,124
Financial liabilities at fair value through profit or loss	[20]	789,887	-	-	-	-	789,887
Securities sold under repurchase agreements	[33]	-	-	-	-	376,242,695	376,242,695
Liabilities from issuance of securities and other financial liabilities	[34]	-	-	-	-	337,982,290	337,982,290
Total		**789,887**	**-**	**-**	**-**	**1,164,950,712**	**1,165,740,599**

Dec 31, 2016	Note	Trading	Designated at fair value	Available for sale	Held to maturity	Loans and receivables[1]	Other amortised cost	Total
Assets								
Cash and bank deposits	[16]	-	-	-	-	12,798,204	-	12,798,204
Compulsory deposits with central banks	[17]	-	-	-	-	63,451,094	-	63,451,094
Loans to financial institutions net of allowance	[18]	-	-	-	-	49,119,008	-	49,119,008
Securities purchased under resale agreements	[19]	-	-	-	-	371,682,685	-	371,682,685
Financial assets at fair value through profit or loss	[20]	7,669,398	-	-	-	-	-	7,669,398
Financial assets available for sale	[21]	-	-	104,669,675	-	-	-	104,669,675
Financial assets held to maturity	[22]	-	-	-	9,120,261	-	-	9,120,261
Loans to customers net of allowance	[23]	-	-	-	-	603,856,735	-	603,856,735
Total		**7,669,398**	**-**	**104,669,675**	**9,120,261**	**1,100,907,726**	**-**	**1,222,367,060**
Liabilities								
Deposits of clients	[31]	-	-	-	-	-	425,315,886	425,315,886
Amount payable to financial institutions	[32]	-	-	-	-	-	21,276,934	21,276,934
Financial liabilities at fair value through profit or loss	[20]	1,870,391	364,455	-	-	-	-	2,234,846
Securities sold under repurchase agreements	[33]	-	-	-	-	-	374,634,032	374,634,032
Liabilities from issuance of securities and other financial liabilities	[34]	-	-	-	-	-	368,350,768	368,350,768
Total		**1,870,391**	**364,455**	**-**	**-**	**-**	**1,189,577,620**	**1,191,812,466**

(1) Includes amounts related to Cash and cash equivalents (Note 16).

16 – CASH AND CASH EQUIVALENTS

	Dec 31, 2017	Dec 31, 2016
Cash and bank deposits	**13,471,112**	**12,798,204**
Local currency	8,744,588	7,824,081
Foreign currency	4,726,524	4,974,123
Interbank investments (1)	**33,703,045**	**90,317,899**
Interbank deposits	22,121,240	32,037,173
Securities purchased under resale agreements – guaranteed by securities not repledged / re-sold	11,581,805	58,269,836
Foreign currency interbank deposits	-	10,890
Total	**47,174,157**	**103,116,103**

(1) Investments whose original maturity is less than or equal to 90 days.

17 – COMPULSORY DEPOSITS WITH CENTRAL BANKS

	Dec 31, 2017	Dec 31, 2016
Non-interest bearing deposits (1)	**11,744,668**	**11,443,864**
Brazilian Central Bank	11,744,668	11,443,864
Interest bearing deposits	**57,336,471**	**52,007,230**
Brazilian Central Bank	57,336,471	52,007,230
Total	**69,081,139**	**63,451,094**

(1) Reserve requirements on demand deposits in Brazil, corresponding to the amount of funds that a financial institution must hold in reserve with the Brazilian Central Bank, based on a percentage of deposit liabilities received from third parties, considered as resources of restricted use.

18 – LOANS TO FINANCIAL INSTITUTIONS

	Dec 31, 2017	Dec 31, 2016
Interbank deposits	24,836,568	34,028,987
Loan portfolios acquired with guarantee from the transferor	10,280,294	15,090,021
Total	**35,116,862**	**49,119,008**

	Dec 31, 2017	Dec 31, 2016
Allowance for losses on loans to financial institutions		
Opening balance	**-**	**(13,867)**
Reversal	-	13,867
Closing balance	**-**	**-**

19 – SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Dec 31, 2017	Dec 31, 2016
Guaranteed by securities not repledged / re-sold	**11,647,612**	**58,281,504**
Financial Treasury bills	10,813,722	58,180,683
National Treasury bills	612,933	-
Other securities	220,957	100,821
Guaranteed by securities that have been repledged / re-sold (1)	**336,539,148**	**313,401,181**
Financial Treasury bills	333,060,713	219,292,289
National Treasury bills	3,016,349	45,437,404
National Treasury notes	-	48,526,197
Other securities	462,086	145,291
Total	**348,186,760**	**371,682,685**

(1) Refers to securities purchased under resale agreements and resold to other borrowers, with an obligation to repurchase. Liabilities resulting from these operations are presented in Note 33, third-party portfolio sub-group.

20 – FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

	Dec 31, 2017	Dec 31, 2016
Debt instruments	**7,735,230**	**6,029,961**
Federal government bonds	2,951,606	2,866,308
Brazilian federal government bonds	2,904,786	1,870,012
Investments in mutual funds	1,400,864	1,052,326
Securities issued by non-financial companies	461,784	117,473
Securities issued by financial companies	8,331	68,037
Brazilian government bonds issued abroad	7,859	55,805
Equity instruments	**62,989**	**26,874**
Marketable equity shares	62,989	26,874
Total debt and equity instruments	**7,798,219**	**6,056,835**
Derivative financial instruments (assets)	**654,919**	**1,612,563**
Swaps	386,920	1,128,169
Forward operations	127,878	253,699
Options	123,557	193,414
Other(1)	16,564	37,281
Total financial assets at fair value through profit or loss	**8,453,138**	**7,669,398**

(1) Other derivatives contracts are primarily related to Non Deliverable Forward (NDF) contracts which are traded in over-the-counter (OTC) market.

Financial liabilities at fair value through profit or loss

	Dec 31, 2017	Dec 31, 2016
Derivative financial instruments (liabilities)	**789,887**	**1,870,391**
Swaps	467,523	1,190,214
Forward operations	232,568	582,138
Options	19,611	30,656
Other	70,185	67,383
Other financial liabilities at fair value through profit or loss	**-**	**364,455**
Total financial liabilities at fair value through profit or loss	**789,887**	**2,234,846**

Fair value of the trading assets that are pledged as collateral for:

	Dec 31, 2017	Dec 31, 2016
Repurchase agreements	174,710	473,446
Guarantees provided	39,630	20,233
Compulsory deposits	-	-
Total	**214,340**	**493,679**

Financial assets at fair value through profit or loss pledged as collateral represent government securities pledged in derivatives transactions and trading of securities and currencies on the BM&FBOVESPA Stock Exchange. They also include collateral for equities transactions cleared through the Câmara Brasileira de Liquidação e Custódia (CBLC – Brazilian Clearing & Depositary Corp.).

No financial assets and liabilities at fair value through profit or loss were reclassified during 2017 or 2016. The classification of financial instruments is presented in Note 15.

Unrealized net gains/(losses) from financial assets and liabilities at fair value through profit or loss recognized in the balance sheet

	Dec 31, 2017	Dec 31, 2016
Unrealized net gains/(losses) from debt instruments	**284,407**	**531,359**
Federal government bonds	171,913	441,133
Investments in mutual funds	108,800	51,777
Securities issued by non-financial companies	(15,268)	29,261
Brazilian federal government bonds	19,170	10,119
Securities issued by financial companies	(142)	1,138
Brazilian government bonds issued abroad	(66)	(2,069)
Unrealized net gains/(losses) from equity instruments	**28,213**	**13,454**
Marketable equity shares	28,213	13,454
Gains/(losses) from derivative financial instruments	**(16,972)**	**143,589**
Gains/(losses) from other financial liabilities at fair value through profit or loss	**-**	**996**
Total	**295,648**	**689,398**

21 – FINANCIAL ASSETS AVAILABLE FOR SALE

	Dec 31, 2017	Dec 31, 2016
Debt instruments	**120,010,900**	**104,321,332**
Brazilian federal government bonds	85,469,686	66,586,763
Securities issued by non-financial companies	22,769,358	29,462,551
Federal government bonds	5,737,222	2,763,523
Brazilian government bonds issued abroad	3,489,859	2,679,586
Investments in mutual funds	1,807,292	1,704,902
Securities issued by financial companies	737,483	1,124,007
Equity instruments	**203,977**	**348,343**
Marketable equity shares	203,977	348,343
Total	**120,214,877**	**104,669,675**

Fair value of the financial assets available for sale that are pledged as collateral for:

	Dec 31, 2017	Dec 31, 2016
Repurchase agreements	30,997,903	36,936,707
Guarantees provided	1,571,698	3,134,276
Total	**32,569,601**	**40,070,983**

Financial assets available for sale pledged as collateral represent government bonds pledged in derivatives transactions and the trading of securities and currencies on the BM&FBOVESPA Stock Exchange. They also include collateral for equities transactions through the Câmara Brasileira de Liquidação e Custódia (CBLC – Brazilian Clearing & Depositary Corp.).

No financial assets available for sale were reclassified during 2017 or 2016.

Unrealized net gains/(losses) from financial assets available for sale recognized in the consolidated balance sheet

	Dec 31, 2017	Dec 31, 2016
Unrealized net gains/(losses) from debt instruments	**(1,084,360)**	**(2,062,791)**
Brazilian federal government bonds	989,936	472,858
Brazilian government bonds issued abroad	159,530	(67,900)
Federal government bonds	(72,393)	(456,448)
Securities issued by financial companies	(141,711)	(64,917)
Investments in mutual funds	(193,330)	(382,102)
Securities issued by non-financial companies	(1,826,392)	(1,564,282)
Unrealized net gains/(losses) from equity instruments	**13,392**	**91,540**
Marketable equity shares	13,392	91,540
Total	**(1,070,968)**	**(1,971,251)**

22 – FINANCIAL ASSETS HELD TO MATURITY

	Dec 31, 2017	Dec 31, 2016
Debt instruments		
Securities issued by non-financial companies	9,280,364	8,692,279
Securities issued by financial companies	873,946	405,344
Foreign government bonds	285,017	-
Brazilian federal government bonds	18,102	22,638
Total	**10,457,429**	**9,120,261**

Breakdown by maturity

	Dec 31, 2017	Dec 31, 2016
Due in up to one year	495,976	560,366
Maturing between 1 to 5 years	2,610,694	3,124,492
Maturing between 5 to 10 years	5,347,417	4,154,483
Maturing after 10 years	2,003,342	1,280,920
Total	**10,457,429**	**9,120,261**

No financial assets held to maturity were reclassified during 2017 or 2016.

23 – LOANS TO CUSTOMERS

a) Loan portfolio by type

	Average maturity (months)	Dec 31, 2017	Dec 31, 2016
Loans		**578,983,553**	**598,941,333**
Loans and discounted credits rights (1)	74	**200,537,158**	**213,967,395**
- Corporations		97,734,813	113,373,788
- Individuals		102,802,345	100,593,607
Financing (2)	60	**136,566,782**	**145,056,055**
- Corporations		131,088,144	137,471,201
- Individuals		5,478,638	7,584,854
Rural and agribusiness financing	87	**186,667,590**	**185,067,910**
- Corporations		43,463,029	50,543,110
- Individuals		143,204,561	134,524,800
Real estate financing	332	**54,715,861**	**54,237,642**
- Corporations		10,339,493	12,773,861
- Individuals		44,376,368	41,463,781
Infrastructure and development financing	365	**106**	**244**
- Corporations		106	244
Loan portfolio transferred with substantial retention of risks	250	**496,056**	**612,087**
- Individuals		496,056	612,087
Others receivables with loan characteristics		**42,130,628**	**38,258,586**
Credit card operations	4	**25,296,513**	**23,510,422**
- Corporations		979,709	1,015,080
- Individuals		24,316,804	22,495,342
Advances on foreign exchange contracts	10	**15,564,206**	**13,699,534**
- Corporations		15,547,029	13,685,461
- Individuals		17,177	14,073
Guarantees honored	12	**601,739**	**494,544**
- Corporations		601,739	465,996
- Individuals		-	28,548
Other	195	**668,170**	**554,086**
- Corporations		666,049	548,191
- Individuals		2,121	5,895
Leasing portfolio	45	**398,557**	**604,197**
- Corporations		370,915	574,545
- Individuals		27,642	29,652
Total loans to customers portfolio		**621,512,738**	**637,804,116**
Allowance for losses on loans to customers		**(36,321,797)**	**(33,947,381)**
Allowance for loan losses		(35,575,193)	(33,350,721)
Allowance for others receivables losses		(727,582)	(553,422)
Allowance for leasing portfolio losses		(19,022)	(43,238)
Total loans to customers, net of allowance		**585,190,941**	**603,856,735**

(1) The balance of “loans and discounted credits rights” to corporations is mainly composed of working capital loans and discounted receivables. The balance of “loans and discounted credits rights” to individuals is mainly composed of personal loans (mostly consumer credit and overdrafts accounts) and credit card balances (revolving credit).

(2) The balance of “financing” to corporations is mainly composed of export, pre-export and import financing and other medium-term financing funded with onlending resources. The balance of “financing” to individuals is mainly composed of vehicle financing.

b) Loan portfolio by economic sectors

	Dec 31, 2017	%	Dec 31, 2016	%
Public sector	**75,590,190**	**12.2%**	**74,322,898**	**11.7%**
Public administration	40,996,755	6.6%	38,405,221	6.0%
Oil sector	24,268,133	3.9%	24,103,485	3.8%
Electricity	7,995,710	1.3%	9,621,700	1.5%
Services	1,029,696	0.2%	1,018,844	0.2%
Other activities	1,299,896	0.2%	1,173,648	0.2%
Private sector	**545,922,548**	**87.8%**	**563,481,218**	**88.3%**
Individuals	**320,721,711**	**51.6%**	**307,352,640**	**48.2%**
Corporations	**225,200,837**	**36.2%**	**256,128,578**	**40.2%**
Agribusiness of plant origin	30,299,442	4.9%	28,655,250	4.5%
Mining and metallurgy	24,665,949	4.0%	31,000,025	4.9%
Transportation	17,476,891	2.8%	19,229,779	3.0%
Services	17,295,587	2.8%	16,610,111	2.6%
Automotive sector	16,825,384	2.7%	16,596,819	2.6%
Real estate agents	14,144,187	2.3%	18,187,443	2.9%
Agribusiness of animal origin	13,787,041	2.2%	15,365,491	2.4%
Electricity	10,288,037	1.7%	15,781,797	2.5%
Retail commerce	9,822,143	1.6%	12,853,623	2.0%
Fuel	9,527,219	1.5%	12,514,748	2.0%
Specific activities of construction	7,519,681	1.2%	9,178,884	1.4%
Agricultural inputs	7,137,499	1.1%	7,499,071	1.2%
Textile and clothing	6,100,345	1.0%	7,699,639	1.2%
Wholesale and various industries	5,675,124	0.9%	5,899,556	0.9%
Chemical	5,529,388	0.9%	5,805,797	0.9%
Electronics	5,525,156	0.9%	6,587,528	1.0%
Financial services	5,386,983	0.9%	4,634,998	0.7%
Telecommunications	4,097,668	0.6%	3,878,719	0.6%
Woodworking and furniture market	4,085,707	0.7%	5,134,764	0.8%
Pulp and paper	3,926,883	0.6%	5,674,382	0.9%
Heavy construction	3,173,504	0.5%	4,158,241	0.7%
Other activities	2,911,019	0.4%	3,181,913	0.5%
Total loans to customers portfolio	**621,512,738**	**100.0%**	**637,804,116**	**100.0%**

c) Loans to customers by maturity

The majority of our loans require principal and interest payments on a monthly, quarterly, semi-annual or annual basis. The table below shows the book value of the Bank's loan installments according to their contractual maturities. For loans with a single installment, the entire loan balance is presented according to the final maturity date.

	Dec 31, 2017	Dec 31, 2016
Installments falling due		
01 to 30 days	42,046,604	40,226,001
31 to 60 days	23,076,236	21,284,187
61 to 90 days	22,561,033	17,064,034
91 to 180 days	48,960,073	52,385,703
181 to 360 days	83,917,914	89,046,269
361 to 1080 days	160,844,935	162,421,706
1081 to 1800 days	89,379,424	99,487,871
More than 1800 days	139,664,070	141,948,124
Other [1]	396,586	400,098
Subtotal	**610,846,875**	**624,263,993**
Installments overdue		
01 to 14 days	2,378,327	3,252,259
15 to 30 days	597,415	1,015,295
31 to 60 days	1,046,991	1,437,365
61 to 90 days	837,623	1,351,248
91 to 180 days	2,073,818	2,905,659
181 to 360 days	2,854,416	3,155,097
More than 360 days	877,273	423,200
Subtotal	**10,665,863**	**13,540,123**
Total	**621,512,738**	**637,804,116**

(1) Loans including third party risk related to Government Funds and Programs. Includes overdue installments totaling R$ 13,204 thousand, which are in accordance with the rules defined in each reimbursement program by the fund's managers, not involving credit risk for the Bank.

d) Leasing portfolio by maturity

	Dec 31, 2017			Dec 31, 2016		
	Minimum lease payments	Unearned finance income	Present value	Minimum lease payments	Unearned finance income	Present value
Up to one year [1]	220,949	(37,348)	183,601	340,359	(71,109)	269,250
Over one year to five years	258,358	(43,671)	214,687	422,984	(88,372)	334,612
Over five years	324	(55)	269	423	(88)	335
Total	**479,631**	**(81,074)**	**398,557**	**763,766**	**(159,569)**	**604,197**

(1) Includes amounts related to installments overdue.

e) Renegotiated credit transactions

	2017	2016	2015
Renegotiated credit transactions during the period (1)	**48,548,687**	**40,882,458**	**47,024,651**
Renegotiated by delay (2)	**10,924,658**	**15,268,685**	**15,125,821**
- Corporations	7,378,813	11,201,077	12,040,412
- Individuals	3,545,845	4,067,608	3,085,409
Renewed (3)	**37,624,029**	**25,613,773**	**31,898,830**
- Corporations	2,649,968	293,427	-
- Individuals	34,974,061	25,320,346	31,898,830
Changes in renegotiated credit transactions by delay			
Opening balance	**27,086,224**	**19,652,990**	**9,030,112**
Contracts (2)	10,924,658	15,268,685	15,125,821
Interest or principal payment and interest accrual	(4,312,597)	(3,283,983)	(1,994,262)
Write-off	(8,400,907)	(4,551,468)	(2,508,681)
Closing balance (4)	**25,297,378**	**27,086,224**	**19,652,990**
Loans 90 days or more past due	5,918,116	7,375,489	3,171,173
(%) Portfolio which is 90 days or more past due	23.4%	27.2%	16.1%

(1) Represents the renegotiated amounts, during the period of the loan operations, falling due or overdue, using internet, automated teller machines (ATM) network or branches.

(2) Renegotiated credit transactions due to payment delay by clients.

(3) Renegotiated credit transactions of non-matured operations for the extension, renewal, granting of new credit for partial or full settlement of previous operation or any other type of agreement that changes the maturity or the originally agreed payment terms.

(4) Includes the amount of R$ 67,189 thousand (R$ 90,278 thousand as of December 31, 2016 and R$ 116,986 thousand as of December 31, 2015) related to the renegotiated rural credit. The amount of R$ 8,511,882 thousand (R$ 6,915,256 thousand as of December 31, 2016 and R$ 5,233,849 thousand as of December 31, 2015), related to deferred credit from rural portfolio supported in specific legislation, is not included.

24 – ALLOWANCE FOR LOSSES ON LOANS TO CUSTOMERS

a) Allowance for losses on loans to costumers, net of recovery

	2017	2016	2015
Allowance for loans to costumers losses	(27,049,679)	(31,965,644)	(26,082,477)
Recovery of loans written off as loss	4,185,312	3,545,489	2,793,509
Allowance for losses on loans to costumers, net of recovery	**(22,864,367)**	**(28,420,155)**	**(23,288,968)**

b) Reconciliation of changes

	Dec 31, 2017				
	Opening balance	Allowance / (Reversal) for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**33,350,721**	**26,606,002**	**(24,465,196)**	**83,666**	**35,575,193**
Loans and discounted credits rights	20,303,048	19,244,717	(18,121,160)	71,992	21,498,597
Financing	4,404,139	2,194,313	(2,343,399)	11,595	4,266,648
Rural and agribusiness financing	7,754,444	3,875,793	(3,419,827)	-	8,210,410
Real estate financing	887,433	1,291,553	(580,810)	79	1,598,255
Loan portfolio transferred with substantial retention of risk	1,657	(374)	-	-	1,283
Other receivables with loan characteristics	**553,422**	**430,014**	**(258,391)**	**2,537**	**727,582**
Credit card operations	92,930	(5,046)	(4,444)	2,537	85,977
Advances on foreign exchange contracts	174,983	115,186	(54,361)	-	235,808
Guarantees honored	281,094	272,620	(148,304)	-	405,410
Other	4,415	47,254	(51,282)	-	387
Leasing portfolio	**43,238**	**13,663**	**(38,244)**	**365**	**19,022**
Total	**33,947,381**	**27,049,679**	**(24,761,831)**	**86,568**	**36,321,797**

	Dec 31, 2016				
	Opening balance	Allowance / (Reversal) for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**27,057,671**	**31,320,545**	**(24,966,730)**	**(60,765)**	**33,350,721**
Loans and discounted credits rights	17,278,258	19,505,406	(16,441,227)	(39,389)	20,303,048
Financing	3,318,740	5,947,928	(4,841,344)	(21,185)	4,404,139
Rural and agribusiness financing	5,714,776	5,367,514	(3,327,846)	-	7,754,444
Real estate financing	743,910	500,027	(356,313)	(191)	887,433
Loan portfolio transferred with substantial retention of risk	1,987	(330)	-	-	1,657
Other receivables with loan characteristics	**652,612**	**574,689**	**(665,351)**	**(8,528)**	**553,422**
Credit card operations	131,775	(23,242)	(7,075)	(8,528)	92,930
Advances on foreign exchange contracts	185,391	24,980	(35,388)	-	174,983
Guarantees honored	327,772	526,666	(573,344)	-	281,094
Other	7,674	46,285	(49,544)	-	4,415
Leasing portfolio	**38,515**	**70,410**	**(64,294)**	**(1,393)**	**43,238**
Total	**27,748,798**	**31,965,644**	**(25,696,375)**	**(70,686)**	**33,947,381**

c) Breakdown of allowance for losses on loans costumers classified by modality

	Dec 31, 2017						
	Individual		Collective		Total		
	Credit amount	Allowance	Credit amount	Allowance	Credit amount	Allowance	Credit net of allowance
Loans	**24,856,895**	**10,944,874**	**554,126,658**	**24,630,319**	**578,983,553**	**35,575,193**	**543,408,360**
Loans and discounted credits rights	15,819,407	6,528,629	184,717,751	14,969,968	200,537,158	21,498,597	179,038,561
Financing	4,009,686	2,237,672	132,557,096	2,028,976	136,566,782	4,266,648	132,300,134
Rural and agribusiness financing	2,811,042	1,479,294	183,856,548	6,731,116	186,667,590	8,210,410	178,457,180
Real estate financing	2,216,760	699,279	52,499,101	898,976	54,715,861	1,598,255	53,117,606
Infrastructure and development financing	-	-	106	-	106	-	106
Loan portfolio transferred with substantial retention of risk	-	-	496,056	1,283	496,056	1,283	494,773
Other receivables with loan characteristics	**1,084,824**	**581,722**	**41,045,804**	**145,860**	**42,130,628**	**727,582**	**41,403,046**
Credit card operations	990	170	25,295,523	85,807	25,296,513	85,977	25,210,536
Advances on foreign exchange contracts	567,799	233,727	14,996,407	2,081	15,564,206	235,808	15,328,398
Guarantees honored	516,035	347,825	85,704	57,585	601,739	405,410	196,329
Other	-	-	668,170	387	668,170	387	667,783
Leasing portfolio	**5,766**	**1,982**	**392,791**	**17,040**	**398,557**	**19,022**	**379,535**
Total	**25,947,485**	**11,528,578**	**595,565,253**	**24,793,219**	**621,512,738**	**36,321,797**	**585,190,941**

	Dec 31, 2016						
	Individual		Collective		Total		
	Credit amount	Allowance	Credit amount	Allowance	Credit amount	Allowance	Credit net of allowance
Loans	**22,286,270**	**9,907,003**	**576,655,063**	**23,443,718**	**598,941,333**	**33,350,721**	**565,590,612**
Loans and discounted credits rights	14,136,748	5,276,423	199,830,647	15,026,625	213,967,395	20,303,048	193,664,347
Financing	3,684,791	1,713,843	141,371,264	2,690,296	145,056,055	4,404,139	140,651,916
Rural and agribusiness financing	3,524,262	2,597,048	181,543,648	5,157,396	185,067,910	7,754,444	177,313,466
Real estate financing	940,469	319,689	53,297,173	567,744	54,237,642	887,433	53,350,209
Infrastructure and development financing	-	-	244	-	244	-	244
Loan portfolio transferred with substantial retention of risk	-	-	612,087	1,657	612,087	1,657	610,430
Other receivables with loan characteristics	**767,581**	**361,670**	**37,491,005**	**191,752**	**38,258,586**	**553,422**	**37,705,164**
Credit card operations	1,123	539	23,509,299	92,391	23,510,422	92,930	23,417,492
Advances on foreign exchange contracts	419,122	165,611	13,280,412	9,372	13,699,534	174,983	13,524,551
Guarantees honored	347,336	195,520	147,208	85,574	494,544	281,094	213,450
Other	-	-	554,086	4,415	554,086	4,415	549,671
Leasing portfolio	**12,617**	**6,433**	**591,580**	**36,805**	**604,197**	**43,238**	**560,959**
Total	**23,066,468**	**10,275,106**	**614,737,648**	**23,672,275**	**637,804,116**	**33,947,381**	**603,856,735**

d) Breakdown of allowance for losses on loans to costumers classified by modality and type of customer

	Dec 31, 2017	Dec 31, 2016
Loans	**35,575,193**	**33,350,721**
Loans and discounted credits rights	**21,498,597**	**20,303,048**
- Corporations	15,213,769	15,627,707
- Individuals	6,284,828	4,675,341
Financing	**4,266,648**	**4,404,139**
- Corporations	4,014,398	4,090,042
- Individuals	252,250	314,097
Rural and agribusiness financing	**8,210,410**	**7,754,444**
- Corporations	1,544,892	2,557,309
- Individuals	6,665,518	5,197,135
Real estate financing	**1,598,255**	**887,433**
- Corporations	804,996	395,872
- Individuals	793,259	491,561
Loan portfolio transferred with substantial retention of risk	**1,283**	**1,657**
- Individuals	1,283	1,657
Others receivables with loan characteristics	**727,582**	**553,422**
Credit card operations	**85,977**	**92,930**
- Corporations	24,098	34,825
- Individuals	61,879	58,105
Advances on foreign exchange contracts	**235,808**	**174,983**
- Corporations	235,808	174,983
Guarantees honored	**405,410**	**281,094**
- Corporations	405,410	272,903
- Individuals	-	8,191
Other	**387**	**4,415**
- Corporations	34	2,396
- Individuals	353	2,019
Leasing portfolio	**19,022**	**43,238**
- Corporations	18,152	42,245
- Individuals	870	993
Total	**36,321,797**	**33,947,381**

25 – NON-CURRENT ASSETS HELD FOR SALE

These assets consist of other real estate owned (received in settlement of non-performing loans to customers) and items of property, plant and equipment not in use that will be sold at auction.

As required, the fair value of these assets is determined based on methodologies established by the ABNT. Qualified professionals registered in the Federal Council of Engineering & Agronomy (Confea) or Regional Council of Engineering & Agronomy (Crea) prepare the evaluations. These measurements are classified as Level 2.

In accordance with the recommendations of the ABNT, the most common methodologies used are the Market Data Direct Comparison Method (MCDDM) and Evolution Method.

The MCDDM consists of analyzing a sample of assets in the market with very similar characteristics to the evaluated asset and assigning a value. The assessment considers the economic, physical and geographic characteristics of the item under analysis.

Under the Evolution Method, the asset's fair value is based on the value of the land plus the cost of the improvements (properly depreciated), i.e., the value of the individual components is multiplied by a sales factor. This method is used when there are not enough similar assets in the market to use the MCDDM. Generally, the value of the land is determined using the MCDDM, and the improvements value are based on a sample of properties with similar projects or unit cost of construction or its budget.

	Dec 31, 2017	Dec 31, 2016
Properties	94,512	43,740
Fixed assets withdrawn from use	-	791
Total	**94,512**	**44,531**

In 2017, the Bank realized a gain on the disposal of non-current assets of R$ 201,265 thousand (R$ 219,041 thousand in 2016).

26 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Equity method investments

Company	Equity interest percentage				Shareholders' equity of investee		Carrying amount of investment		Net gains / (losses) from equity method investments			Dividends	
	´Dec 31, 2017		Dec 31, 2016										
	Total	Common Stock	Total	Common Stock	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	2017	2016	2015	2017	2016
Associates [1] and joint ventures [2]													
Banco Votorantim S.A.	50.00	49.99	50.00	49.99	10,759,455	10,244,301	5,379,727	5,122,151	277,081	136,536	330,852	55,299	79,167
Cielo S.A. [3]	28.68	28.68	28.70	28.70	11,701,351	9,325,685	4,357,615	3,678,791	961,932	1,024,045	904,229	287,352	215,676
Cateno Gestão de Contas de Pagamentos S.A. [4]	30.00	22.22	30.00	22.22	12,183,938	12,182,681	3,655,181	3,654,804	205,842	170,137	133,124	205,465	143,782
BB Mapfre SH1 Participações S.A. [5]	74.99	49.99	74.99	49.99	2,673,871	3,296,735	2,698,972	3,166,057	1,121,521	1,262,008	1,246,821	1,599,227	1,139,848
Brasilprev Seguros e Previdência S.A. [6]	74.99	49.99	74.99	49.99	2,810,231	2,540,106	2,107,533	1,904,952	769,665	644,559	869,721	568,036	659,775
Mapfre BB SH2 Participações S.A. [7]	50.00	49.00	50.00	49.00	3,319,385	3,486,895	1,775,293	2,035,149	(26,104)	112,046	224,645	134,610	-
Neoenergia S.A.	9.35	9.35	11.99	11.99	16,800,838	9,634,519	1,570,055	1,154,899	25,588	19,508	71,057	34,969	32,954
Elo Participações S.A.	49.99	49.99	49.99	49.99	2,135,359	1,880,027	1,067,466	939,826	161,588	197,996	246,818	38,262	46,901
IRB-Brasil Resseguros S.A. [8]	15.23	15.23	20.51	20.51	3,473,375	3,331,373	529,024	683,288	103,886	120,865	118,667	83,086	99,224
Brasilcap Capitalização S.A. [9]	66.66	49.99	66.66	49.99	362,352	451,092	352,293	411,447	150,371	272,486	240,282	209,525	266,268
Kepler Weber S.A. [10]	17.45	17.45	17.45	17.45	434,666	472,009	73,139	79,657	(6,518)	(4,189)	7,009	-	469
Tecnologia Bancária S.A. – Tecban	12.52	12.52	12.52	12.52	468,094	404,195	58,603	50,603	8,000	1,397	1,538	-	-
Gestora de Inteligência de Crédito S.A. – GIC	20.00	20.00	-	-	143,620	-	28,724	-	(5,431)	-	-	-	-
Brasildental Operadora de Planos Odontológicos S.A. [11]	74.99	49.99	74.99	49.99	16,454	10,371	12,340	7,778	5,183	2,870	(201)	621	-
Companhia Brasileira de Securitização – Cibrasec [12]	9.70	9.70	9.70	9.70	77,282	76,425	9,367	9,263	384	192	303	166	103
Estruturadora Brasileira de Projetos – EBP [13]	11.11	11.11	11.11	11.11	33,317	49,796	1,507	3,338	(1,831)	(812)	(1,876)	-	-
Seguradora Bras. de Crédito à Exportação – SBCE [14]	12.09	12.09	12.09	12.09	19,941	21,415	390	568	(179)	238	(3)	-	-
Unrealized profit [15]	-	-	-	-	-	-	(3,145,176)	(3,260,687)	-	-	-	-	-
Total							**20,532,053**	**19,641,884**	**3,750,978**	**3,959,882**	**4,392,986**	**3,216,618**	**2,684,167**

(1) The Bank has significant influence over the investee through board seats or other measures.

(2) The Bank has joint control over the investees' relevant activities through contractual arrangements.

(3) Includes the amount of 1,002,124 thousand related to goodwill on acquisition of the investment. The investment's fair value is R$ 18,306,088 thousand in December 31, 2017 (R$ 18,089,455 thousand in December 31, 2016).

(4) Indirect ownership interest held by the Bank in Cateno, through its wholly-owned subsidiary BB Elo Cartões Participações S.A. The total interest held by the Bank is 50.07%, considering that Cielo S.A. holds 70% of direct participation in Cateno.

(5) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%. Includes the amount of R$ 693,836 thousand related to goodwill on acquisition of the investment.

(6) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%.

(7) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 33.18%. Includes the amount of R$ 115,601 thousand related to goodwill on acquisition of the investment. The goodwill was reduced by an impairment loss of R$ 176,101 thousand.in the Consolidated Financial Statements of 2017 (the goodwill was R$ 291,702 thousand in December 31, 2016). During 2017, share of investees' net income/(loss) was reduced in R$ 77,131 thousand due to an adjustment of impairment loss occurred in the previous period.

(8) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 10.11%.

(9) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 44.24%. Includes the amount of R$ 110,749 thousand related to goodwill on acquisition of the investment.

(10) Investment value is reduced by an impairment loss of R$ 2,731 thousand. The investment's fair value is R$ 89,694 thousand in December 31, 2017 (R$82,668 thousand in December 31, 2016).

(11) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%.

(12) The financial statements used for equity interest were dated as of november 30,2017 due to schedule mismatch between the associate and the Bank.

(13) Investment value is reduced by an impairment loss of R$ 2,195 thousand.

(14) Investment value is reduced by an impairment loss of R$ 2,020 thousand.

(15) Unrealized profit arising from the strategic partnership between BB Elo Cartões Participações S.A. and Cielo S.A., forming Cateno Gestão de Contas de Pagamento S.A.

b) Qualitative information of associates and joint ventures

Company	Place of incorporation		Description	Segment	Strategic participation (1)
	Country	Headquarter location			
Banco Votorantim S.A.	Brazil	São Paulo (SP)	Performs various types of bank activities, such as consumer lending, leasing, and investment fund management.	Banking	Yes
Cielo S.A.	Brazil	Barueri (SP)	Provides services related to credit and debit cards and payments services.	Eletronic Payments	Yes
Cateno Gestão de Contas de Pagamentos S.A.	Brazil	Barueri (SP)	Provides services related to the management of transactions arisen from credit and debit card operations.	Eletronic Payments	Yes
BB Mapfre SH1 Participações S.A.	Brazil	São Paulo (SP)	Acts as a holding company for other companies which deal with life, real estate and agricultural insurance.	Insurance	Yes
Brasilprev Seguros e Previdência S.A.	Brazil	São Paulo (SP)	Commercializes life insurance with survivor coverage and with private retirement and benefit plans.	Insurance	Yes
Mapfre BB SH2 Participações S.A.	Brazil	São Paulo (SP)	Acts as a holding company for other companies which deal with P&C, including auto insurance and excluding real estate and agricultural insurance.	Insurance	Yes
Neoenergia S.A.	Brazil	Rio de Janeiro (RJ)	Acts as a holding company for other companies in the fields of electric power distribution, transmission, generation and trading.	Investments	No
Elo Participações S.A.	Brazil	Barueri (SP)	Acts as a holding company which consolidates the joint business related to electronic payment services.	Eletronic Payments	Yes
IRB-Brasil Resseguros S.A.	Brazil	Rio de Janeiro (RJ)	Operates in reinsurace and retrocession market.	Insurance	Yes
Brasilcap Capitalização S.A.	Brazil	Rio de Janeiro (RJ)	Commercializes capitalization plans and other products and services that capitalization companies are allowed to provide.	Insurance	Yes
Kepler Weber S.A.	Brazil	Porto Alegre (RS)	Operates in the manufacture and trading of metallurgy products and raw materials, foreign trade and trading of products for agricultural industry.	Investments	No
Tecnologia Bancária S.A. – Tecban	Brazil	São Paulo (SP)	Operates in ATM network management.	Eletronic Payments	Yes
Gestora de Inteligência de Crédito S.A. – GIC	Brazil	Barueri (SP)	Will act providing information about delinquency of individuals and companies to assist in decisions on granting credit.	Other	Yes
Brasildental Operadora de Planos Odontológicos S.A.	Brazil	Barueri (SP)	Develops and commercializes dental plans to be distributed and sold with exclusivity across all BB distribution channels in Brazil.	Insurance	Yes
Companhia Brasileira de Securitização – Cibrasec	Brazil	São Paulo (SP)	Operates in the real state securitization industry.	Investments	Yes
Estruturadora Brasileira de Projetos – EBP	Brazil	Rio de Janeiro (RJ)	Provides professional advice relating to public tenders.	Other	Yes
Seguradora Brasileira de Crédito à Exportação – SBCE	Brazil	Rio de Janeiro (RJ)	Commercializes insurance of credit for exports.	Insurance	Yes

(1) Strategic investments are made in companies with activities that complement or support those of the Bank and its subsidiaries.

c) Summarized financial information of associates and joint ventures, not adjusted for the equity interest percentage held by the Bank

	Dec 31, 2017							
	Banco Votorantim S.A.	Cielo S.A.	Cateno Gestão de Contas de Pagamentos S.A.	BB Mapfre SH1 Participações S.A.	Brasilprev Seguros e Previdência S.A.	Mapfre BB SH2 Participações S.A.	Neoenergia S.A.	Other
Current assets	**50,313,256**	**76,227,427**	**2,400,615**	**7,886,828**	**226,550,182**	**9,644,381**	**1,960,957**	**16,728,794**
Cash and cash equivalents	296,335	3,909,521	10	33,757	11	18,205	200	287,878
Other current assets	50,016,921	72,317,906	2,400,605	7,853,071	226,550,171	9,626,176	1,960,757	16,440,916
Non-current assets	**45,305,023**	**13,162,139**	**10,480,678**	**6,164,722**	**12,298,707**	**3,888,440**	**16,013,319**	**14,462,560**
Current liabilities	**56,544,727**	**70,834,904**	**697,355**	**6,510,628**	**30,329,876**	**8,148,827**	**542,393**	**20,787,805**
Financial liabilities	51,495,218	2,827,084	-	-	-	-	117,310	114,680
Other current liabilities	5,049,509	68,007,820	697,355	6,510,628	30,329,876	8,148,827	425,083	20,673,125
Non-current liabilities	**28,314,097**	**6,853,311**	**-**	**4,867,051**	**205,708,782**	**2,064,609**	**631,045**	**3,239,089**
Financial liabilities	25,947,055	5,084,140	-	-	-	-	386,403	34,680
Other non-current liabilities	2,367,042	1,769,171	-	4,867,051	205,708,782	2,064,609	244,642	3,204,409
Income	15,209,320	6,836,036	3,045,264	3,300,403	21,931,893	1,698,485	1,379,699	9,192,306
Interest income	13,473,580	251,498	3,045,264	710,406	19,825,132	489,875	-	1,247,814
Interest expense	(7,139,506)	(830,148)	-	-	-	-	-	(93,352)
Net allowance for loan losses	(1,793,189)	-	-	-	-	-	-	-
Depreciation and amortization	(61,413)	(414,532)	(385,969)	(43,513)	(35,935)	(66,821)	(115,238)	(224,411)
Income taxes	(424,783)	(1,482,053)	(353,566)	(755,850)	(813,088)	(23,460)	(22,321)	(772,972)
Net income/(loss) for the period	**554,162**	**3,351,433**	**686,142**	**1,495,561**	**1,026,289**	**(52,207)**	**441,978**	**1,256,989**
Other comprehensive income	35,969	(6,796)	-	10,620	951	(173)	-	(2,077)
Total comprehensive income	590,131	3,344,637	686,142	1,506,181	1,027,240	(52,380)	441,978	1,254,912
Adjusted shareholders' equity	**10,759,455**	**11,701,351**	**12,183,938**	**2,673,871**	**2,810,231**	**3,319,385**	**16,800,838**	**7,164,460**
Ownership percentage	50.00%	28.68%	30.00%	74.99%	74.99%	50.00%	9.35%	-
Carrying amount of the investment (1)	**5,379,727**	**3,355,491**	**3,655,181**	**2,005,136**	**2,107,533**	**1,659,692**	**1,570,055**	**2,022,104**
Goodwill	-	1,002,124	-	693,836	-	115,601	-	110,749

(1) Excludes goodwill on acquisition of the investment.

	Dec 31, 2016							
	Banco Votorantim S.A.	Cielo S.A.	Cateno Gestão de Contas de Pagamentos S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.	Brasilprev Seguros e Previdência S.A.	Neoenergia S.A.	Other
Current assets	**55,858,740**	**11,074,288**	**1,776,792**	**7,941,448**	**8,929,328**	**189,758,555**	**594,425**	**17,702,745**
Cash and cash equivalents	183,569	30,301	819	24,700	154,151	12	238	252,588
Other current assets	55,675,171	11,043,987	1,775,973	7,916,748	8,775,177	189,758,543	594,187	17,450,157
Non-current assets	**48,651,319**	**13,212,238**	**10,944,959**	**6,725,682**	**4,231,449**	**11,580,202**	**11,326,637**	**12,641,650**
Current liabilities	**64,406,413**	**6,743,808**	**539,070**	**6,641,905**	**7,886,333**	**27,682,731**	**1,056,900**	**21,448,009**
Financial liabilities	60,112,772	970,942	-	-	-	-	228,588	231,068
Other current liabilities	4,293,641	5,772,866	539,070	6,641,905	7,886,333	27,682,731	828,312	21,216,941
Non-current liabilities	**29,859,345**	**8,217,033**	**-**	**4,728,490**	**1,787,549**	**171,115,920**	**1,229,643**	**2,199,682**
Financial liabilities	28,005,285	3,057,591	-	-	-	-	752,940	40,630
Other non-current liabilities	1,854,060	5,159,442	-	4,728,490	1,787,549	171,115,920	476,703	2,159,052
Income	**16,991,692**	**10,759,464**	**2,928,614**	**3,687,067**	**2,052,312**	**23,403,228**	**1,330,134**	**9,325,198**
Interest income	15,356,710	114,936	2,928,614	993,476	905,533	21,651,151	-	8,009,403
Interest expense	(8,715,817)	(61,274)	-	-	-	-	-	(96,698)
Net allowance for loan losses	(1,852,469)	-	-	-	-	-	-	-
Depreciation and amortization	(64,048)	(424,207)	(385,873)	(37,926)	(84,972)	(21,901)	(3,296)	(241,448)
Income taxes	(257,185)	(1,654,671)	(292,174)	(1,026,057)	(145,788)	(688,312)	(7,035)	(1,410,631)
Net income/(loss) for the period	**273,072**	**3,567,835**	**567,124**	**1,682,902**	**224,092**	**859,470**	**380,332**	**1,384,403**
Other comprehensive income	220,830	2,699	-	24,522	9,006	844	-	(1,741)
Total comprehensive income	493,902	3,570,534	567,124	1,707,424	233,098	860,314	380,332	1,382,662
Adjusted shareholders' equity	**10,244,301**	**9,325,685**	**12,182,681**	**3,296,735**	**3,486,895**	**2,540,106**	**9,634,519**	**6,696,703**
Ownership percentage	50.00%	28.70%	30.00%	74.99%	50.00%	74.99%	11.99%	-
Carrying amount of the investment [(1)]	**5,122,151**	**2,676,667**	**3,654,804**	**2,472,221**	**1,743,447**	**1,904,952**	**1,154,899**	**2,075,019**
Goodwill	-	1,002,124	-	693,836	291,702	-	-	110,749

(1) Excludes goodwill on acquisition of the investment.

d) Reconciliation of changes

Company	Opening balance	Changes			Closing balance
	Dec 31, 2016	Net gains / (losses) from equity method investments	Dividends	Other	Dec 31, 2017
Banco Votorantim S.A.	5,122,151	277,081	(55,299)	35,794	5,379,727
Cielo S.A.	3,678,791	961,932	(287,352)	4,244	4,357,615
Cateno Gestão de Contas de Pagamentos S.A.	3,654,804	205,842	(205,465)	-	3,655,181
BB Mapfre SH1 Participações S.A.	3,166,057	1,121,521	(1,599,227)	10,621	2,698,972
Brasilprev Seguros e Previdência S.A.	1,904,952	769,665	(568,036)	952	2,107,533
Mapfre BB SH2 Participações S.A.	2,035,149	(26,104)	(134,610)	(99,142)	1,775,293
Neoenergia S.A.	1,154,899	25,588	(34,969)	424,537	1,570,055
Elo Participações S.A.	939,826	161,588	(38,262)	4,314	1,067,466
IRB-Brasil Resseguros S.A.	683,288	103,886	(83,086)	(175,064)	529,024
Brasilcap Capitalização S.A.	411,447	150,371	(209,525)	-	352,293
Kepler Weber S.A.	79,657	(6,518)	-	-	73,139
Tecnologia Bancária S.A. – Tecban	50,603	8,000	-	-	58,603
Gestora de Inteligência de Crédito S.A. – GIC	-	(5,431)	-	34,155	28,724
Brasildental Operadora de Planos Odontológicos S.A.	7,778	5,183	(621)	-	12,340
Companhia Brasileira de Securitização – Cibrasec	9,263	384	(166)	(114)	9,367
Estruturadora Brasileira de Projetos – EBP	3,338	(1,831)	-	-	1,507
Seguradora Bras. de Crédito à Exportação – SBCE	568	(179)	-	1	390
Subtotal	**22,902,571**	**3,750,978**	**(3,216,618)**	**240,298**	**23,677,229**
Unrealized profit	(3,260,687)	-	-	115,511	(3,145,176)
Total	**19,641,884**	**3,750,978**	**(3,216,618)**	**355,809**	**20,532,053**

e) Impairment loss

The Bank applies IAS 39 to determine whether investments in associates and joint ventures are impaired.

Goodwill is not separately tested for impairment under IAS 36, since it is included as part of the carrying amount of investments in associates and joint ventures. Rather, the entire carrying amount of the investment is tested for impairment as a single asset whenever the application of IAS 39 indicates that an investment may be impaired.

For Mapfre BB SH2, company that operates property insurance segment, a devaluation on the assets was observed. This loss is justified by an adverse economic scenario, reduction of premium projections issued and lower financial result due to the decrease of the future interest rate.

Each Mapfre BB SH2's investees were considered as a cash generating unit. Among other factors, the relationship between the present value of discounted cash flow and book value was considered. The companies have no financial debt and generate value both by the results of its operations and the application of cash provided by legal technical reserves. The Bank measured the asset's recoverable amount based on Free Cash Flow (FCF), discounting the cost of capital for the company for a period of five years.

Key assumptions used in the impairment test were:

- Revenues and Costs: was used historical basis and growth expectations of the market segment in which Mapfre SH2 operates and the performance of each business;
- Financial Results: guidance of average profitability consistent with the historical yield presented by this company;
- Minimum Capital Required: considered the existing regulatory capital on the valuation date as established by Conselho Nacional Seguros Privados and Agência Nacional de Saúde Suplementar;
- Income Tax and Social Contribution: considered the rates provided by law;
- Perpetuity: it was considered the rate of nominal growth corresponding to expected future inflation. This assumption considers that in the long run there will be no real increase in revenues due to the consolidation/stability of the Brazilian insurance market;

- Discount rate: for determining the discount rate to be applied to projected cash flows, we used the methodology for calculating the cost of equity, since the flow was used Free Cash Flow Shareholder. This was determined by the CAPM (Capital Asset Pricing Model), which considers the cost of capital corresponding to the rate of return required by the shareholders as compensation for market risk to which they are exposed, reaching a rate of 15.6% per year.

The impairment test performed in 2016 indicates that the Bank's equity interest on Mapfre BB SH2 Participações S.A. is impaired. The recognized loss in 2016 totaled R$ 176,101 thousand.

f) Other information

The associates and joint ventures do not expose the Bank to any significant contingent liabilities.

During 2017 and 2016, none of the Bank's associates or joint ventures presented significant restrictions on the transfer of resources in the form of cash dividends or the repayment of loans or advances.

None of the associates or joint ventures had discontinued operations.

The Bank does not have any unrecognized losses with respect to its associates or joint ventures in the periods presented or carried-forward from previous years.

27 – INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The Bank engages in certain business activities by way of structured entities (SE) designed to achieve a specific purpose. A structured entity is one that has been set up such that voting or similar rights are not significant in deciding who controls the entity. An example is when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

A structured entity usually do not carry out a business or trade and typically have no employees. The main purposes of SE are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets.

The extent of the Bank's interests to unconsolidated SE will vary depending on the purpose for which the entity was established. In this context, interests to unconsolidated SE have been considered as contractual and non-contractual involvement that exposes the Bank to variability of returns from the performance of the other entity. These interests usually take the form of equity or debt instruments, as well as other forms of involvement, such as the receipt of fees from the other entity and the provision of funding, liquidity support, credit enhancement and/or guarantees.

Structured entities generally finance the purchase of assets by issuing debt and/or equity securities that are collateralized by and/or indexed to the assets held by the SE. The debt and/or equity securities issued by SE may include tranches with varying levels of subordination.

Investment funds

The Bank manages several investment funds, which are unconsolidated structured entities. The Bank holds interests in these funds through the receipt of management and other fees and an equity holding in certain of these funds.

The investment funds have various investment objectives and policies but all funds invest capital received from investors in a portfolio of assets in order to provide returns to those investors from capital appreciation of those assets, income from those assets or both. The investment funds have been financed through equity capital provided by investors and, in some circumstances, temporarily by the Bank (seed capital).

The Bank does not consolidate investment funds when it acts as agent or when another third-party investor has the ability to direct the relevant activities of the fund.

The Bank has no managed funds in which it did not have interest at the year-end.

Consortium groups

The Bank organizes and manages consortium groups to facilitate access to durable movable property, real estate and services to its clients. The Bank maintains interests in these groups through the receipt of management fees for consortium quotas.

Off-balance assets, which represent consortium resources, refer mainly to:

- Financial investments in funds, which represent available resources not yet used by the groups;
- Rights with contemplated consortium members, which represent the receivables of them; and
- Monthly forecast of resources receivable from consortium members, contributions due to the group and assets to be contemplated.

Securitization vehicles

The Bank manages securitization vehicles which purchase diversified pools of assets, including fixed income securities and corporate loans and receivables. The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Bank holds interests in these vehicles through the receipt of management and other fees and an equity holding in certain of these vehicles.

The securitization vehicles that are not consolidated are those which the Bank does not hold the power or ability to unilaterally remove the servicer or special servicer who has been delegated power over the relevant activities of the entity.

Management of unconsolidated SE's assets

The table below describes the types of SE that the Bank does not consolidate but in which it holds interest and the total amount of assets held by unconsolidated SE.

Type of structured entity	Nature and purpose	Interest held	Total assets	
			Dec 31, 2017	Dec 31, 2016
Investment funds	• Generate fees from managing assets on behalf of third party investors. • These vehicles are financed through the issue of units to investors.	• Investments in units issued by the funds. • Management and other fees.	994,899,554	830,674,816
Consortium groups	• Management of consortium groups to facilitate access of goods and services.	• Management of consortium quotas and other fees.	30,953,965	25,555,835
Securitization vehicles	• Generate management and other fees. • These vehicles are financed through the issue of notes to investors.	• Investment in notes issued by the vehicles. • Management and other fees.	28,368,913	25,749,060
Total			**1,054,222,432**	**881,979,711**

Maximum exposure to loss

The table below sets out the carrying amounts of interests held by the Bank in unconsolidated structured entities, and also off-balance exposures. The Bank's maximum exposure to loss is limited to the amounts shown in the table.

	Dec 31, 2017	Dec 31, 2016
Investment funds	2,483,800	2,952,732
Consortium groups [1]	2,266,201	2,345,653
Securitization vehicles	-	6,657
Total	**4,750,001**	**5,305,042**

(1) Financial investments in funds, which represent available resources not yet used.

28 – PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and equipment	Data processing equipment	Land	Vehicles	Other	Total
Acquisition cost								
Balance at Dec 31, 2015	**5,156,668**	**3,483,535**	**3,389,248**	**4,213,350**	**196,123**	**15,668**	**699,140**	**17,153,732**
Acquisitions	244,720	368,444	433,118	355,083	7,598	2,195	90,378	1,501,536
Disposals	(15,756)	(33,005)	(148,461)	(594,951)	(16)	(257)	(40,172)	(832,618)
Exchange rate changes	(31,130)	(19,810)	(31,039)	(13,933)	(5,369)	(2,403)	(14,161)	(117,845)
Other changes	8,201	(123)	713	614	(230)	-	(12,171)	(2,996)
Balance at Dec 31, 2016	**5,362,703**	**3,799,041**	**3,643,579**	**3,960,163**	**198,106**	**15,203**	**723,014**	**17,701,809**
Acquisitions	196,830	243,560	245,503	450,532	53	2,390	60,800	1,199,668
Disposals	(3,795)	(242,229)	(342,691)	(286,236)	(454)	(1,055)	(56,478)	(932,938)
Exchange rate changes	(10,565)	(1,627)	(9,218)	579	(2,124)	(800)	(991)	(24,746)
Other changes	(10,495)	756	(46)	49	(800)	-	(2,902)	(13,438)
Balance at Dec 31, 2017	**5,534,678**	**3,799,501**	**3,537,127**	**4,125,087**	**194,781**	**15,738**	**723,443**	**17,930,355**
Accumulated depreciation								
Balance at Dec 31, 2015	**(2,617,911)**	**(1,797,887)**	**(1,900,937)**	**(3,014,125)**	**-**	**(8,016)**	**(393,353)**	**(9,732,229)**
Depreciation	(161,893)	(243,065)	(258,491)	(434,561)	-	(1,497)	(49,661)	(1,149,168)
Disposals	1,104	23,490	120,800	594,302	-	222	11,579	751,497
Exchange rate changes	7,547	12,208	16,945	10,849	-	1,428	3,679	52,656
Other changes	(6,018)	297	(205)	15,116	-	51	232	9,473
Balance at Dec 31, 2016	**(2,777,171)**	**(2,004,957)**	**(2,021,888)**	**(2,828,419)**	**-**	**(7,812)**	**(427,524)**	**(10,067,771)**
Depreciation	(159,281)	(239,766)	(281,507)	(429,215)	-	(1,429)	(51,624)	(1,162,822)
Disposals	2,081	163,518	288,065	282,062	-	712	36,591	773,029
Exchange rate changes	1,963	(198)	3,238	(1,498)	-	512	781	4,798
Other changes	6,681	472	8,847	(4,552)	-	9	(2,731)	8,726
Balance at Dec 31, 2017	**(2,925,727)**	**(2,080,931)**	**(2,003,245)**	**(2,981,622)**	**-**	**(8,008)**	**(444,507)**	**(10,444,040)**
Accumulated impairment loss								
Balance at Dec 31, 2015	**(9,531)**	**-**	**(25)**	**-**	**-**	**-**	**-**	**(9,556)**
Losses	(13,382)	-	(100)	-	-	-	-	(13,482)
Reversal	3,059	-	-	-	-	-	-	3,059
Balance at Dec 31, 2016	**(19,854)**	**-**	**(125)**	**-**	**-**	**-**	**-**	**(19,979)**
Losses	(10,121)	-	(101)	-	-	-	-	(10,222)
Reversal	10,036	-	-	-	-	-	-	10,036
Balance at Dec 31, 2017	**(19,939)**	**-**	**(226)**	**-**	**-**	**-**	**-**	**(20,165)**
Carrying amount								
Balance at Dec 31, 2016	2,565,678	1,794,084	1,621,566	1,131,744	198,106	7,391	295,490	7,614,059
Balance at Dec 31, 2017	2,589,012	1,718,570	1,533,656	1,143,465	194,781	7,730	278,936	7,466,150

Property and equipment pledged as collateral totaled R$ 128,558 thousand at December 31, 2017 (R$ 128,754 thousand as at December 31, 2016).

Impairment losses are included in the line-item other operating expenses. Reversals of impairment losses are recorded in the line-item other operating income.

The estimated depreciation rates for property and equipment items are presented in Note 3.k.

Future payments for operating leases

	2017	2016
Up to one year	1,097,514	1,211,238
Over one year to five years	2,432,522	2,769,429
Over five years	1,070,611	1,711,491
Total	**4,600,647**	**5,692,158**

Rental and operating lease expenses totaled R$ 1,565,351 thousand in 2017 (R$ 1,449,876 thousand in 2016). The Bank does not have any sublease contracts.

Operating lease commitments

The Bank's relevant operating lease commitments essentially relate to offices and branches rental agreements. Generally, these contracts do not offer purchase option and are made under usual terms and conditions, including options to extend the lease term and escalation clauses, based on Brazil's official inflation indexes. The lease agreements do not include any clauses that impose any restriction on the Bank's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

29 – GOODWILL AND OTHER INTANGIBLE ASSETS

a) Goodwill separated by operating segment and by cash generating unit (CGU)

Operating segment/Cash generating unit	Dec 31, 2017	Dec 31, 2016
Banking		
Banco do Brasil – São Paulo State – Goodwill of Banco Nossa Caixa	591,582	591,582
Total	**591,582**	**591,582**

Goodwill impairment test

The recoverable amount of a CGU to which a goodwill was allocated is based on its value in use. This value is calculated using the discounted cash flow method, which considers cash flow projections for the investee or cash generating unit discounted at an appropriate rate. For the evaluation of the banks, the free cash flow for shareholders discounted by the cost of equity capital calculated for each institution was used.

Banco Nossa Caixa

The impairment test for goodwill recognized on the acquisition of Nossa Caixa considers the value in use of the Bank's operations in the state of São Paulo (the cash generating unit). The estimated cash flows are based on the cash generating unit's results in 2017, the budget for 2018, and internal projections of results from 2019 to 2022.

Assumptions used in the calculation are based on the Bank's business strategies and the macroeconomic environment. They also consider current and past performance and expected growth in the industry. The Brazilian Real discount rate is based on the Bank's cost of capital and is calculated each year based on CAPM.

Other Informations

The Brazilian Real discount rate used to discount the estimated cash flows is comprised of:

(i) the risk-free interest rate in the United States;
(ii) Emerging Market Bond Index Plus – Brazil (EMBI + BR), representing a spread for Brazil country risk;
(iii) the Bank's beta;
(iv) an historical average of the spread in the United States;
(v) an adjustment factor for the spreads in Brazil vs. the United States;
(vi) the difference between inflation rates in Brazil vs. the United States; and
(vii) the difference between productivity in Brazil vs. the United States.

These inputs are all obtained from external sources.

Based on sensitivity analyses considering the current economic environment, the use of different assumptions would not have caused the cash generating units' carrying values to exceed their recoverable amounts.

In 2016, the impairment loss of R$ 47,510 thousand was recognized for BB Américas goodwill, due to the annual review of the financial projections, base for the calculation of the value in use of the cashing generating unit.

In 2017, there was no impairment loss on goodwill arising on the acquisition of investments.

Assumptions used in the impairment tests

Cash generating unit	Growth rate [1]	Discount rate
Banco do Brasil – São Paulo State – Goodwill of Banco Nossa Caixa [2]	3.0 % p.a.	14.3 % p.a.

(1) Nominal growth in perpetuity.
(2) Geometric mean of the five-year projection.

b) Changes in goodwill

	2017	2016
Goodwill at the beginning of the period	**591,582**	**648,506**
Accumulated impairment loss	-	-
Initial balance	**591,582**	**648,506**
Goodwill recognized in the period	-	-
Gross value of goodwill at the end of the period	**591,582**	**648,506**
Foreign currency translations adjustments	-	(9,414)
Accumulated impairment losses at the end of the period	-	(47.510)
Closing balance	**591,582**	**591,582**

c) Intangible assets with finite useful life

	Internally generated software	Software acquired	Rights due to payroll management	Related to customers portfolio	Relating to contracts	Other [1]	Total
Acquisition cost							
Balance at Dec 31, 2015	**911,126**	**2,057,813**	**9,794,023**	**3,138,313**	**901,695**	**189,360**	**16,992,330**
Internally generated	274,507	-	-	-	-	-	274,507
Acquisitions	-	162,197	2,289,407	-	-	-	2,451,604
Write-offs	-	(136,523)	(944,386)	-	-	-	(1,080,909)
Foreign currency translations adjustments	-	(62,354)	-	(160,774)	1,615	-	(221,513)
Balance at Dec 31, 2016	**1,185,633**	**2,021,133**	**11,139,044**	**2,977,539**	**903,310**	**189,360**	**18,416,019**
Internally generated	264,781	-	-	-	-	-	264,781
Acquisitions	-	268,186	776,148	-	-	-	1,044,334
Write-offs	(10,076)	(26,535)	(1,824,210)	-	-	-	(1,860,821)
Foreign currency translations adjustments	-	5,034	-	(33,247)	-	-	(28,213)
Balance at Dec 31, 2017	**1,440,338**	**2,267,818**	**10,090,982**	**2,944,292**	**903,310**	**189,360**	**17,836,100**
Accumulated amortization							
Balance at Dec 31, 2015	**(350,332)**	**(909,022)**	**(4,187,735)**	**(2,305,581)**	**(835,485)**	**(189,360)**	**(8,777,515)**
Amortization	(68,058)	(165,958)	(1,977,367)	(327,927)	(67,825)	-	(2,607,135)
Write-offs	-	94,151	944,386	-	-	-	1,038,537
Foreign currency translations adjustments	-	31,768	-	100,198	-	-	131,966
Balance at Dec 31, 2016	**(418,390)**	**(949,061)**	**(5,220,716)**	**(2,533,310)**	**(903,310)**	**(189,360)**	**(10,214,147)**
Amortization	(94,854)	(177,196)	(1,806,337)	(338,016)	-	-	(2,416,403)
Write-offs	-	22,317	1,824,209	-	-	-	1,846,526
Foreign currency translations adjustments	-	(2,593)	-	23,795	-	-	21,202
Balance at Dec 31, 2017	**(513,244)**	**(1,106,533)**	**(5,202,844)**	**(2,847,531)**	**(903,310)**	**(189,360)**	**(10,762,822)**
Impairment loss							
Balance at Dec 31, 2015	**-**	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Balance at Dec 31, 2016	**-**	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Balance at Dec 31, 2017	**-**	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Book value							
Balance at Dec 31, 2016	767,243	1,072,072	5,868,588	444,229	-	-	8,152,132
Balance at Dec 31, 2017	927,094	1,161,285	4,838,398	96,761	-	-	7,023,538

(1) Includes mainly brands acquired due to business combinations.

Intangible assets of finite useful life are amortized according with the estimates set out in Note 3.l.

Estimated expenses with amortization of intangible assets for the following years

	2018	2019	2020	2021	2022	After 2022	Total
Amounts to be amortized	1,729,050	1,558,980	1,197,601	994,562	480,184	1,063,161	7,023,538

30 – OTHER ASSETS AND OTHER LIABILITIES

Other assets	Dec 31, 2017	Dec 31, 2016
Financial	**56,975,278**	**48,959,364**
Judicial deposits for tax, labor and civil lawsuits	38,794,946	35,110,707
Securities and credits receivable (1)	6,269,485	993,762
Securities and credits receivable from the National Treasury (2)	4,602,486	4,734,320
Compensation fund for salary changes – merged companies	3,131,410	2,666,060
Receivable income	2,146,510	2,611,461
Securities distribution	891,172	1,106,802
Rights for acquisition of royalties and government credits	494,100	661,559
Interbank/interdepartmental accounts	407,765	3,421
Net foreign exchange portfolio	237,404	1,071,272
Non financial	**22,349,862**	**25,382,274**
Previ's surplus – Fundos Previdenciais (Note 45.f)	9,602,214	9,562,010
Sundry debtors – domestic	5,983,916	11,313,297
Post-employment benefit plans (Note 45.e)	4,540,356	151,828
Prepaid taxes	521,206	524,148
Prepaid expenses	285,390	268,818
Advances to employees	255,568	1,731,201
Non-operating assets, net of impairment losses	230,054	208,547
Other	931,158	1,622,425
Total	**79,325,140**	**74,341,638**

(1) Mainly includes advancements of receivables from credit card operations.

(2) Includes the amount of R$ 2,166,453 thousand (R$ 3,418,200 thousand as of December 31, 2016) related to interest rate equalization – agricultural crop – Law 8,427/1992 and the amount of R$ 416,269 thousand (R$ 377,698 thousand as of December 31, 2016) related to extension of rural credits.

Other liabilities	Dec 31, 2017	Dec 31, 2016
Financial	**36,177,471**	**49,082,539**
Credit card operations	23,450,809	20,954,952
Advances received on foreign exchange contract	6,100,891	20,178,005
Interbranch accounts – third-party funds in transit	2,981,316	2,854,260
Collateral deposits	2,422,714	4,523,775
Securities distribution	1,019,194	129,246
Provision for losses on guarantees provided	202,547	442,301
Non financial	**34,883,625**	**37,837,748**
Post-employment benefit plans (Note 45.e)	11,919,681	12,527,486
Sundry creditors – domestic	5,313,655	7,400,946
Labor costs	3,986,748	5,217,460
Provision for sundry pending payments	2,330,013	1,568,020
Liabilities for official agreements and payment services	2,069,019	1,936,541
Dividends and pending bonuses	1,353,830	671,881
Taxes	1,092,078	1,288,822
Sundry creditors – overseas	672,359	520,269
Deferred income (1)	429,373	446,262
Other	5,716,869	6,260,061
Total	**71,061,096**	**86,920,287**

(1) Mainly related to premiums received in guarantee contracts, which are being gradually recognized as income.

31 – DEPOSITS OF CLIENTS

	Dec 31, 2017	Dec 31, 2016
Domestic	**396,556,349**	**393,137,097**
Demand deposits	61,086,591	59,983,665
Non-interest bearing deposits	60,655,284	59,563,834
Interest bearing deposits (1)	431,307	419,831
Time deposits	175,179,883	181,390,088
Savings deposits	160,289,875	151,763,344
Abroad	**29,520,254**	**32,178,789**
Demand deposits	9,071,314	9,418,631
Non-interest bearing deposits	9,071,314	9,418,631
Time deposits	20,448,940	22,760,158
Total	**426,076,603**	**425,315,886**

(1) Refers to "Special Accounts", whose purpose is to record the movement of foreign currency accounts opened in the country on behalf of embassies, legations abroad, international organizations, as well as public entities beneficiaries for credit or borrowers of loans granted by international financial bodies or foreign government agencies.

32 – AMOUNT PAYABLE TO FINANCIAL INSTITUTIONS

	Dec 31, 2017	Dec 31, 2016
Financial institutions deposits	24,152,759	20,664,802
Loan portfolios assigned with guarantee of the Bank	496,365	612,132
Total	**24,649,124**	**21,276,934**

33 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Dec 31, 2017	Dec 31, 2016
Own portfolio	**40,235,552**	**59,207,850**
Private securities	23,576,205	25,591,345
Financial Treasury bills	15,660,312	32,718,983
Other securities	999,035	897,522
Third-party portfolio	**336,007,143**	**315,426,182**
Financial Treasury bills	332,990,784	219,552,794
National Treasury bills	3,016,349	45,709,377
National Treasury notes	-	50,163,996
Other securities	10	15
Total	**376,242,695**	**374,634,032**

34 – LIABILITIES FROM ISSUANCE OF SECURITIES AND OTHER FINANCIAL LIABILITIES

	Dec 31, 2017	Dec 31, 2016
Liabilities from issuance of securities	133,765,797	164,801,898
On-lendings	80,885,216	83,083,170
Subordinated debts	63,342,298	61,975,751
Perpetual bonds	23,621,736	23,290,074
Financial and development funds	16,794,750	14,790,525
Other	19,572,493	20,409,350
Total	**337,982,290**	**368,350,768**

a) Liabilities from issuance of securities

Funding	Currency	Issued amount	Interest p.a.	Funding Year	Maturity	Dec 31, 2017	Dec 31, 2016
"Global medium-term notes" program						**9,986,539**	**6,056,975**
	EUR	1,000,000	3.75%	2013-2014	2018	4,034,287	3,496,582
	CHF	275,000	2.50%	2013	2019	943,297	891,100
	USD	500,000	6.00%	2010	2020	1,695,693	1,669,293
	USD	1,000,000	4.63%	2017	2025	3,313,262	-
"Senior Notes"						**6,002,340**	**7,561,835**
	USD	500,000	3.88%	2011	2017	-	1,656,809
	USD	1,809,700 (1)	3.88%	2012	2022	6,002,340	5,905,026
Structured notes						**73,527**	**63,632**
	EUR	18,400	2.76% to 3.55%		2021	73,527	63,632
Deposit certificate (2)						**4,840,777**	**3,388,669**
Short term			1.00% to 10.15%			4,353,804	3,169,956
Long term			2.35% to 10.15%		2027	486,973	218,713
Certificates of structured operations						**102,553**	**102,312**
Short term			7.69% to 15.07%			67,291	-
Long term			7.93% to 10.94%		2020	35,262	102,312
Letters of credit – real estate			50.00% to 81.00% DI or TR + 7.7151%			**16,885,957**	**17,073,622**
Short term						1,484,174	39,344
Long term					2026	15,401,783	17,034,278
Letters of credit – agribusiness			70.00% to 98.00% DI			**88,897,938**	**124,965,334**
Short term						54,510,038	62,584,051
Long term					2021	34,387,900	62,381,283
Financial letters			98.25% to 104.00% DI IPCA + 4.50% to IPCA + 5.30% Fixed 7.70% to 14.00%			**3,874,634**	**2,631,826**
Short term						2,722,723	-
Long term					2020	1,151,911	2,631,826
Banco Patagonia			22.50% to 27.45% + Badlar + 299 pts to Badlar + 397 pts			**393,408**	**325,553**
Short term	ARS					225,743	247,691
Long term	ARS				2020	167,665	77,862
Special purpose entities – SPE abroad						**2,765,909**	**2,801,840**
Securitization of future flow of payment orders from abroad (3)							
	USD	12,000 (1)	5.25%	2008	2018	39,789	117,580
Structured notes (3)							
	USD	500,000	Libor 6m + 2.50%	2014-2015	2034	1,665,228	1,639,455
	USD	320,000	Libor 6m + 3.25%	2015	2030	1,060,892	1,044,805
Liabilities from issuance of securities, in possession of subsidiary abroad						(57,785)	(169,700)
Total						**133,765,797**	**164,801,898**

(1) Refers to the outstanding value since partial repurchases ocurred.
(2) Securities issued abroad in USD and BRL.
(3) Information about the consolidated special purpose entities may be found in Note 5.

Notes:
Libor – London interbank rate.
Badlar – Buenos Aires interbank rate.

b) On-lendings

On-lendings are primarily long-term sources of funding obtained from other financial institutions or national government agencies to encourage domestic production. The main sources of these funds are the National Treasury, Brazilian Development Bank (BNDES) and Caixa Econômica Federal (CEF).

The Bank acts as a financial agent to support government programs designed to stimulate certain economic sectors. In the agricultural sector, the Bank supports a variety of government on-lending programs, including:

- National Program for Sustainable Family Agriculture (Pronaf);
- Cocoa Farming Recovery Program (Cocoa);
- Revitalization Program of Agricultural Production Cooperatives (Recoop);
- Coffee Economy Protection Fund (Funcafé); and
- Rural Savings.

The Bank also supports government on-lending programs for the industrial sector, most of which are BNDES and the Special Agency for Industrial Financing (Finame).

	Dec 31, 2017	Dec 31, 2016
On-lendings		
Domestic on-lendings − official institutions	80,884,739	83,082,693
Foreign on-lendings	477	477
Total	**80,885,216**	**83,083,170**

Domestic on-lendings − Official institutions

Programs	Financial charges	Dec 31, 2017	Dec 31, 2016
National Treasury − Rural credit		**145,264**	**149,248**
Pronaf	TMS (if available) Fixed 0.50% p.a. to 5.50% p.a. (if applied)	27,991	30,766
Cocoa	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or 6.35% p.a.	101,247	98,243
Recoop	Fixed 5.75% p.a. to 8.25% p.a. or IGP-DI + 1.00% p.a. or IGP-DI + 2.00% p.a.	11,381	16,096
Other		4,645	4,143
BNDES (1)	Fixed until 9.50% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 3.72% p.a. to 9.41% p.a. Selic + 0.50% p.a. to 2.26% p.a. Exch. Var. + 0.90% p.a. to 3.00% p.a.	**26,936,192**	**32,086,856**
Caixa Econômica Federal (2)	Fixed 5.28% p.a. (average)	**26,558,065**	**23,758,043**
Finame (3)	Fixed 0.00% p.a. to 11.00% p.a. TJLP + 0.50% p.a. to 5.50% p.a. Exch. Var. + 0.90% p.a. to 3.00% p.a. Selic + 2.08% p.a.	**19,775,098**	**24,765,860**
Other official institutions		**7,470,120**	**2,322,686**
Special supply − rural savings	TR	7,158,515	-
Special supply − deposits		249,844	1,874,492
Funcafé	TMS (if available) Fixed 8.50% p.a. to 11.25% p.a. (if applied)	61,734	448,167
Other		27	27
Total		**80,884,739**	**83,082,693**

(1) The average maturity of BNDES obligations is 55 months.
(2) The average maturity of Caixa Econômica Federal obligations is 306 months.
(3) The average maturity of Finame obligations is 32 months.

Notes:
TMS – Average selic rate disclosed by the Brazilian Central Bank.
TJLP – Long-term interest rate fixed by the National Monetary Council.
TR – Referential interest rate disclosed by the Brazilian Central Bank.
IGP-DI – General price index – internal availability.
IGP-M – General market price index.

Foreign on-lending

	Dec 31, 2017	Dec 31, 2016
Special fund for support to small and medium manufacturing companies	477	477
Total	**477**	**477**

c) Subordinated debts

Funding		Issued amount	Interest p.a.	Funding Year	Maturity	Dec 31, 2017	Dec 31, 2016
Banco do Brasil							
FCO – Resources from the Constitutional Fund for Developing the Center-west						**27,870,141**	**25,237,153**
Funds applied [1]						26,276,745	22,219,924
Resources available [2]						1,593,396	3,017,229
Subordinated debt abroad						**9,826,030**	**9,668,175**
	USD	660,000	5.38%	2010	2021	2,232,252	2,197,183
	USD	1,500,000	5.88%	2011	2022	5,059,991	4,977,616
	USD	750,000	5.88%	2012	2023	2,533,787	2,493,376
Subordinated letters of credit						**25,679,955**	**27,100,626**
		2,055,100	111.00% of CDI	2011	2017	-	3,918,702
		4,844,900	111.50% of CDI 1.06% to 1.11% + CDI 5.24% to 5.56% + IPCA Fixed 10.51%	2012	2018	8,923,941	8,120,026
		215,000	112.00% of CDI	2012	2019	408,542	367,374
		4,680,900	111.00% of CDI	2013	2019	8,400,751	7,561,372
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	286,248	258,947
		377,100	112.00% to 114.00% of CDI	2014	2020	586,670	526,593
		163,523	112.00% to 114.00% of CDI	2014	2020	261,465	234,894
		1,594,580	113.00% to 115.00% of CDI	2014	2021	2,462,830	2,208,470
		2,273,804	113.00% to 115.00% of CDI	2014	2021	3,688,487	3,309,117
		400,000	8.08% + IPCA	2014	2022	661,021	595,131
Subordinated debt issued by the Bank, in possession of subsidiary abroad						(33,828)	(30,203)
Total subordinated debt [3]						**63,342,298**	**61,975,751**

(1) Interest expenses consider contractual charges less the fees owned to the Bank.
(2) Remunerated based on extra-rate announced by the Brazilian Central Bank (Bacen).
(3) The amount of R$ 39,523,718 thousand (R$ 40,181,808 thousand as of December 31, 2016) comprise the tier II of the Referential Equity Amount (RE). according to the rules applied to financial institutions in Brazil.

Notes:
CDI – Average rate of the interbank deposits.
IPCA – Broad consumer price index.

d) Perpetual bonds

Funding	Currency	Issued amount [1]	Interest p.a.	Funding date	Dec 31, 2017	Dec 31, 2016
Perpetual bonds						
	USD	1,498,500	8.50%	10/2009	5,032,780	4,954,884
	USD	1,398,727	9.25%	01/2012 and 03/2012	4,800,902	4,731,512
	USD	1,988,000	6.25%	01/2013	6,641,984	6,539,293
	USD	2,169,700	9.00%	06/2014	7,176,685	7,065,637
Total					**23,652,351**	**23,291,326**
Perpetual bonds issued by the Bank, in possession of subsidiary abroad					(30,615)	(1,252)
Total					**23,621,736**	**23,290,074**

(1) Refers to the outstanding value since partial repurchases ocurred.

This section should be read in conjunction with Note 41 – Regulatory Capital.

Perpetual bonds include an amount of R$ 22,907,900 thousand classified as additional Tier I Capital (December 31, 2016 – R$ 22,565,112 thousand).

The USD 1,500,000 thousand (outstanding value USD 1,498,500 thousand), issued in October 2009, may be redeemed at the discretion of the Bank in 2020 or any subsequent semiannual interest payment date if previously authorized by Bacen. If the Bank does not exercise its option to redeem the bonds in October 2020, the interest rate will be adjusted prospectively to 7.782% plus the rate on 10-Year U.S. Treasury Bond. Subsequently, the interest rate will be adjusted every 10 years based on the current rate on 10-Year U.S. Treasury Bond.

The terms and conditions of the USD 1,000,000 thousand (outstanding value USD 650,000 thousand), issued in January 2012, USD 750,000 thousand (outstanding value USD 748,727 thousand), issued in March 2012 and USD 2,000,000 thousand (outstanding value USD 1,988,000 thousand), issued in January 2013, were modified on September 27, 2013. These modifications were based on rules issued by Bacen to regulate the implementation of Basel III in Brazil. These changes become effective on October 01, 2013, the date on which the instruments were submitted to Bacen for authorization to be treated as additional Tier I Capital. Bacen approved this treatment on October 30, 2013.

The USD 2,500,000 thousand (outstanding value USD 2,169,700 thousand), issued in June 2014, may be redeemed at the discretion of the Bank on June 18, 2024 or any subsequent semiannual interest payment date if previously authorized by Bacen. If the Bank does not exercise its option to redeem the bonds in June 2024, the interest rate will be adjusted prospectively to 6.362% plus the rate on 10-Year U.S. Treasury Bond.

Semi-annual interest payments will be suspended on those bonds whose terms and conditions were modified on September 27, 2013, and the bonds issued in June 2014, if:

(i) distributable income for the period is insufficient (determined at the Bank's discretion);
(ii) the Bank does not comply with, or the interest payment will cause the Bank to not comply with, the minimum capital requirements, operational limits or financial ratios required by Brazilian banking regulations;
(iii) Bacen or another regulatory authority determines that the payment shall not be made;
(iv) there is an insolvency or bankruptcy event; or
(v) in case of default.

In accordance with Basel III, the bonds issued in January and March 2012, in January 2013 and in July 2014 contain a loss absorption mechanism. In addition, if item (i) above occurs, dividend payments to the Bank's shareholders will be limited to the legally required minimum dividend until the semi-annual interest payment on the bonds is made current. In the following situations, the bonds shall be permanently written-down to an amount no greater than the amount included in Tier 1 Capital:

(i) the Bank's common equity Tier I capital is less than 5.125% of the risk-weighted asset (RWA);
(ii) a public sector entity makes a capital injection or otherwise decides to financially support the Bank to ensure its viability;
(iii) based on assessment of the circumstances in accordance with criteria established by the National Monetary Council, Bacen decides to write-down the bonds to ensure the Bank's viability as a going concern.

If the redemption options available in April 2023, April 2024 and June 2024 for the bonds issued in 2012, 2013 and 2014, respectively, are not exercised, the interest rate will be reset at that time and every 10 years thereafter. The new interest rate will be based on the current rate of 10-Year U.S. Treasury Bond, plus the initial credit spread. The bonds have the following redemption options if authorized by Bacen:

(i) April 2023, April 2024 and June 2024, and each semi-annual interest payment date thereafter, the Bank may choose to redeem the bonds issued in 2012, 2013 and 2014, respectively. The bonds must be redeemed in their entirety (partial redemptions are not permitted);
(ii) upon occurrence of a 'tax event', for the bonds issued in 2012, 2013 and 2014, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before April 2023, April 2024 and June 2024, respectively. The bonds must be redeemed in their entirety (partial redemptions are not permitted) for their base redemption price;
(iii) upon occurrence of a 'regulatory event', for the bonds issued in 2012 and 2013, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before April 2023 and April 2024, respectively. The bonds must be redeemed in their entirety (partial redemptions are not available) for the higher of their base redemption price or 'make-whole' amount;
(iv) upon occurrence of a 'regulatory event', for the bonds issued in 2014, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before June 2024, for their base redemption price.

The bonds issued in October 2009 require that the Bank suspend the semiannual payments of interest and/or other charges on those securities issued (which will not be due or accrued) if:

(i) the Bank is not in compliance or the payment of such charges do not allow the compliance with the levels of capital adequacy, operational limits, or its financial ratios are under the minimum level required by Brazilian regulations applicable to banks;
(ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iii) any event of insolvency or bankruptcy occurs;
(iv) a default occurs; or
(v) the Bank has not distributed dividends or interest on own capital to common shareholders for the period of calculation of such interest and/or other charges.

e) Financial and development funds

	Dec 31, 2017	Dec 31, 2016
Marine Merchant Fund (FMM)	8,428,862	8,190,785
Public Service Employee Savings Program (Pasep)	4,285,088	2,632,348
Northeast Development Fund (FDNE)	2,009,071	2,070,560
Center-West Development Fund (FDCO)	1,175,704	893,803
Funds from the São Paulo's State Government	776,541	761,340
Nacional Fund of Civil Aviation (FNAC)	55,989	64,926
Other	63,495	176,763
Total	**16,794,750**	**14,790,525**

The FMM supports the renovation, expansion and recovery of the national merchant fleet and development of the country's shipbuilding industry. If not used in lending, the funds are remunerated based on the average SELIC rate. When used to finance purchases domestically, the funds are remunerated a rate of 0.1% to 0.5% p.a. plus the TJLP. When used to finance imports, the remuneration also includes foreign exchange variation (USD). The Bank assumes the credit risk in these transactions. The agreement with the provider of the funds does not include a provision for the cancellation of resources or prepayment of the funding. Any changes to the agreement must be made through an amendment.

The Pasep is a Brazilian government program aiming to promote income distribution among the population. In addition, resources can be applied in favor of economic and social development. Funds provided are remunerated based on the rate of return on investments made in the BACEN if they are not applied in loans. Otherwise, funds are remunerated based on the TR plus interest of 6% per annum. The credit risk of loans granted is integrally assumed by the Bank. In our agreement with the fund provider there is no applicable clause for cancellation of resources as well as to the Bank's right to prepay the funding. Any changes should be promoted through an amendment to the agreement signed.

The Funds from the São Paulo's State Government aims to promote economic and social development of the State of São Paulo, by generating funding for loans or onlendings, grants, subsidies and interest rate equalization. Funds provided are remunerated based on the rate of an specific fixed income investment fund (BB Nossa Caixa Renda Fixa Governos) if they are not applied in loans. Otherwise funds are remunerated based on granted loans' interest rate, except for onlendings, grants, subsidies and interest rates equalization, because they are not refundable. The Bank manages the fund as financial agent of the State treasury. The credit risk of loans granted is integrally assumed by the fund provider. If the funds are not granted as loans, the redemption is done randomly by a formal request from the provider, or when it is terminated. If the funds are granted as loans, the redemption is done on the next business day after the payment made by the borrowers.

f) Other liabilities

	Dec 31, 2017	Dec 31, 2016
Borrowings	19,455,138	20,345,738
Import financing	117,355	63,612
Total	**19,572,493**	**20,409,350**

As of December 31, 2017, the weighted average interest rate applicable to borrowings abroad was 2.71% p.a. (2.43% p.a. as of December 31, 2016).

g) Contractual maturity of liabilities from issuance of securities and other financial liabilities

	2018	2019	2020	2021	2022	After 2022	Without maturity	Total
Liabilities from issuance of securities	67,394,565	36,105,657	17,024,358	133,997	6,002,340	7,104,880	-	133,765,797
On-lendings	44,419,547	8,286,897	6,312,182	5,282,739	4,828,519	11,755,332	-	80,885,216
Subordinated debts	9,168,341	8,809,293	1,134,383	8,383,569	5,721,012	30,125,700	-	63,342,298
Perpetual bonds	283,071	-	-	-	-	-	23,338,665	23,621,736
Financial and development funds	9,339,505	634,031	634,031	634,031	634,031	4,919,121	-	16,794,750
Other	16,872,613	1,210,691	1,210,691	139,250	139,248	-	-	19,572,493
Total	**147,477,642**	**55,046,569**	**26,315,645**	**14,573,586**	**17,325,150**	**53,905,033**	**23,338,665**	**337,982,290**

h) Reconciliation of liabilities arising from financing activities

	Dec 31, 2016	Cash Changes		Non-Cash Changes		Dec 31, 2017
		Funding	Settlement / Payment	Changes in exchange rates	Other	
Debt instruments	**85,265,825**	**6,228,583**	**(4,973,256)**	**442,882**	**-**	**86,964,034**
Subordinated debts	61,975,751	4,381,609	(3,144,975)	129,913	-	63,342,298
Perpetual bonds	23,290,074	1,846,974	(1,828,281)	312,969	-	23,621,736
Shareholder's equity instruments	**1,186,806**	**-**	**(3,926,693)**	**(124,383)**	**3,928,141**	**1,063,871**
Unallocated retained earnings [1]	(2,513,647)	-	(1,462,999)	-	1,158,922	(2,817,724)
Shareholder's equity attributable to non-controlling interests [2]	3,700,453	-	(2,463,694)	(124,383)	2,769,219	3,881,595
Changes – Total		6,228,583	**(8,899,949)**	**318,499**	**3,928,141**	
Changes – Net		**(2,671,366)**		**4,246,640**		

(1) Includes interest Interest on additional equity instrument and dividends or interest on interest on own capital of controlling shareholders, as well as the variation of equity in associates and Joint Ventures.

(2) Includes dividends or interest on shareholders' equity of non-controlling shareholders.

	Dec 31, 2015	Cash Changes		Non-Cash Changes		Dec 31, 2016
		Funding	Settlement / Payment	Changes in exchange rates	Other	
Debt instruments	**88,921,690**	**7,878,581**	**(4,819,711)**	**(6,714,735)**	**-**	**85,265,825**
Subordinated debts	59,935,564	5,806,042	(1,852,172)	(1,913,683)	-	61,975,751
Perpetual bonds	28,986,126	2,072,539	(2,967,539)	(4,801,052)	-	23,290,074
Shareholder's equity instruments	**2,352,299**	**-**	**(4,244,451)**	**(330,441)**	**3,409,399**	**1,186,806**
Unallocated retained earnings [1]	(1,320,444)	-	(2,970,881)	-	1,777,678	(2,513,647)
Shareholder's equity attributable to non-controlling interests [2]	3,672,743	-	(1,273,570)	(330,441)	1,631,721	3,700,453
Changes – Total		7,878,581	**(9,064,162)**	**(7,045,176)**	**3,409,399**	
Changes – Net		**(1,185,581)**		**(3,635,777)**		

(1) Includes interest Interest on additional equity instrument and dividends or interest on interest on own capital of controlling shareholders.

(2) Includes dividends or interest on shareholders' equity of non-controlling shareholders, as well as the variation of equity in non-controlling interests.

35 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Labor lawsuits

The Bank is a party to labor claims involving mainly former employees, banking industry unions or former employees of companies that provide service (outsourced). These claims cover requests of compensation, overtime, incorrect working hours, and additional functions, among others.

Tax lawsuits

The Bank may receive tax inquiries during inspections by the tax authorities, which could lead to the issuance of tax notices. These notices relate to the calculation base for income/social contribution taxes (mainly regarding deductibility) and matters involving payment of other taxes (based upon the occurrence of certain events). Most claims arising from the notices relate to service tax (ISSQN), income tax, social contribution (CSLL), the Social Integration Program (PIS), Contribution to Social Security Financing (Cofins), Tax on Financial Transactions (IOF), and Employer Social Security Contributions (INSS). As a guarantee in some of these cases, the Bank has pledged collateral in the form of cash, bonds, real estate or judicial deposits, preventing the Bank to be included in restrictive registration, as well as not to obstruct the semiannual renewal of its tax regularity certificate.

Civil lawsuits

Civil lawsuits relate mainly to claims from customers and users of the Bank's network. In most cases, they are requesting indemnification for material or moral damages arising from banking products or services and Economic Plans (Bresser Plan, Verão Plans and Collor Plans I and II).

Indemnifications for material and moral damages are based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage (R$ 937.00 at December 31, 2017).

The Bank is a defendant in claims seeking the payment and refunding the overpayment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments and rural credit when Economic Plans were implemented in the late 1980's and early 1990's.

Although it complied with prevailing laws and regulations at the time, the Bank set-up provisions for these lawsuits. The provisions consider claims brought against the Bank in which the risk of loss is considered probable. Loss probabilities are determined after an analysis of each claim considering the most recent decisions in the Superior Courts of Justice (STJ). With respect to cases involving the financial investments related to Economic Plans, the Federal Supreme Court (STF) suspended prosecution of all cases after the knowledge phase. This will be the case until the court issues a definitive ruling. In the end of 2017, Febraban and the entities representing the savers signed an agreement about the demands involving the economic plans in savings accounts. This agreement was approved by the Federal Supreme Court in March 1st, 2018.

a) Provisions

In accordance with IAS 37, the Bank recognizes provisions for labor, civil and tax claims when the chance of loss is considered probable.

The probability of loss and financial effect is determined based on the nature of the claims, the opinion of management of the Bank, based on the advice of legal counsel. The analysis also considers complexity and experience with similar cases.

The Management considers to be sufficient the provision for losses of labor, tax and civil claims.

Changes in the provision for labor, tax and civil lawsuits

	2017	2016	2015
Labor lawsuits			
Initial balance	**2,456,978**	**2,088,833**	**2,070,567**
Addition	1,227,945	1,979,961	1,220,599
Reversal	(207,902)	(869,084)	(212,550)
Write-off	(1,099,010)	(1,112,098)	(1,256,075)
Business combination adjustments	26,083	28,982	28,982
Inflation adjustments and exchange rate changes	248,267	340,384	237,310
Closing balance	**2,652,361**	**2,456,978**	**2,088,833**
Tax lawsuits			
Initial balance	**276,015**	**245,695**	**206,515**
Addition	98,276	185,316	119,522
Reversal	(99,684)	(130,877)	(72,644)
Write-off	(35,907)	(50,761)	(19,222)
Inflation adjustments and exchange rate changes	19,624	26,642	11,524
Closing balance	**258,324**	**276,015**	**245,695**
Civil lawsuits			
Initial balance	**6,829,946**	**7,046,482**	**5,395,630**
Addition	1,872,625	5,817,446	4,854,727
Reversal	(631,664)	(4,745,939)	(2,588,483)
Write-off	(1,660,655)	(1,667,061)	(1,169,978)
Business combination adjustments	33,179	36,866	36,866
Inflation adjustments and exchange rate changes	246,235	342,152	517,720
Closing balance	**6,689,666**	**6,829,946**	**7,046,482**
Total labor, tax and civil lawsuits	**9,600,351**	**9,562,939**	**9,381,010**

Expenses with labor, tax and civil claims

	2017	2016	2015
Labor lawsuits	(1,294,393)	(1,480,243)	(1,274,341)
Tax lawsuits	(18,216)	(81,081)	(58,402)
Civil lawsuits	(1,520,375)	(1,450,525)	(2,820,830)
Total	**(2,832,984)**	**(3,011,849)**	**(4,153,573)**

Expected outflows of economic benefits

	Labor lawsuits	Tax lawsuits	Civil lawsuits
Up to 5 years	2,584,670	130,864	5,451,024
More than 5 years and up to 10 years	67,601	100,811	1,209,743
Over 10 years	90	26,649	28,899
Total	**2,652,361**	**258,324**	**6,689,666**

The provisions are estimated using the best available information. However, there is uncertainty regarding the duration of the proceedings and the possibility that the courts could revise previously issued determinations.

b) Contingent liabilities

The labor, tax and civil lawsuits for which the risk of loss is considered possible are not provided for in the consolidated balance sheet. Disclosure of these matters is provided in accordance with IAS 37.

Amounts involved in contingent liabilities

The table below shows the Bank's best estimates of the amounts that would be disbursed in the case of unfavorable judgments. The risk of loss is considered possible when the final outcome of the process is unclear and the loss probability is considered less than more likely than not, but greater than remote.

	Dec 31, 2017	Dec 31, 2016
Labor lawsuits	193,780	171,422
Tax lawsuits (1)	12,475,951	10,702,278
Civil lawsuits	2,327,630	1,975,843
Total	**14,997,361**	**12,849,543**

(1) The main contingencies originate from (i) notices of labor infraction form the National Social Security Institute (INSS) aiming at the payment of contributions applicable on year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R$ 3,498,911 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 313,273 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 884,066 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,619,077 thousand.

c) Contingent assets

Contingent assets are not recognized in the financial statements according to IAS 37.

d) Judicial deposits

This line-item represents cash held in the Bank or with another official financial institution as payment, or guarantee of payment, for condemnations, claims, agreements and other expenses arising from lawsuits. Judicial deposits are recorded in other assets in the consolidated balance sheet.

Balances of deposits in guarantee recorded for contingencies

	Dec 31, 2017	Dec 31, 2016
Labor lawsuits	5,579,789	5,126,635
Tax lawsuits	9,905,943	9,709,954
Civil lawsuits	23,309,214	20,274,118
Total	**38,794,946**	**35,110,707**

36 – INCOME TAX

a) Breakdown of income taxes recognized in profit or loss

	2017	2016	2015
Current			
Current year	(3,292,860)	(6,650,204)	(6,192,939)
Prior year adjustments	2,175	14,636	47,559
Total current	**(3,290,685)**	**(6,635,568)**	**(6,145,380)**
Deferred			
Allowance for loan losses	791,144	1,622,038	277,504
Business combination adjustments	186,384	179,060	197,177
Leasing transactions – portfolio adjustments and accelerated depreciation	27,492	3,602	(4,132)
Deferred tax positions related to fair value adjustments	(2,477)	24,763	(262,724)
Income taxes carryforwards	(4,987)	(122,176)	148,919
Unrealized profit on transactions with equity-accounted investees (Note 6.b)	(68,611)	(77,543)	2,261,658
Inflation adjustments of judicial deposits	(321,619)	(442,739)	(390,415)
Actuarial gains	-	36,618	(136,718)
Other deferred expenses [1]	(971,799)	3,181,095	9,714,646
Total deferred	**(364,473)**	**4,404,718**	**11,805,915**
Total income taxes	**(3,655,158)**	**(2,230,850)**	**5,660,535**

(1) In 2015, includes the recognition of additional deferred tax assets resulting from income taxes rate increase, in accordance with Brazilian law.

b) Reconciliation of income taxes expense

	2017	2016	2015
Income before taxes	15,930,461	10,890,427	10,137,504
Income taxes (40% up to August 31, 2015 and 45% from September 1, 2015) [1]	**(7,168,708)**	**(4,900,692)**	**(4,118,044)**
Equity in earnings of associates and joint ventures	1,687,940	1,781,947	1,805,044
Charges for interest on own capital	1,453,029	1,059,573	1,889,754
Revenues from the Center-West Financing Fund – FCO	1,183,882	1,101,674	564,687
Charges on income from subsidiaries with different income tax rates	469,734	415,585	520,003
Foreign currency translation adjustments	155,930	(826,057)	1,709,205
Charges on non-taxable revenues/non-deductible expenses [2]	(1,436,965)	(862,880)	3,289,886
Income taxes benefit (expense)	**(3,655,158)**	**(2,230,850)**	**5,660,535**
Effective rate	**22.94%**	**20.48%**	**-55.84%**

(1) The income tax rate increase, from 40% to 45%, from September 1, 2015, raised the recognition of income taxes expenses, as well as corresponding deferred tax assets.

(2) In 2015, includes the recognition of additional deferred tax assets resulting from income taxes rate increase, in accordance with Brazilian law.

c) Income taxes recognized in shareholders' equity

	2017	2016	2015
Income taxes benefit (expense) recognized in profit or loss	(3,655,158)	(2,230,850)	5,660,535
Income taxes recognized in Other Comprehensive Income	(2,321,347)	620,581	3,802,364
Total	**(5,976,505)**	**(1,610,269)**	**9,462,899**

d) Deferred income taxes recognized in the Consolidated Balance Sheet

Assets

	Dec 31, 2016	Constitutions	Write-offs	Dec 31, 2017
Deferred tax assets				
Allowance for loan losses	23,589,030	12,283,379	(11,236,870)	24,635,539
Provision for post-employment benefit plans	7,356,889	1,764,925	(3,345,021)	5,776,793
Provision for labor, tax and civil lawsuits	4,303,322	1,032,371	(1,015,535)	4,320,158
Negative fair value adjustments of financial assets	1,444,251	416,870	(744,150)	1,116,971
Business combination	1,755,898	169,935	-	1,925,833
Social contribution tax written to 18% (MP 2,158/2001)	694,371	-	(27,311)	667,060
Effective interest rate	285,833	-	(25,203)	260,630
Income taxes carryforwards	184,240	946,914	(605,159)	525,995
Other provisions	2,559,253	424,172	(2,731,945)	251,480
Total	**42,173,087**	**17,038,566**	**(19,731,194)**	**39,480,459**

Liabilities

	Dec 31, 2017	Dec 31, 2016
Deferred tax liabilities		
Bargain purchase gains	(917,729)	(917,729)
Positive fair value adjustments of financial assets	(747,579)	(968,307)
From actuarial gains	(419,069)	(37,566)
Arising from recovered term credits	(397,092)	(350,838)
Inflation adjustments of judicial deposits	(88,924)	(88,924)
Adjustment of the commercial leasing portfolio	(51,938)	(79,430)
Other	(446,986)	(453,704)
Total	**(3,069,317)**	**(2,896,498)**

The foreign branches do not recognize some deferred tax assets due to the low probability of realization, according to Management's evaluation. Unrecognized deferred tax assets total R$ 729,700 thousand, consisting of R$ 493,139 thousand related to tax losses carry forwards and R$ 236,561 thousand related to temporary differences. In Brazil, unrecognized deferred tax assest total R$ 8,067 thousand, consisting of R$ 7,906 thousand related to tax losses carry forwards and R$ 161 thousand related to temporary differences.

e) Expected realization of deferred tax assets

	Deferred tax assets
In 2018	6,719,749
In 2019	13,453,868
In 2020	13,463,523
In 2021	4,936,980
In 2022	424,326
In 2023	202,218
In 2024	107,173
In 2025	67,139
In 2026	26,738
In 2027	78,745
Total	**39,480,459**

The expected realization of deferred tax assets is supported by a technical study prepared as of December 31, 2017.

During 2017, the Bank realized R$ 20,358,796 thousand of deferred tax assets, which corresponded to 203.81% of the amount calculated in the technical study prepared on December 31, 2016.

37 – SHAREHOLDERS' EQUITY

a) Book value and market value per common share

	Dec 31, 2017	Dec 31, 2016
Shareholders' equity (R$ thousand)	97,356,833	86,376,240
Book value per share (R$) (1)	34.96	31.02
Market value per common share (R$)	31.82	28.09

(1) The book value per share calculation is made by dividing the shareholders' equity by the total number of common shares, excluding treasury shares.

b) Share capital

Banco do Brasil's share capital of R$ 67,000,000 thousand (R$ 67,000,000 thousand on December 31, 2016) is fully subscribed and paid-in and consists of 2,865,417,020 book-entry common shares with no par value. The Federal Government is the largest shareholder and holds the majority of the Bank's voting shares.

If approved by a Meeting of the Shareholders, the Bank may increase its share capital by up to R$ 120,000,000 thousand. The increase must be in accordance with the conditions approved by the shareholders. No amendments to the by-laws are necessary. Capital increases are performed through the issuance of common shares, with existing shareholders receiving preferential rights to the subscription based on their number of shares.

c) Additional instruments qualifying as common equity in Tier 1 capital

The Bank signed a loan agreement with the federal government on September 26, 2012, with R$ 8,100,000 thousand in funds available. There is no maturity date, a fixed interest rate and semi-annual interest payments. The funding was used to finance agribusiness.

Up to August 27, 2014, Bacen had authorized the instrument to be included in Tier I referential equity (additional Tier I capital) subject to the limitations set forth in Article 28 of CMN Resolution 4,192 of March 01, 2013.

The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

As a result of the amendment, the interest rate was changed to a variable rate, and the interest period was changed to match the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment for the fiscal year.

The interest payment must be made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, no interest will be paid on the loan. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities.

There will be no preferred interest on the instrument under any circumstances, including in relation to other equity instruments included in Reference Equity.

Bacen formally approved the instrument as common equity in Tier I capital on September 22, 2014, under CMN Resolution 4,192/2013 of August 28, 2014.

d) Capital reserve

The capital reserve, totaling R$ 5,604,313 thousand (R$ 5,607,386 thousand on December 31, 2016), relates mainly to changes in the Bank's ownership interest in BB Seguridade after the IPO, in 2013, and increased ownership interest in Banco Patagonia resulting from the Mandatory Share Acquisition Public Offering, in 2011.

e) Profit reserves

	Dec 31, 2017	Dec 31, 2016
Profit reserves	**35,280,691**	**27,646,569**
Legal reserve	7,111,684	6,570,147
Statutory reserves	28,169,007	21,076,422
Operating margin	24,312,045	17,567,395
Equalization of dividends	3,856,962	3,509,027

The legal reserve ensures the adequacy of the Bank's capital structure and can only be used to offset losses or increase capital. Five percent of net income, before any other allocations, is transferred to the legal reserve. The amount of the reserve cannot exceed 20% of the share capital.

The operating margin statutory reserve ensures the adequacy of the Bank's operating margins in accordance with its business activities. The reserve consists of up to 100% of net income after allocation to legal reserve (including dividends) and is limited to 80% of the share capital.

The dividend equalization statutory reserve provides funds for the payment of dividends. The reserve consists of up to 50% of net income after allocation to legal reserve (including dividends) and is limited to 20% of the share capital.

f) Accumulated other comprehensive income/(loss)

Accumulated other comprehensive income/(loss) includes fair value adjustments on available-for-sale financial instruments, net effects of hedges, translation adjustments on foreign operations whose functional currency is not the Brazilian Real and remeasurements of defined benefit plans.

g) Unallocated retained earnings

The amount included in this account represents the effect of differences between accounting practices adopted in Brazil and IFRS besides incidental retained earnings not distributed. Net income calculated in accordance with accounting practices adopted in Brazil is fully distributed semiannually in the form of dividends, interest on own capital and allocated to the profit reserve.

h) Interest on own capital/dividends

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2017				
Interest on own capital (1)	200,824	0.072	03.13.2017	03.31.2017
Complementary interest on own capital (1)	509,477	0.183	05.22.2017	05.31.2017
2nd quarter/2017				
Interest on own capital (1)	218,823	0.079	06.12.2017	06.30.2017
Complementary interest on own capital (1)	559,958	0.201	08.21.2017	08.31.2017
3rd quarter/2017				
Interest on own capital (1)	212,471	0.076	09.11.2017	09.29.2017
Complementary interest on own capital (1)	621,704	0.223	11.21.2017	11.30.2017
4th quarter/2017				
Interest on own capital (1)	230,029	0.083	12.11.2017	12.28.2017
Complementary interest on own capital (1)	675,667	0.243	03.01.2018	03.12.2018
Total allocated to the shareholders in 2017	**3,228,953**	**1.160**		

(1) Amounts subject to the rate of 15% Income Tax Withholding.

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2016				
Interest on own capital (1)	274,466	0.098	03.11.2016	03.31.2016
Complementary interest on own capital (1)	372,273	0.133	05.23.2016	05.31.2016
2nd quarter/2016				
Interest on own capital (1)	383,614	0.138	06.13.2016	06.30.2016
Complementary interest on own capital (1)	380,865	0.138	08.22.2016	08.31.2016
3rd quarter/2016				
Interest on own capital (1)	352,694	0.126	09.12.2016	09.30.2016
Complementary interest on own capital (1)	305,963	0.110	11.21.2016	11.29.2016
4th quarter/2017				
Interest on own capital (1)	214,235	0.077	12.12.2016	12.29.2016
Complementary interest on own capital (1)	70,497	0.025	03.01.2017	03.10.2017
Total allocated to the shareholders in 2016	**2,354,607**	**0.845**		

(1) Amounts subject to the rate of 15% Income Tax Withholding.

Management decided to pay interest on own capital to its shareholders in accordance with Brazilian law and the Bank's By-laws.

The interest on own capital is calculated on a daily proportional basis considering adjusted net equity balances and the long-term interest rate in Brazil (TJLP). It is only calculated if there is profit available from which to deduct the payment or retained earnings and profit reserves available of at least twice the calculated amount.

In accordance with income tax legislation, interest on own capital was recorded in profit or loss as a deduction and reclassified to "Unallocated retained earnings" for presentation purposes. In 2017, total interest on own capital provided a reduction in income tax expense of R$ 1,453,029 thousand (R$ 1,059,573 thousand in 2016).

i) Shareholders (number of shares)

Changes in the number of shares held directly or indirectly by the Bank's shareholders with more than 5% of the shares. It also includes members of the Bank's Board of Directors, Executive Committee and Audit Committee as follows:

Shareholders	Dec 31, 2017		Dec 31, 2016	
	Shares	% Total	Shares	% Total
Federal Government	1,502,374,642	52.4	1,558,511,715	54.4
Tesouro Nacional	1,453,493,742	50.7	1,453,487,115	50.7
Fundo Fiscal de Investimento e Estabilização	48,880,900	1.7	105,024,600	3.7
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ	244,572,814	8.5	281,209,714	9.8
Treasury shares (1)	80,463,476	2.8	80,666,497	2.8
Other shareholders	1,038,006,088	36.3	945,029,094	33.0
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) On December 31, 2017 includes 40,900 shares of the Bank held by BB DTVM (50,100 shares on December 31, 2016).

	Common shares (ON)	
	Dec 31, 2017	Dec 31, 2016
Board of Directors (except for the Bank's CEO)	144	144
Executive Committee (includes the Bank's CEO)	145,195	166,334
Audit Committee	18	10,075

j) Quantity of issued shares and quantity of shares in the market (free float)

	Quantity of shares	
	Common shares	Treasury shares
Balance on Dec 31, 2016	**2,865,417,020**	**80,666,497**
Movements	-	(203,021)
Balance on Dec 31, 2017	**2,865,417,020**	**80,463,476**

	Dec 31, 2017		Dec 31, 2016	
	Amount	%	Amount	%
Free float at the beginning of period	**1,226,072,321**	**42.8**	**1,139,037,581**	**39.8**
Acquisition of shares - Tesouro Nacional	(6,627)		-	
Disposal of shares by Caixa F1 Garantia Construção Naval	-		87,368,167	
Disposal of shares by FGO – Investimento em ações	-		7,500,000	
Disposal of shares by FFIE - Fundo Fiscal de Investmento e Estabilização	56,143,700		-	
Shares received – loans collateralized by the FGCN – Fundo Garantidor da Construção Naval	-		(8,075,350)	
Other changes (1)	224,160		241,923	
Free float at the end of period (2)	**1,282,433,554**	**44.8**	**1,226,072,321**	**42.8**

(1) Refers mainly to changes coming from Technical and Advisory Bodies.
(2) Does not include any shares held by the Board of Directors and Executive committee. It includes the shares held by Previ.

k) Treasury shares

The Board of Directors approved a repurchase program for up to 50 million shares on May 18, 2015, under the same conditions as the previous program related to 2014. The program concluded on May 16, 2016, with the acquisition of 3,623,700 shares in the amount of R$ 67,902 thousand. The minimum, average and maximum price per share under the program was R$ 17.90, R$ 18.74 and R$ 21.10, respectively.

The Bank had 80,463,476 shares in treasury on December 31, 2017, representing R$ 1,850,043 thousand (71,861,516 of the shares were acquired in repurchase programs, 8,075,350 shares received in order to comply with loan agreements collateralized by the FGCN, 526,547 related to share-based payment and 63 shares were from mergers).

I) Share-based payments

The program of variable remuneration was established according to the CMN Resolution No 3,921 of November 25, 2010, which governs compensation policies for executives of financial institutions.

The program has a yearly basis period. It is established according to the risks and the activity overseen by the executive and has as pre requirements: the activation of the Participation in Profit and Results Program and the achievement of accounting profit by the Bank.

The qualification and classification of the executive are based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil - ECBB for the period. The program also determines that 50% of the remuneration should be paid in cash and the remaining 50% should be paid in shares.

The distribution of compensation in shares occurs in a way that 20% is immediately transferred for the beneficiary's ownership and 80% is deferred for a period of four years, in which: 20% within one year, 20% within two years, 20% within three years and 20% within four years.

BB DTVM, in accordance to the resolution mentioned above, also adopted variable remuneration policy for its directors, directly acquiring treasury shares of the Banco do Brasil. All shares acquired are BBAS3 and its fair value is the quoted market price on the date of grant.

The following table demonstrates the acquired shares, its distribution and its transfer schedule:

	Total shares purchased	Average acquisition cost	Shares distributed (1)	Shares to be distributed	Estimated schedule of transfers
2013 Program					
Banco do Brasil	353,800	20.36	259,674	71,488	Mar 2018
Total shares to be distributed				**71,488**	
BB DTVM	24,546	23.83	19,639	4,907	Apr 2018
Total shares to be distributed				**4,907**	
2014 Program					
Banco do Brasil	318,633	24.08	166,755	64,030	Feb 2018
				64,029	Feb 2019
Total shares to be distributed				**128,059**	
BB DTVM	27,063	22.98	16,239	5,412	Apr 2018
				5,412	Apr 2019
Total shares to be distributed				**10,824**	
2015 Program					
Banco do Brasil	342,240	19.92	109,634	68,705	Mar 2018
				68,703	Mar 2019
				68,703	Mar 2020
Total shares to be distributed				**206,111**	
BB DTVM	26,109	19.92	10,449	5,220	Mar 2018
				5,220	Mar 2019
				5,220	Mar 2020
Total shares to be distributed				**15,660**	
2016 Program					
Banco do Brasil	99,348	33.78	19,902	19,863	Mar 2018
				19,861	Mar 2019
				19,861	Mar 2020
				19,861	Mar 2021
Total shares to be distributed				**79,446**	
BB DTVM	10,397	32.84	2,085	2,078	Mar 2018
				2,078	Mar 2019
				2,078	Mar 2020
				2,078	Mar 2021
Total shares to be distributed				**8,312**	

(1) Due to the negative variation in the profit of Banco do Brasil between 2012 and 2016, the totality of the shares related to those periods were not distributed to the Directors, of which 1,197 were related to BB DTVM and 91,333 shares referring to the Bank.

38 – FAIR VALUE OF FINANCIAL INSTRUMENTS

	Dec 31, 2017		Dec 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and bank deposits	13,471,112	13,471,112	12,798,204	12,798,204
Compulsory deposits with central banks	69,081,139	69,081,139	63,451,094	63,451,094
Loans to financial institutions net of allowance	35,116,862	35,097,241	49,119,008	49,103,377
Securities purchased under resale agreements	348,186,760	341,576,706	371,682,685	371,618,407
Financial assets at fair value through profit or loss	8,453,138	8,453,138	7,669,398	7,669,398
Financial assets available for sale	120,214,877	120,214,877	104,669,675	104,669,675
Financial assets held to maturity	10,457,429	9,111,951	9,120,261	8,474,880
Loans to customers net of allowance	585,190,941	553,753,095	603,856,735	589,799,371
Other financial assets	56,975,278	56,975,278	48,959,364	48,959,364
Liabilities				
Deposits of clients	426,076,603	425,840,845	425,315,886	425,219,066
Amount payable to financial institutions	24,649,124	24,706,865	21,276,934	21,850,979
Financial liabilities at fair value through profit or loss	789,887	789,887	2,234,846	2,234,846
Securities sold under repurchase agreements	376,242,695	374,699,807	374,634,032	373,070,084
Liabilities from issuance of securities and other financial liabilities	337,982,290	348,346,494	368,350,768	364,858,923
Other financial liabilities	36,177,471	36,177,471	49,082,539	49,082,539

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When quoted prices in an active market are available, fair value of financial instruments is based on those prices. In the absence of an active market for a financial instrument, fair value is estimated to arrive at a fair and equitable valuation for the instrument.

The methods used to estimate fair value for the different categories of financial instruments are as follows:

a) Cash and bank deposits

Amounts included in this line-item of the consolidated balance sheet represent highly liquid assets. Therefore, the carrying amount is considered to be the same as fair value.

b) Compulsory deposits with central banks

For this line-item, the carrying amount in the consolidated balance sheet is considered to be the same as fair value.

c) Loans to financial institutions and securities purchased under resale agreements

The fair value of loans to financial institutions and repurchase agreements with fixed rates is determined by discounting estimated future cash flows using current rates on similar instruments (in these cases, similar assets can always be identified).

The inputs used to calculate fair value (funding rates) are compared to rates on similar transactions carried out by other institutions in the financial market. The carrying amount of variable rate instruments is considered to be the same as fair value. Being transactions backed by securities, the pricing of repurchase agreements does not consider any credit risk measurement in its fair value.

Since repurchase agreements are guaranteed by securities, the fair value measurement does not consider credit risk.

d) Financial assets and liabilities at fair value through profit or loss, financial assets available for sale and financial assets held to maturity

These line-items consist mainly of debt and equity instruments and derivatives. Considering the definition of fair value mentioned previously, if there is no price quotation from an active market available or recent transactions with a similar financial instruments, the Bank estimates fair value based on methodologies commonly used in the market. These methodologies include the present value of discounted cash flows (swaps, futures and currency forwards) and the Black-Scholes model for options.

Under the present value method, expected future cash flows are based on the instruments' return. The cash flows are then discounted to present value considering the term and yield curve.

The yield curve depends on the type of asset. For example, for securities in which the yield is linked to the IPCA index, the Bank uses the IPCA curve plus the spread on the measurement date.

The Bank uses a Black-Scholes model to price European options. The option price is measured as a closed-form solution to the Black-Scholes equation. The inputs to the model are directly observable in the market.

The Bank uses this model (without considering dividends) to calculate option premiums and volatility because it is widely used in the market and by stock exchanges to determine daily settlements for European options. In calculating volatility for call options, American and European models produce the same results. This allows for the use of the European model for all American call options.

The main sources for the inputs by category of financial asset are as follows:

- Government securities – Anbima/Bacen;
- Private securities (BM&FBovespa, SND – National Debentures System, Anbima and Cetip); and
- Derivatives (BM&FBovespa, Broadcast and Reuters).

e) Loans to customers

Fair value is estimated for groups of similar loans based on loan type, credit quality and maturity. Future cash flows of loans to customers are based on the contractual interest rates and payment dates. Fair value is determined by discounting the cash flows at rates being practiced on the valuation date for loans of similar types, qualities and maturities.

The IPP methodology, which is based on an expected loss index, is used to calculate credit spreads. This methodology considers loss rates and severities for a variety of different credit lines. It also considers customer data from when the loan was originated, including the business segment and credit risk assigned to the counterparty.

There are always similar assets in the market, so inputs used to calculate fair value (interest rates) can be compared to similar transactions carried out by other financial institutions. The interest rates reflect all applicable costs and risks, including credit risk. They also incorporate funding costs, administrative costs, taxes, credit losses and the Bank's spread.

The Bank has a group of short-term revolving loans (i.e. overdrafts and revolving credit cards) in which the carrying amount approximates fair value. The maturity of these transactions does not exceed one month.

f) Client deposits

The fair value of fixed rate deposits with fixed maturities is calculated by discounting the contractual cash flows by the current market rate for transactions with similar maturities.

There are always similar liabilities in the market, so inputs used to calculate fair value (funding rates) can be compared to similar transactions carried out by other financial institutions. These rates reflect all applicable costs and risks, including opportunity costs, administrative costs, taxes and the Bank's spread.

The carrying amount of variable rate deposits with maturities up to 30 days is considered to be the same as fair value.

g) Securities sold under repurchase agreements

The fair value of securities sold under repurchase agreements with fixed interest rates is calculated by discounting the cash flows by the current market rate for similar transactions.

There are always similar liabilities in the market, so inputs used to calculate fair value (funding rates) can be compared to similar transactions carried out by other financial institutions.

The carrying amount of variable rate transactions is considered to be the same as fair value.

Since the transactions are guaranteed by securities, the fair value measurement for repurchase agreements does not consider credit risk.

h) Liabilities from issuance of securities and other financial liabilities

Fair value is determined by discounting the cash flows using market rates for liabilities with similar contractual terms, maturities and risks.

i) Other financial assets and liabilities

For this line-item, the carrying amount in the consolidated balance sheet is considered to be the same as fair value.

j) Fair value input levels for financial assets and liabilities

The Bank's fair value measurements consider the following input levels:

Level 1 – Price quotations are derived from active markets for identical financial instruments. Financial instruments are considered to be quoted in an active market if prices are readily available and are based on regularly occurring arm's length transactions.

Level 2 – Requires the use of information obtained from the market that is not Level 1. This includes prices quoted in non-active markets for similar assets and liabilities and information that can be corroborated in the market.

Level 3 – Requires the use of information not obtained from the market to measure fair value. When there is not an active market for an instrument, the Bank uses valuation techniques that incorporate internal data. The Bank's methodologies are consistent with commonly used techniques for pricing financial instruments.

Most of the Bank's fair value measurements consider data obtained directly from active markets. If direct information is not available, it uses references available in the market. As a final option, the Bank considers similar assets. The fair value measurement process is monitored on a daily basis to determine the extent to which market prices are available for the Bank's assets.

The Bank's policy for transferring financial instruments between levels considers liquidity in the market. Depending on the level of liquidity, the Bank defines the type of fair value measurement to be used (mark-to-market or mark-to-model). The transfer policy provides consistent recognition principles for transfers between levels.

For private securities, the mark-to-market and mark-to-model methodologies are based on a market data hierarchy. The Bank monitors the valuation methods for all of these instruments on a daily basis.

When private securities are traded during the day, the mark-to-market calculation is based on the closing price. If there are no trades registered, but an indicative price is released by Anbima, this price will be used.

If there were no trades and there is no indicative price, the Bank determines if the security was negotiated within the past 30 days. If it was, the pricing model considers the relationship between the last negotiated price and the security's

accrual value on the first day market volumes becomes available. If there were no trades within the past 30 days, the Bank uses one of two rating criteria (in the following order):

1st criteria – if Anbima releases the security's credit curve rating, the Bank uses the spread of this curve to calculate present value.

2nd criteria – if Anbima does not release the instrument's credit curve rating, the Bank uses a linear regression based on 30 days of indicative prices and interest rates provided by Anbima. The variables used to calculate the regression are the rating, maturity and indicative interest rate.

The Bank takes a conservative approach to mark-to-market values. Figures obtained through market prices and mathematical models are compared to prices calculated by the Risk Department based on credit spreads. The lower of the two prices is used.

As a result, the methodologies discussed above (market prices, indicative prices, historical mathematical relationships and rating aggregation models), which all use market-based data, could result in higher prices compared to figures based credit spreads.

No transfers were made between levels of the fair value hierarchy during 2017.

	Dec 31, 2017	Distribution by level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**128,668,015**	**97,175,734**	**31,492,281**	**-**
Financial assets at fair value through profit or loss	**8,453,138**	**5,855,058**	**2,598,080**	**-**
Debt and equity instruments	**7,798,219**	**5,855,058**	**1,943,161**	**-**
Government bonds	6,000,532	5,852,850	147,682	-
Corporate bonds	1,797,687	2,208	1,795,479	-
Derivatives	**654,919**	**-**	**654,919**	**-**
Swaps	386,920	-	386,920	-
Forward operations	127,878	-	127,878	-
Options	123,557	-	123,557	-
Other derivative financial instruments	16,564	-	16,564	-
Financial assets available for sale	**120,214,877**	**91,320,676**	**28,894,201**	**-**
Government bonds	91,573,247	90,712,540	860,707	-
Corporate bonds	28,641,630	608,136	28,033,494	-
Liabilities	**789,887**	**-**	**789,887**	**-**
Financial liabilities at fair value through profit or loss	**789,887**	**-**	**789,887**	**-**
Derivatives	**789,887**	**-**	**789,887**	**-**
Swaps	467,523	-	467,523	-
Forward operations	232,568	-	232,568	-
Options	19,611	-	19,611	-
Other derivative financial instruments	70,185	-	70,185	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**996,514,271**	**-**	**9,111,951**	**987,402,320**
Loans to financial institutions net of allowance	35,097,241	-	-	35,097,241
Securities purchased under resale agreements	341,576,706	-	-	341,576,706
Financial assets held to maturity	9,111,951	-	9,111,951	-
Loans to customers net of allowance	553,753,095	-	-	553,753,095
Other financial assets	56,975,278	-	-	56,975,278
Liabilities	**1,209,771,482**	**-**	**-**	**1,209,771,482**
Deposits of clients	425,840,845	-	-	425,840,845
Amount payable to financial institutions	24,706,865	-	-	24,706,865
Securities sold under repurchase agreements	374,699,807	-	-	374,699,807
Liabilities from issuance of securities and other financial liabilities	348,346,494	-	-	348,346,494
Other financial liabilities	36,177,471	-	-	36,177,471

	Dec 31, 2016	Distribution by level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**112,339,073**	**75,251,238**	**37,087,835**	**-**
Financial assets at fair value through profit or loss	**7,669,398**	**4,784,375**	**2,885,023**	**-**
Debt and equity instruments	**6,056,835**	**4,784,375**	**1,272,460**	**-**
Government bonds	4,904,256	4,750,659	153,597	-
Corporate bonds	1,152,579	33,716	1,118,863	-
Derivatives	**1,612,563**	**-**	**1,612,563**	**-**
Swaps	1,128,169	-	1,128,169	-
Forward operations	253,699	-	253,699	-
Options	193,414	-	193,414	-
Other derivative financial instruments	37,281	-	37,281	-
Financial assets available for sale	**104,669,675**	**70,466,863**	**34,202,812**	**-**
Government bonds	70,651,495	69,800,524	850,971	-
Corporate bonds	34,018,180	666,339	33,351,841	-
Liabilities	**2,234,846**	**-**	**2,234,846**	**-**
Financial liabilities at fair value through profit or loss	**2,234,846**	**-**	**2,234,846**	**-**
Debt instrument	364,455	-	364,455	-
Derivatives	**1,870,391**	**-**	**1,870,391**	**-**
Swaps	1,190,214	-	1,190,214	-
Forward operations	582,138	-	582,138	-
Options	30,656	-	30,656	-
Other derivative financial instruments	67,383	-	67,383	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**1,067,955,399**	**-**	**8,474,880**	**1,059,480,519**
Loans to financial institutions net of allowance	49,103,377	-	-	49,103,377
Securities purchased under resale agreements	371,618,407	-	-	371,618,407
Financial assets held to maturity	8,474,880	-	8,474,880	-
Loans to customers net of allowance	589,799,371	-	-	589,799,371
Other financial assets	48,959,364	-	-	48,959,364
Liabilities	**1,234,081,592**	**-**	**-**	**1,234,081,592**
Deposits of clients	425,219,066	-	-	425,219,066
Amount payable to financial institutions	21,850,979	-	-	21,850,979
Securities sold under repurchase agreements	373,070,084	-	-	373,070,084
Liabilities from issuance of securities and other financial liabilities	364,858,923	-	-	364,858,923
Other financial liabilities	49,082,540	-	-	49,082,540

39 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments with all of the following characteristics:

- their value changes due to changes in an underlying variable (exchange rate, interest rate, price index, price of a commodity, etc.);
- they require no initial investment, or an initial investment that is less than what would be required for other contracts with similar responses to changes in markets factors; and
- they will be settled on a future date.

The Bank's derivatives are mainly held for trading purposes to meet the needs of its clients. It may also take speculative positions for profit based on expected changes in prices, rates or indexes.

The following tables show the composition of the derivatives portfolio by risk exposure, notional amount, fair value and maturity.

a) Breakdown of the portfolio of derivatives for trading per type of risk

	Dec 31, 2017	Dec 31, 2016
	Notional amount	Notional amount
Futures contracts		
Purchase commitments	**5,629,177**	**12,675,733**
Interest rate risk	3,924,393	3,767,529
Currency risk	1,695,165	8,899,499
Other risks	9,619	8,705
Commitments to sell	**12,138,777**	**2,109,516**
Interest rate risk	10,774,927	1,103,821
Currency risk	1,321,124	872,351
Other risks	42,726	133,344

Futures are contractual arrangements between two parties who agree to buy or sell a financial instrument at a fixed price on a future date. These contracts are all standardized and are only traded on stock exchanges in accordance with specific rules, they are adjusted to fair value on a daily basis. The stock exchange requires margin deposits in cash to guarantee the transactions.

	Dec 31, 2017		Dec 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Forward operations				
Asset position	**6,180,063**	**127,878**	**4,472,363**	**253,699**
Interest rate risk	1,057	1,057	-	-
Currency risk	6,136,946	120,745	4,436,664	242,787
Other risks	42,060	6,076	35,699	10,912
Liability position	**5,333,287**	**(232,568)**	**10,058,932**	**(582,138)**
Interest rate risk	1,057	(1,057)	-	-
Currency risk	5,266,052	(228,765)	10,053,226	(581,870)
Other risks	66,178	(2,746)	5,706	(268)

Forwards are customizable contractual arrangements between two parties who agree to buy or sell a financial instrument at a fixed price on a future date. They are always fully settled on the maturity date and are traded in the OTC market.

	Dec 31, 2017		Dec 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Option contracts				
Long position	**125,664**	**123,557**	**194,283**	**193,414**
Currency risk	1,488	73	573	67
Other risks	124,176	123,484	193,710	193,347
Short position	**390,784**	**(19,611)**	**245,367**	**(30,656)**
Interest rate risk	207,308	(2,273)	160,485	(30,367)
Currency risk	15,954	(758)	74,932	(176)
Other risks	167,522	(16,580)	9,950	(113)

Options are contractual arrangements providing the buyer, who pays a premium to the seller, with the right to buy or sell a financial instrument at a fixed price on a future date or within a predetermined time period. The Bank only trades options in regulated markets.

	Dec 31, 2017		Dec 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Swap contracts				
Asset position	**7,261,065**	**386,920**	**8,501,030**	**1,128,169**
Interest rate risk	1,768,338	143,415	4,567,660	845,682
Currency risk	5,492,727	243,505	3,933,370	282,487
Liability position	**6,610,242**	**(467,475)**	**10,748,833**	**(1,190,214)**
Interest rate risk	1,470,941	(104,863)	2,917,818	(164,126)
Currency risk	4,940,410	(353,208)	7,831,015	(1,026,088)
Other risks	198,891	(9,404)	-	-

Swaps are contractual arrangements between two parties who agree to exchange payment flows over a set period of time. The payment flows are based on the contract's notional value and variations in a specific index, such as an interest rate, foreign exchange rate or equity index.

The Bank enters into interest rate swaps with other financial institutions. The Bank either receives or pays a variable interest rate in exchange for the receipt or payment of a fixed interest rate.

In currency swaps, the Banks pays a specific amount in one currency and receives a specific amount in another currency.

	Dec 31, 2017		Dec 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Other derivative agreements				
Asset position	**669,542**	**16,564**	**3,258,028**	**37,281**
Currency risk	669,542	16,564	3,258,028	37,281
Liability position	**4,063,593**	**(70,233)**	**2,735,958**	**(67,383)**
Currency risk	4,063,593	(70,233)	2,735,958	(67,383)

The Bank's other derivatives consist mainly of Non-Deliverable Forwards (NDFs), which are traded in the OTC market. The underlying variable in these contracts is an exchange rate for a specific currency.

b) Composition of the portfolio of derivatives for trading by maturity date

Notional amount – asset position	Maturity in days					
	0-30	31-180	181-360	Above 360	Dec 31, 2017	Dec 31, 2016
Futures contracts	632,624	2,897,063	755,119	1,344,371	**5,629,177**	**12,675,733**
Forward operations agreements	889,892	4,492,331	715,277	82,563	**6,180,063**	**4,472,363**
Option contracts	743	1,437	123,484	-	**125,664**	**194,283**
Swap contracts	1,282,672	2,360,448	2,003,751	1,614,194	**7,261,065**	**8,501,030**
Other derivative agreements	554,555	61,577	32,260	21,150	**669,542**	**3,258,028**

Notional amount – liability position	Maturity in days					
	0-30	31-180	181-360	Above 360	Dec 31, 2017	Dec 31, 2016
Futures contracts	29,111	2,758,915	3,005,217	6,345,534	**12,138,777**	**2,109,516**
Forward operations agreements	1,343,227	2,716,406	876,009	397,645	**5,333,287**	**10,058,932**
Option contracts	18,183	2,094	144,824	225,683	**390,784**	**245,367**
Swap contracts	1,540,106	491,910	2,867,720	1,710,506	**6,610,242**	**10,748,833**
Other derivative agreements	660,107	2,738,953	633,033	31,500	**4,063,593**	**2,735,958**

c) Portfolio of derivatives designated as fair value hedge

Hedge accounting involves the application of specific rules and accounting procedures to mitigate volatility from recording derivatives at fair value through profit or loss. Hedge accounting allows companies to record gains and losses from derivatives in the same period in which the hedged item affects an entity's accounting results. This reduces volatility caused by measuring derivatives at fair value.

In accordance with its asset and liability management policy, the Bank uses derivatives to reduce exposures to credit and market risk. It uses fair value hedges to mitigate exposures to the interest and exchange rate fluctuations of its financial instruments.

Until July/2017 The Bank maintained a swap (cross currency interest rate swaps) as hedging instruments to protect external funding against changes in interest and foreign exchange rates, and BB Investimentos uses options contracts to mitigate volatility in its results derived from the fair value of available for sale financial instruments. The Bank's hedges have been effective in accordance with IAS 39, which requires hedge effectiveness to fall between 80% and 125%.

	Dec 31, 2017	Dec 31, 2016
Fair value hedge instruments		
Assets	**123,483**	**555,105**
Swap	-	361,772
Options	123,483	193,333
Hedged items		
Assets	**36,993**	**197,585**
Securities	36,993	197,585
Liabilities	**-**	**(364,455)**
Other liabilities	-	(364,455)

During the years 2017, 2016 and 2015 were recognized gains and losses arising from hedge instruments and hedged items.

	2017	2016	2015
Losses on hedged items	(135,005)	(1,090)	(155,010)
Gains on hedge instruments	139,807	1,252	153,943
Net effect	**4,802**	**162**	**(1,067)**
Gains on hedged items	59,150	279,165	-
Losses on hedge instruments	(65,582)	(277,290)	-
Net effect	**(6,432)**	**1,875**	**-**

40 – FINANCIAL GUARANTEES AND OTHER OFF-BALANCE SHEET COMMITMENTS

	Dec 31, 2017	Dec 31, 2016
Credit commitments	117,609,174	118,745,942
Guarantees provided	3,977,234	6,445,216
Opened import credit	176,766	229,143
Confirmed export credit	221,115	218,348

Credit commitments represent overdrafts, revolving credit lines and similar instruments. Guarantees provided by the Bank, including standby letters of credit, represent conditional commitments. They generally guarantee a customer's performance to a third party under a loan.

In these types of contracts, the contract ual amount represents the maximum credit risk exposure if the counterparty fails to fulfill its obligations under the contract. However, a majority of these instruments expire without being drawn upon, so the contractual amount is not usually representative of future credit risk exposures or liquidity needs. To mitigate credit risk, the Bank requires the counterparty to provide cash, securities or other assets as collateral (similar to collateral required on loans to customers).

In accordance with IAS 37, the Bank recognized a provision for estimated losses on guarantees and other commitments in the amount of R$ 202,547 thousand at December 31, 2017 (December 31, 2016 – 442,301 thousand).

41 – REGULATORY CAPITAL AND FIXED ASSET LIMIT

On 2017, Bacen issued CMN Resolution No. 4,557, which defines the scope and requirements of the risk management structure and the capital management structure for financial institutions.

In compliance with the Resolution, the Board of Directors of The Bank named the Vice President of Internal Controls and Risk Management as the Chief Risk Officer (CRO), responsible for risk management, and the Director of Controllership as responsible for the capital management.

The Bank's organizational structure allows it to identify and evaluate significant risks incurred, including risks not covered by the Minimum Required Reference Equity (MRER). The Bank's policies and management strategies, as well as capital planning, enable the proactive vision and maintenance of capital at levels compatible with the risks incurred by the Institution. Periodically, the Bank performs stress tests and their impacts are evaluated by the capital approach.

The corporate units and strategic committees receive capital adequacy management reports. These reports support the decision-making process of the Bank's senior management team.

The Internal Capital Adequacy Assessment Process (Icaap), implemented in the Bank on June 30, 2013, follows the disposed on CMN Resolution No. 4,557/2017. At the Bank, the responsibility for coordinating Icaap was assigned to the Risk Management Directorship. In turn, the Internal Controls Directorship, an independent and segregated area of the capital management structure, is the responsible for validating the Icaap. Finally, Internal Audit is responsible for performing an annual evaluation of the overall capital management process.

To learn more about the capital management at Banco do Brasil, visit the website bb.com.br/ir.

The Bank calculated the Capital Adequacy Ratio in accordance with criteria established by Bacen. This criteria requires the calculation of Referential Equity (RE) and MRER as a percentage of Risk Weighted Assets (RWA).

Basel III became effective on October 01, 2013 in Brazil. Recommend by the Basel Committee on Banking Supervision, Basel III represents a new set of regulations governing the capital structure of financial institutions. The new rules establish the following:

- a new methodology for calculating regulatory capital, which continues to be divided into Tier I and Tier II. Tier I consists of Core Capital (net of regulatory adjustments) and Additional Tier I Capital;
- a new methodology for calculating capital requirements, establishing minimum requirements for RE, Tier I and CET1, and introducing the Additional Core Capital.

From January 1, 2017, the percentage of deduction of prudential adjustments listed below increased to 80%:

(i) goodwill;
(ii) intangible assets recognized after October 01, 2013;
(iii) actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
(iv) non-controlling interests;
(v) direct or indirect investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds;
(vi) deferred tax assets on temporary differences that rely on the generation of future taxable profits or income to be realized;
(vii) deferred tax assets resulting from tax losses on excess depreciation; and
(viii) deferred tax assets resulting from tax losses and negative social contribution base on net income.

In accordance with CMN Resolution No. 4,192/2013, these deductions will be implemented gradually between 2014 and 2018 at the rate of 20% per year. However, deferred tax assets on debt issued by financial institutions are an exception, since they have been fully deducted since October 2013.

On August 28, 2014, Bacen authorized the R$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

According to Bacen Resolution No. 4,192/2013 and No. 4,193/2013, from January 2015, the calculation of the Regulatory Equity (RE) and the amount of Risk-Weighted Assets (RWA) should be elaborated based on Prudential Conglomerate.

	Dec 31, 2017	Dec 31, 2016
Referential Equity (RE)	**135,511,422**	**130,453,208**
Tier I	**95,227,960**	**90,283,551**
Common equity Tier 1 capital (CET1)	**72,320,060**	**67,718,439**
Shareholders' equity	88,067,958	76,702,977
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(23,847,898)	(17,084,538)
Additional Tier 1 capital (AT1)	**22,907,900**	**22,565,112**
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	18,111,300	17,840,287
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013 (1)	4,796,600	4,724,825
Tier II	**40,283,462**	**40,169,657**
Subordinated debt qualifying as capital	40,327,803	40,181,808
Subordinated debt authorized in accordance with CMN Resolution No. 4,192/2013 – financial bills	4,558,860	5,466,093
Subordinated debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	35,768,943	34,715,715
Funds obtained from the FCO (2)	27,870,141	25,237,153
Funds raised in financial letters and CD (3)	7,898,802	9,478,562
Deduction from Tier II	(44,341)	(12,151)
Funding instruments issued by financial institution	(44,341)	(12,151)
Risk weighted assets (RWA)	**689,856,756**	**705,851,280**
Credit risk (RWA_{CPAD})	616,822,462	643,214,021
Market risk (RWA_{MPAD})	17,296,387	18,844,349
Operational risk (RWA_{OPAD})	55,737,907	43,792,910
Minimum referential equity requirements (4)	**63,811,750**	**69,702,814**
Margin on the minimum referential equity required	**71,699,672**	**60,750,394**
Tier I ratio (Tier I / RWA)	**13.80%**	**12.79%**
Common equity Tier 1 capital ratio (CET1 / RWA)	10.48%	9.59%
Capital adequacy ratio (RE / RWA)	**19.64%**	**18.48%**

(1) Based on Bacen's guidance, the balance of the hybrid capital and the debt instrument authorized by Bacen to compose Tier 1 Capital of Reference Equity was considered in accordance with CMN Resolution 3,444/2007 and does not meet the relevant entry criteria, also related to the orientation established in article 28, sections I to X of CMN Resolution 4,192/2013.

(2) According to CMN Resolution No. 4,192/2013, balances of the FCO are eligible to compose the RE.

(3) It was considered the balance of subordinated debt instruments that composed the RE on December 31, 2012, applying on it the limit of 50% on December 31, 2017 (60% on December 31,2016), as determined by CMN Resolution No. 4,192/2013.

(4) According to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA. This "F" factor corresponds to: 11%, from October 1, 2013 to December 31, 2015; 9.875% from January 1, 2016 to December 31, 2016; 9.25%, from January 1, 2017 to December 31, 2017; 8.625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

Fixed asset ratio and surplus capital

	Dec 31, 2017	Dec 31, 2016
Fixed asset ratio	16.02%	15.52%
Surplus capital in relation to the fixed asset ratio (R$ thousand)	46,049,655	44,979,050

Bacen defines the fixed asset ratio as the percentage of fixed assets to Referential Equity. The maximum rate allowed is 50%.

Surplus capital refers to the difference between the 50% limit of Referential Equity and total fixed assets.

42 – RISK MANAGEMENT

a) Risk governance

Banco do Brasil's risk management function is responsible for credit, market, liquidity and operational risk, among others. Specific and highly specialized areas perform risk management in accordance with objectives, policies, strategies, processes and systems designed to address each of these risks.

The Bank's risk governance function involves several different areas and a framework of committees and sub-committees, addressing the following areas:

(i) segregation of duties: business units vs. the risk functions;
(ii) implementation of specific risk management structures;
(iii) formal management processes;
(iv) decisions at multiple hierarchical levels;
(v) clear rules and levels of approval; and
(vi) incorporation of best practices.

All decisions related to risk management are taken collectively in accordance with the Bank's internal policies and procedures.

The Risk Management Committee centralizes the Bank's risk governance function (for both the Bank and its subsidiaries) and includes members of the Executive Board. The committee establishes risk management strategies, overall risk exposure limits, levels of compliance and capital allocations based on risk exposures.

The Risk Management area reports to the Vice President for Internal Control & Risk Management and is responsible for managing credit, operational, market and liquidity risk, ensuring synergy among the processes and appropriate technical expertise within the areas. It also supports more effective allocation of capital and compliance with the new Basel agreement.

Decisions are communicated to the different business units through internal resolutions and polices clearly outlining the positions taken by management. This ensures consistent application throughout the Bank.

The Operational Risk area also reports to the Vice President for Internal Control & Risk Management and is responsible for operational risk management. The area focuses on reducing losses, disseminating an operational risk culture and improving the processes and controls used to mitigate operational risk.

The Internal Controls area serves as an independent second layer of control and validates the risks identified. The risks addressed in Basel Pillar II clarify the need to maintain adequate capital to cover all of the risks involved in the Bank's business activities. Therefore, to comply with CMN Resolution 4,557/2017 and Bacen Circular 3,846/2017, the Bank established policies, categories and management activities to mitigate strategic, reputational and socio-environmental risks.

In addition, the Risk Management area is responsible for managing Pillar II's risks, strategy, reputation and socio-environmental risks.

The governance structure responsible for these risks consists of the Board of Directors, Risk Management Committee and Risk Management Superior Committee.

Interest rate risk in the banking book is managed in accordance with the Bank's market risk policy, while the policies for concentration and credit risk are outlined in the credit risk policy.

The Risk Management Committee has decision-making power by delegation, aiming to confer agility to the management process.

The Risk Management Committee' regular meetings take place once per month. Extraordinary meetings are held upon request of the coordinator or any of the members because of an urgent matter (subject to the formation of a quorum).

The Risk Panel is one of the most important tools for reporting risk exposure levels to senior management. The panel is prepared on a monthly basis and reported to the risk committees.

b) Risk management process

For Banco do Brasil, risk management is one of the most important elements of the decision-making process.

The risk management process involves a continuous flow of information and consists of the following main activities:

(i) planning: data gathering and analysis and preparation of proposals;
(ii) decision-making: evaluation of the proposals and voting at the appropriate level, with decisions communicated to the appropriate areas;
(iii) execution: areas implement the policies as they were approved; and
(iv) monitoring: follow-up on implementation of the policies and reporting to the subcommittees and Risk Management Committee.

c) Market risk

Market risk reflects the possibility of losses caused by changes in interest rates, foreign exchange rates, equity prices and commodity prices.

Policies

The board-approved market risk policy and the policy for use of derivative financial instruments are part of the documented strategies regarding the Bank's management of market risk.

These documented strategies establish guidelines to be observed in the Bank's decision-making. They involve market risk assessment, dealing with quantitative aspects, such as metrics used, and also qualitative aspects such as the hedging policy, scope of management, and segregation of duties.

Within the sphere of the market risk management policies and strategies of Banco do Brasil, there is a management model intended to identify, measure, evaluate, monitor, report, control and mitigate the market risk of the Prudential Conglomerate and its respective member institutions, as well as identify and monitor the market risk of other companies controlled by Prudential Conglomerate.

The Bank has policies and strategies in place regarding the use of financial derivative instruments to govern the performance of operations for its clients as well as to govern the management of its own positions, considering the various risk categories and adopting a consolidated view of the different risk factors.

The trading of derivative financial instruments is dependent upon prior evaluation of the nature and the dimension of the risks involved.

Since the hedging policies for market risk management are defined for the entire Bank, the effectiveness of each operation, and compliance with local regulations, in the case of overseas branches, is achieved.

Risk measuring systems and communication and information processes

The market risk measuring process makes use of corporate systems and of the Riskwatch application, developed by the Canadian company Algorithmic. The infrastructure for the information technology associated with this process is located in Brasília (DF) and in Rio de Janeiro (RJ).

The main objectives of the Riskwatch application are to:

(i) consolidate management information of the Bank, ascertaining and providing information for market and liquidity risk management and for asset and liability management; and
(ii) provide market and liquidity risk measurements (products/cash flows by currency and index), as well as assets and liabilities management.

Riskwatch functions that merit special emphasis are:

(i) calculate market risk indicators, such as Value-at-Risk (parametric and nonparametric), duration, yield, etc.;
(ii) elaborate cash flow reports, either consolidated or by product, marked to market or nominal;
(iii) determine the portfolio sensitivity to the fluctuations in national and international interest rates;
(iv) calculate the theoretical result of portfolios after the application of historical and stress scenarios; and
(v) elaborate reports on the mismatching of maturities, rates, indexes and currencies.

Own positions are segregated into two parts, a trading portfolio and a non-trading portfolio. Through a resolution issued by the Risk Management Committee, a policy was stipulated for the classification of transactions in the trading portfolio. This resolution defines that, within Banco do Brasil and its subsidiaries, operations carried out with the intention of trading or to hedge the trading portfolio, for which there is the intention of trading them prior to their contractual period, observing normal market conditions, and in cases where they are not non-negotiable, are classified in the trading portfolio.

Transactions with own positions not classified in the trading portfolio are considered components of the non-trading portfolio. The own positions held by companies that are not part of the Bank are not subject to classification in the trading portfolio.

For the market risk management process, the Bank makes use of a structure of management groups and books, both for the domestic area and for the international area, with specific objectives and limits of exposure to risks.

Regarding the limits of exposure to market risks, the Board of Directors of Banco do Brasil, through RAS (Risk Appettite Statement) establishes the following classification criteria:

Global limits: limits of strategic character, aligned with the limits of tolerance to risks, used to control global aspects related to each risk.

Specific limits: limits defined as unfolding of the global limits, used to control specific aspects related to each risk.

Banco do Brasil's bank portfolio and market risk limits monitoring and monitoring process uses corporate systems developed by the Bank and two applications for measuring and monitoring market and interest rate risk in the portfolio Riskwatch (RW) and the Algo Risk Application (ARA), provided by IBM.

These risk applications enable the monitoring and identification of possible positions that exceed the approved limits.

The control of the limits throughout the day is under the responsibility of the first layer of control, that is, of the managing directors of the groups and books linked to the Trading Portfolio and the Banking Portfolio.

When extrapolation of the market or interest rate risk limits of Banco do Brasil's portfolios / management groups bank portfolio, extrapolation sheet for managers is issued, via corporate mail, up to three business days after the date of extrapolated movement.

In the extrapolation sheet, the portfolio manager must justify the extrapolation of the limit and date the forecast to reframe it.

If three or more extrapolations are identified for the same limit in the six-month interval, Risk Management area issues a Technical Risk Recommendation (RTR), recommending the improvement of the first line of defense of the Conglomerate's Risk Management process.

Every month, the consumption of global and specific limits is reported to the executive committee through the risk panel.

The Bank uses statistical methodologies to measure the market risks of its positions. Some of the metrics resulting from the use of these methodologies are:

(i) Sensitivity analysis;
(ii) VaR; and
(iii) Stress testing.

(i) Sensitivity analysis

Analysis method and objective

The Bank conducts a quarterly sensitivity analysis of exposure to the interest rate risk of its owned positions, using as a method the application of parallel shocks on the market yield curves relating to the most relevant risk factors. The method is intended to simulate the impacts on the Bank's income vis-à-vis potential scenarios, which consider possible fluctuations in the market interest rates.

Method assumptions and limitations

The application of parallel shocks on the market yield curves assumes that uptrends or downtrends in the interest rates occur in an identical way, both for short terms and for longer terms. As market movements do not usually present such behavior, this method can present deviations from actual results.

Scope, method application scenarios and implications for income

The sensitivity analysis process is carried out considering the following scope:

(i) operations classified in the trading portfolio, basically composed of trading and available for sale government bonds and derivative financial instruments, have positive or negative effects as a result from the possible movements of interest rates in the market. These changes generate a direct impact on the Bank's results or shareholders' equity; and
(ii) operations classified in the non-trading portfolio, mainly composed of operations contracted with the intention of being held until their maturities – loans to customers, funding in the retail market and held to maturity securities – and which are accounted for at rates based on the contractual rates. The positive or negative effects resulting from changes in the interest rates in the market do not directly affect the Bank's income.

Two potential scenarios are considered for the performance of the sensitivity analysis, in which the benchmark annual Selic rate would suffer parallel shocks, an increase or a decrease of 100 basis points (+/- 1 percentage point).

Results of the sensitivity analysis

Results obtained for the sensitivity analysis of the trading portfolio and for the set of operations included in the trading and non-trading portfolios are presented in the following tables:

Sensitivity analysis for trading portfolio

Risk factors	Exposures	Dec 31, 2017		Dec 31, 2016	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	(64,629)	67,943	10,361	(11,711)
Interest rate coupons	Interest rate coupons	-	-	2	(2)
Price index coupons	Inflation indices	(15,746)	16,684	(6,456)	7,317
Foreign currency coupons	Foreign currency coupons	(7,353)	6,728	(5,172)	5,231
Total		**(87,728)**	**91,355**	**(1,265)**	**835**

Sensitivity analysis for the set of operations recorded in the trading and non-trading portfolios

Risk factors	Exposures	Dec 31, 2017		Dec 31, 2016	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	(4,409,075)	4,578,636	(3,828,732)	3,979,738
Interest rate coupons	Interest rate coupons	1,972,533	(1,989,098)	1,969,250	(1,995,390)
Price index coupons	Inflation indices	(1,215,728)	1,307,717	(777,325)	824,566
Foreign currency coupons	Foreign currency coupons	3,431,621	(3,930,679)	2,405,793	(2,670,098)
Total		**(220,649)**	**(33,424)**	**(231,014)**	**138,816**

(ii) Value-at-Risk

The VaR is a metric used to estimate the potential maximum loss, under routine market conditions, in monetary values, considering a particular confidence interval and time horizon.

Methodology

To measure VaR, The Bank's uses the historical simulation method and the following parameters: (i) 99% of one-tailed confidence interval; (ii) 252 days of history; and (iii) 10 business days as time horizon.

The historical simulation method assumes that historical events have a direct correlation with possible future events and this method uses generalized historical events as possible future events (retrospective scenarios), hence each retrospective scenario corresponds to a possible "market state" under the simulation time horizon. One of the major advantages of using the VaR by historical simulation method is that the modeling risk is mitigated, since the use of the empirical distribution of returns renders the assumption of the hypothesis of normality unnecessary for the time series of returns, commonly assumed by other methods such as the parametric method.

The risk factors employed to measure Value-at-Risk for exposures subject to market risks are categorized in the following classes: (i) interest rates: risk of changes in the coupon interest rates in the market, (Example: fixed, dollar, IPCA (Amplified Consumer Price Index), TR (Referential Rate)); (ii) exchange rates: risk of changes in the exchange rates in the market, (Example: Reais *versus* Dollar, Reais *versus* Euro, Reais *versus* Yen); (iii) stock prices: risk of changes in quoted stock prices, (Example: PETR4 (Petrobras-PN), VALE5 (Vale-PNA)); and (iv) prices of commodities: risk of changes in the prices of commodities in the market, (Example: cattle, soya, corn).

Process of backtesting

The objective of backtesting, which is executed monthly, is to assess the accuracy of the market risk model (Value-at-Risk). This assessment is separate from the Value-at-Risk metric development and use procedures.

The Bank's methodology consists of verifying whether the number of extrapolations (number of times the negative returns exceeded the losses estimated by Value-at-Risk) is compatible with that provided for by the model (from the statistical viewpoint), and whether they occurred independently over time.

As a comparison between models, there is an evaluation of the magnitude of extreme values, in addition to the arrangement of the Value-at-Risk models.

The backtesting is performed on monthly basis by comparing the negative changes occurred in the positions (losses) with the estimates of Value at Risk (VaR).

Backtesting models use statistical methods of evaluation based on hypothesis testing (Kupiec, Christoffersen and Basel), with 99% significance level.

All of the models consist in verifying whether extrapolations events (the number of times that negative returns exceed the losses estimated by VaR model) are consistent with the model provided by backtesting, which foresee acceptable ranges that depend on series length.

In Kupiec and Christoffersen tests, there is a lower limit and an upper limit of the range, rejecting when they are out of range and not rejected within range. The test also checks whether Christoffersen extrapolations independently occurred over time, a situation that is not rejected.

For the Basel test (Traffic Lights), there is a green band, below a defined number of extrapolations when the model is accurate; a yellow band between two threshold values that puts the model under observation and a red band above a defined number of extrapolations, where the model is not accurate.

The table below lists the three times and the related percentages of extrapolation in relation to the VaR, from January 2016 to December 2017. In 2016, there were no extrapolations regarding the VaR.

Date	% in comparison with VaR
05/17/2017	177.86%
12/19/2017	116.45%

The VaR model proved consistent, since the tests indicated that adverse outcomes (amount of extrapolations) fell within the limits established by the statistical tests and the level of confidence (99%).

There were no positions or financial instruments not considered in the VaR calculation for the reported periods.

(iii) Stress Test

We use stress metrics based on simulations of our exposure subject to market risks under extreme conditions, such as financial crises and economic upheavals. These tests are intended to measure plausible impacts or events that are unlikely to occur in the regulatory and economic capital requirements.

Our stress program has the following objectives:

(i) to support our risk management structure;
(ii) to associate potential losses with plausible events;
(iii) to aid in our development of risk mitigation strategies and contingency plans;
(iv) to function individually by risk factor and jointly; and
(v) to consider the concentration in particular risk factors of non-linear instruments and misleading assumptions of the Value-at-Risk model.

Our market risk stress test program makes use of valuation methods for capital requirements based on:

(i) retrospective tests – trading portfolio;
(ii) prospective tests – trading portfolio; and
(iii) sensitivity analysis tests.

Retrospective test – trading portfolio

The retrospective stress test method estimates percentage variation of the exposures market value, through the application of shocks in line with specific scenarios to reproduce historical periods of market stress or of greater losses of the institution, and uses the following parameters:

- metrics: minimum (worst loss) and maximum (highest gain) of the historical series of daily returns of the trading portfolio;
- extension of the historical series: from April 1st, 2000 to the base date;
- holding period: one month (21 business days); and
- test periodicity: weekly.

The control, monitoring and daily supervision of stress limits for our trading portfolio and accounting records are carried out based on the metrics of the retrospective stress test.

The results of the retrospective stress tests aim to identify our capacity for absorption of significant losses and any measures to reduce our risks. We present below the results of the retrospective stress tests of our trading portfolio according to our market risk stress test program:

Loss estimates of the retrospective stress test

Risk factors	Dec 31, 2017	
	Net exposure	Stress
Interest rate	2,878,761	(2,394,858)
Foreign exchange	2,806,340	(2,150,204)
Commodities	(125)	(18,001)
Total	**5,684,976**	

Risk factors	Dec 31, 2016	
	Net exposure	Stress
Interest rate	734,630	(1,129,624)
Foreign currency	3,497,356	(3,901,764)
Commodities	1,432	(8,654)
Total	**4,233,418**	

Gain estimates of the retrospective stress test

Risk factors	Dec 31, 2017	
	Net exposure	Stress
Interest rate	2,878,761	3,141,674
Foreign currency	2,806,340	1,235,523
Commodities	(125)	19,989
Total	**5,684,976**	

Risk factors	Dec 31, 2016	
	Net exposure	Stress
Interest rate	734,630	2,047,853
Foreign currency	3,497,356	16,726,436
Commodities	1,432	9,497
Total	**4,233,418**	

The assumptions below have been used in the retrospective test:

For the worst loss as of December 31, 2017, the most significant values resulted from historical shocks, as follows:

(i) corporate fixed curve of November 5, 2002 for instruments with maturity between 733 and 7329 business days;
(ii) price variation Dollar exchange rate (USD) of 8.12% on August 01, 2002; and
(iii) price variation Argentinian Peso (ARS) of -28.93% on February 13, 2002.

For the highest gain as of December 31, 2017, the most significant values resulted from historical shocks, as follows:

(i) corporate fixed curve of May 12, 2000 for instruments with maturity between 1832 and 7329 business days;
(ii) price variation Argentinian Peso (ARS) of -11.48% on March 26, 2002; and
(iii) price variation Dollar exchange rate (USD) of -0.49% on May 18, 2017.

For the worst loss as of December 31, 2016, the most significant values resulted from historical shocks, as follows:

(i) corporate fixed curve of November 5, 2002 for instruments with maturity between 370 and 739 business days;
(ii) price variation Dollar exchange rate (USD) of 1.72% on January 04, 2000;
(iii) price variation Pound sterling (GBP) of -0.16% on August 01, 2002; and
(iv) price variation Argentinian Peso (ARS) of -28.93 on February 13, 2002.

For the highest gain as of December 31, 2016, the most significant values resulted from historical shocks, as follows:

(i) corporate fixed curve of October 16, 2002 for instruments with maturity between 731 and 1832 business days;
(ii) price variation Euro exchange rate (EUR) of 0.52% on January 04, 2000; and
(iii) price variation Pound sterling (GBP) of -0.02% January 04, 2000.

The “Net exposure” column is the present value net result of long and short exposures, considered in the market risks capital requirements, which are presented in the following tables segregated by risk factors:

Net exposure for retrospective stress testing – Detailing

Risk factor	Net exposure	
	Dec 31, 2017	Dec 31, 2016
Foreign exchange	**1,758,336**	**2,387,393**
CHF	25,755	70,739
CAD	466	1,842
EUR	264,724	586,306
GBP	(74,889)	1,712,055
JPY	36,237	61,214
USD	1,146,295	(292,687)
Other currencies	359,748	247,924
Commodities	**(125)**	**1,432**
Commodity options	(125)	1,432
Interest rate	**2,878,762**	**734,631**
Fixed	2,098,755	193,777
Price indices coupon	352,450	112,746
Exchange rate coupon	427,557	428,108
Total	**4,636,973**	**3,123,456**

The net exposures presented above consist of Brazilian government bonds, private company bonds and derivative financial instruments. Stress tests are applied for all of our trading portfolio instruments, as required by the Central Bank. Therefore, all market risk sensitive instruments included in our trading portfolio are within the scope of the stress test for market risk. The market risk sensitive instruments included in our non-trading portfolio are not within the scope of our stress testing, although they are subject to sensitivity analysis and Value-at-Risk measurements.

The worst losses and highest gains calculated by a retrospective methodology refer to losses and gains computed by historical simulations. In this kind of methodology, we obtain the results for each risk factor (short or long positions) according to the historical positive or negative changes in corporate curves used for stress testing purposes.

Consequently, in the worst loss scenario, we calculate the worst losses obtained from historical simulation for each risk factor, regardless of their net short or long exposure, and similarly for highest gains. There is the impact of a holding period of 21 days on the results in the stress scenario, which represents multiplying the daily gain or loss by square root of 21, as defined by our senior management. The tables below show the gains and losses per risk factor, computed by historical simulation with data from January 1, 2000 and observing the holding period of 21 days.

Losses and Gains for Retrospective Stress Test – Detailing

Risk Factor	Dec 31, 2017		Dec 31, 2016	
	Loss	Gain	Loss	Gain
Foreign exchange	**(699,261)**	**734,782**	**(3,901,763)**	**16,726,435**
CHF	(10,568)	17,916	(29,136)	328,358
CAD	(183)	186	(726)	8,556
EUR	(90,423)	100,062	(200,827)	2,747,188
GBP	(29,376)	28,418	(648,831)	7,979,227
JPY	(14,276)	4,521	(24,226)	282,364
USD	(423,941)	458,650	(1,364,353)	108,952
Other currencies	(130,494)	125,029	(1,633,664)	5,271,790
Commodities	**(18,001)**	**19,989**	**(8,654)**	**9,497**
Commodity options	(18,001)	19,989	(8,654)	9,497
Interest rate	**(2,394,858)**	**3,141,674**	**(1,129,625)**	**2,047,853**
Fixed	(1,916,821)	2,616,961	(890,457)	1,696,742
Price indices coupon	(298,893)	393,654	(114,546)	220,713
Exchange rate coupon	(179,144)	131,059	(124,622)	130,398
Total	**(3,112,120)**	**3,896,445**	**(5,040,042)**	**18,783,785**

From the analysis of the previous table, we conclude that the calculation of gains and losses in stress conditions, obtained through historical simulation of short and long exposures that compose the net exposure, can generate values higher than the actual net exposure.

Prospective test – trading portfolio

The prospective stress test method estimates the percentage variation in market value resulting from exposures to risk factors underlying capital requirements by applying shocks corresponding to market risk factors. These shocks are estimated based on stress scenarios generated by our strategy and organization and finance departments using the following parameters:

(i) metrics: highest losses and gains estimated for returns on our trading portfolio in the period;
(ii) extension of the series: prospecting for 21 business days;
(iii) holding period: one month (21 business days); and
(iv) test periodicity: weekly.

The prospective stress tests aim to simulate adversities based on the characteristics of our portfolio and the macroeconomic environment, under severe and plausible conditions. There are two macroeconomic scenarios that consider the following assumptions:

- Scenario 1: “Hard Landing” of the Chinese economy and Brazilian Fiscal Deterioration;
- Scenario 2: “Hard Landing” of the Chinese economy and interest rate increases in the USA economy.

We present below the results of the prospective stress tests of our trading portfolio according to our market risk stress test program.

For the period ended December 31, 2017, we used the Scenario 1 assumptions in our estimates of the results in our trading portfolio using the prospective stress test for interest rates, foreign currencies, commodities and stocks for a period of 21 days:

(i) annual average interest rate of 7.00%;
(ii) exchange rate (*real*/dollar) of R$ 4.02; and
(iii) a negative change of 12.51% of the Commodity Research Bureau index , or CRB for commodity prices.

Scenario 1 – estimates of the prospective stress test

Risk factors	Dec 31, 2017	
	Net exposure	Stress
Interest rate	2,878,761	(949,737)
Foreign currency	2,806,340	3,612,179
Commodities	(125)	(97,481)
Total	**5,684,976**	

We used the Scenario 2 assumptions in connection with our estimate of the results in the prospective stress test for our trading portfolio, which is based on the perception of our senior management about interest rates behavior, foreign currencies, commodities and stocks for a period of 21 days:

(i) annual average interest rate of 7.00%;
(ii) exchange rate (real/dollar) of R$ 4.59; and
(iii) a negative change of 9.64% of the CRB for commodities prices.

Scenario 2 – estimates of the prospective stress test

Risk factors	Dec 31, 2017	
	Net exposure	Stress
Interest rate	2,878,761	(3,061,148)
Foreign currency	2,806,340	4,335,514
Commodities	(125)	(95,852)
Total	**5,684,976**	

For the period ended December 31, 2016, we used the Scenario 1 assumptions in our estimates of the results in our trading portfolio using the prospective stress test for interest rates, foreign currencies, commodities and stocks for a period of 21 days:

(i) annual average interest rate of 13.00%;
(ii) exchange rate (*real*/dollar) of R$ 3.26; and
(iii) a negative change of 10.18% of the Commodity Research Bureau index , or CRB for commodity prices.

Scenario 1 – estimates of the prospective stress test

Risk factors	Dec 31, 2016	
	Exposure	Stress
Interest rate	734,630	39,792
Foreign currency	3,497,356	3,980,419
Commodities	1,432	3,789
Total	**4,233,418**	

We used the Scenario 2 assumptions in connection with our estimate of the results in the prospective stress test for our trading portfolio, which is based on the perception of our senior management about interest rates behavior, foreign currencies, commodities and stocks for a period of 21 days:

(i) annual average interest rate of 22.61%;
(ii) exchange rate (*real*/dollar) of R$ 3.26; and
(iii) a negative change of 7.07% of the CRB for commodities prices.

Scenario 2 – estimates of the prospective stress test

Risk factors	Dec 31, 2016	
	Exposure	Stress
Interest rate	734,630	276,687
Foreign currency	3,497,356	4,763,513
Commodities	1,432	(1,815)
Total	**4,233,418**	

The difference between the results of the retrospective and prospective tests may be explained by the fact that the prospective methodology uses specific scenarios of prices, interest rate and indices increase or decrease, and may present gains or losses due to the net exposure of each risk factor. The total result of the prospective test is obtained by adding the individual results of each risk factor. The retrospective methodology calculates worst losses and highest gains for each risk factor based on scenarios of historical changes in corporate curves.

As a result, the prospective methodology with scenarios of indices decrease may present gains or losses, the same occurring with increase scenarios. In the retrospective methodology, the metrics of worst losses only presents loss, and the metrics of highest gains only presents gains.

In our market risk management, we use the retrospective methodology as it presents the worst loss in the scenarios presented. In our capital management policy, we set a margin of two percentage points above the regulatory Basel Index in order to support the capital requirements of Pillar II risks including these stress tests results. Historically, this margin has proven to be sufficient to support the stress test loss scenarios. Therefore, there is no additional capital allocation but we continually evaluate the adequacy of Pillar II risks in this prudential margin. For more information regarding our capital adequacy guidelines and requirements, see "Item 4.B. Business Overview – Regulation of the Brazilian Banking Industry – Basel III" and "Item 5.B.Liquidity and Capital Resources – Capital Adequacy Information."

Foreign exchange and gold exposure

Banco do Brasil adopts policy for managing its foreign exchange risk to reduce its effects on the Bank's results.

Net foreign exchange exposure, December 31, 2017 was a liability in the amount of US$ 1,700.3 million, and for the period as of December 31, 2016, was a liability in the amount of US$ 1,079.7 million.

Foreign currencies and gold balance

Currency	Balance sheet accounts			
	Dec 31, 2017		Dec 31, 2016	
	Assets	Liabilities	Assets	Liabilities
USA Dollar	148,272,383	161,137,734	155,727,488	170,409,956
Euro	11,731,508	10,701,773	9,139,130	9,317,632
Pound Sterling	129,851	395,480	541,656	702,275
Yen	2,237,969	1,655,376	2,487,405	2,477,277
Swiss Franc	13,981	967,761	19,392	893,936
Canadian Dollar	21,845	21,069	3,579	84,270
Gold	10,161	-	8,288	-
Other currencies	13,434,750	12,507,592	11,884,142	10,603,103
Total	**175,852,448**	**187,386,785**	**179,811,080**	**194,488,449**
Net position – balance sheet accounts		**(11,534,337)**		**(14,677,369)**

Currency	Derivatives			
	Dec 31, 2017		Dec 31, 2016	
	Long position	Short position	Long position	Short position
USA Dollar	28,605,369	20,866,851	62,039,857	53,352,724
Euro	3,850,489	5,774,616	3,581,362	3,811,838
Pound Sterling	-	528,847	2,464,426	581,345
Yen	39,281	959,795	771,135	1,049,180
Swiss Franc	980,156	933	945,421	-
Canadian Dollar	-	264	100,237	17,704
Other currencies	565,960	207	73,256	4,468
Total	**34,041,255**	**28,131,513**	**69,975,694**	**58,817,259**
Net position – derivatives	**5,909,742**		**11,158,435**	

Currency	Dec 31, 2017	Dec 31, 2016
	Net position	
USA Dollar	(5,126,833)	(5,995,335)
Euro	(894,392)	(408,978)
Pound Sterling	(794,476)	1,722,462
Yen	(337,921)	(267,917)
Swiss Franc	25,443	70,877
Canadian Dollar	512	1,842
Gold	10,161	8,288
Other currencies	1,492,911	1,349,827
Net position total	**(5,624,595)**	**(3,518,934)**

Summary	Dec 31, 2017		Dec 31, 2016	
Balance sheet accounts and derivatives	209,893,703	215,518,298	249,786,774	253,305,708
Net position total		**(5,624,595)**		**(12,049,434)**
Net position total – US$		**(1,700,301)**		**(3,085,801)**

d) Liquidity risk

Liquidity risk is the risk that the Bank will not be capable of fulfilling its financial commitments as they mature, without incurring unacceptable losses. For risk management purposes, liquidity is measured in monetary values according to the composition of assets and liabilities established by the liquidity manager.

This risk takes two forms: market liquidity risk and cash flow liquidity risk. The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between payments and receipts.

Liquidity risk management

Banco do Brasil adopts the following metrics as liquidity risk limits:

a) Liquidity Coverage Ratio (LCR): a regulatory indicator that aims to guarantee the existence of high quality liquid assets (HQLA) sufficient to support a 30-day financial stress scenario.
b) Liquidity Reserve (RL): minimum level of highly liquid assets to be maintained by the Bank, compatible with the exposure to risk arising from the characteristics of its operations and market conditions.
c) Liquidity Cushion: prudential metric that allows to anticipate the trend of approximation of the observed liquidity to the value of the Liquidity Reserve. It can evidence exposure to liquidity risk without characterizing a contingency situation.
d) Free Funds Availability Indicator (DRL): used in the management of structural liquidity mismatch, the indicator aims to ensure a balance between funding and investment of the commercial portfolio, guaranteeing liquidity financing with stable resources.

Banco do Brasil has a Liquidity Contingency Plan (PCL), which consists of a set of procedures, strategies and responsibilities to identify, manage and report the state of liquidity stress of Banco do Brasil, in order to ensure the maintenance of cash flow and restore the level of liquidity to the desired level.

Liquidity stress states are used as a parameter to trigger the PCL and may occur when the observed liquidity falls below the Liquidity Reserve or when the LCR falls below the prudential limit established by Banco do Brasil RAS (Risk Appettite Statement).

The strategy to face the state of liquidity stress consists in the activation of the Liquidity Contingency Measures (MCL), aiming at reestablishing the Liquidity Reserve or the prudential limit of the LCR.

The instruments used to manage liquidity risk are periodically reported to the Bank's Superior and Executive Risk Committees (CEGRC and CSGRC) and to the Board of Directors.

Liquidity risk analysis

The liquidity risk limits are used to monitor the liquidity risk exposure level of the institution. While the liquidity reserve, liquidity cushion and LCR limits allow control of the risk resulting from the daily cash flow, the DRL monitors the medium and long-term view of the company's financial condition, ensuring the generation of stable resources for the financing of operational liquidity.

The control of these limits, that act in a complementary manner in the management of the short, medium and long-term liquidity risk of the institution, allowed the maintenance of liquidity at an adequate level regarding the characteristics of the Bank's business , avoiding the activation of the liquidity contingency plan or the implementation of emergency actions in the budget planning to address the structural liquidity adequacy concerns.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is a requirement for financial institucions that forms S1 segment of Brazilian banking industry, in accordance with CMN Resolution 4,401/2015. The LCR calculation follows a standardized stress scenario model stablished by Brazilian Central Bank (Bacen), through Circular 3,749/2015, aligned with international guidelines and aims to guarantee the existence of sufficient high quality liquid assets to support a financial stress with 30 days term.

Thus, the LCR is the ratio between the available High Quality Liquid Assets (HQLA) and the total foreseen net outflows for the next 30 days, as the following figure presents:

$$LCR = \frac{\text{High Quality Assets (HQLA)}}{\text{Net Cash Outflows}}$$

Where: Cash Outflows (-) Cash Inflows * = Net Cash Outflows
* Limited to 75% of cash outflows

As of 2017 January the minimum requirement for LCR was 80%, and it will reach 100% in 2019 January. The following tables presents the result of LCR in 2017 December and 2016 December. The observed fall was mainly due the changes in the calculation methodology implemented by Brazilian Central Bank due to Basel Committee RCAP (Regulatory Consistency Assessment Programme).

Itens	Weighted value (1)	
	Dec 31, 2017	Dec 31, 2016
High Quality Liquid Assets (HQLA) (2)	116,271,347	116,772,055
Total net cash outflows	49,575,890	33,315,768
LCR (%)	**234.5%**	**350.5%**

(1) Value after application of the weighting factors and limits set by Bacen Circular 3,749/2015.
(2) Total assets that remain liquid during periods of stress and can easily be converted in cash with low risk.

Funding management

The funding composition and a wide and diversified customer base constitute an important element of the liquidity risk management of Banco do Brasil. The main funding is represented by client deposits which are composed of demand deposits, savings deposits and voluntary time deposits characterized by being products without defined maturity with due dates defined by internal models adopted for market and liquidity risks management purposes.

Other representative funding sources are judicial deposits, which are also characterized by high stability and undefined maturity; the external market funding designed to finance exports and imports; and other retail funding represented by other demand funds, such as collection, payment order, payments and receptions on behalf of third parties. The Agribusiness Letters of Credit issued, which has daily liquidity for the investor after a grace period of 90 days, is also a significant component of other retail funding.

Funding under repurchase agreements that are backed by securities and funding operations within the Bank's treasury are held for the short-term management of operational liquidity and for implementation of strategies on capital market funding in the medium and long term.

In order to present the funding maturity profile according to the criteria of IFRS 7, retail funding and deposits with no defined maturity (SMD) – demand deposits, savings deposits, time deposits with daily liquidity and judicial deposits – will have their maturities allocated in the column "Up to 1 month". The remaining fundings are presented by future flow on their respective maturity bands.

The observed fall of approximately R$ 14.6 billion in the total volume of funding between December 2017 and December 2016 was mainly due to the decrease in other commercial funding without defined maturity (Agribusiness Letter of Credit – LCA and Real Estate Letter of credit – LCI) and foreign market funding, partialy offset by repurchase agreements.

Funding composition

Liabilities	Dec 31, 2017						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total gross	Part %
Term deposits	1,582,804	1,220,360	963,222	10,520,739	-	14,287,125	1.2%
Cash inflow	5,005,207	6,449,948	8,216,310	27,402,045	3,904,819	50,978,329	4.3%
Judicial deposits	121,210,235	-	-	-	-	121,210,235	10.1%
Foreign market funding	848,036	10,264,800	12,241,278	34,397,561	74,886,618	132,638,293	11.0%
Other retail funding	11,800,061	15,010	-	-	-	11,815,071	1.0%
Clients deposits without defined maturity	250,599,325	-	-	-	-	250,599,325	20.9%
Other retail funding without defined maturity	105,783,894	-	-	-	-	105,783,894	8.8%
Funds and onlendings	5,094,057	10,645,107	8,894,380	50,876,661	49,547,256	125,057,461	10.4%
Repurchase agreements	187,115,047	167,668,017	19,209,365	12,763,102	327,543	387,083,074	32.3%
Total gross	**689,038,666**	**196,263,242**	**49,524,555**	**135,960,108**	**128,666,236**	**1,199,452,807**	**100.0%**

Liabilities	Dec 31, 2016						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total gross	Part %
Term deposits	1,356,279	424,681	500,027	11,057,811	-	13,338,798	1.1%
Cash inflow	4,048,972	3,289,534	1,964,114	39,265,065	3,503,496	52,071,181	4.3%
Judicial deposits	122,150,871	-	-	-	-	122,150,871	10.1%
Foreign market funding	3,525,204	9,595,369	7,583,979	35,148,976	90,277,063	146,130,591	12.0%
Other retail funding	11,938,434	1,781	-	-	-	11,940,215	1.0%
Clients deposits without defined maturity	246,816,961	-	-	-	-	246,816,961	20.3%
Other retail funding without defined maturity	142,038,955	-	-	-	-	142,038,955	11.7%
Funds and onlendings	4,373,827	8,669,376	10,054,155	52,606,008	52,630,388	128,333,754	10.6%
Repurchase agreements	329,530,252	13,096,821	3,314,646	5,257,081	-	351,198,800	28.9%
Total gross	**865,779,755**	**35,077,562**	**23,416,921**	**143,334,941**	**146,410,947**	**1,214,020,126**	**100.0%**

Financial guarantees

Financial guarantee contracts are credit conditional commitments issued by the Bank to guarantee performance of individual and corporate clients and other financial institutions to third parties.

The contingent nature of these liabilities is considered for the Bank's liquidity risk management in the definition of scenarios used in the liquidity stress test, carried out on a monthly basis.

The following tables presents a summary of the commitment value of the financial guarantee contracts realized by the Bank as of December 31, 2017 and December 31, 2016:

Liabilities	Dec 31, 2017				
	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Bank Guarantee	3,147,973	655,656	1,292,794	1,432,033	6,528,456
Credit assignments and co-obligations	-	-	-	3,549	3,549
Other co-obligations	188,464	-	-	-	188,464
Total	**3,336,437**	**655,656**	**1,292,794**	**1,435,582**	**6,720,469**

Liabilities	Dec 31, 2016				
	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Bank Guarantee	2,614,734	1,260,324	4,400,381	2,591,741	10,867,180
Credit assignments and co-obligations	-	-	1	4,762	4,763
Other co-obligations	175,000	-	-	-	175,000
Total	**2,789,734**	**1,260,324**	**4,400,382**	**2,596,503**	**11,046,943**

Loan commitments

Banco do Brasil offers lines of credit that impact liquidity risk, overdraft and credit card limits.

In these lines, the Bank maintains an approved credit limit for current account customers and can be used whenever necessary.

The tables below represent the distribution of the contractual maturities of the Bank's loan commitments, position of December 31, 2017 and December 31, 2016:

Liabilities		Dec 31, 2017			
		1 to 6 months	6 to 12 months	Above 1 year	Total
	Withdraw	9,957,788	6,948,133	1,440,312	18,346,233
Overdraft	Available	1,358,233	809,288	126,802	2,294,323
	Withdraw	9,416,248	-	32,480,115	41,896,363
Credit Card	Available	6,402,926	477,434	24,040,210	30,920,570
Total		**27,135,195**	**8,234,855**	**58,087,439**	**93,457,489**

Liabilities		Dec 31, 2016			
		1 to 6 months	6 to 12 months	Above 1 year	Total
	Withdraw	12,050	385,355	2,319,497	2,716,902
Overdraft	Available	-	19,221,173	-	19,221,173
	Withdraw	149,795	177,185	34,521,731	34,848,711
Credit Card	Available	-	36,105,924	-	36,105,924
Total		**161,845**	**55,889,637**	**36,841,228**	**92,892,710**

Derivative financial instruments

Banco do Brasil is a counterparty to financial derivative operations to hedge its own positions to meet the needs of our customers and to take proprietary positions. The hedging strategy is in line with the market and liquidity risk policy and with the derivative financial instruments use policy approved by the Board of Directors.

The Bank has a range of tools and systems for the management of the derivative financial instruments and uses statistical and simulation methodologies to measure the risks of its positions, by means of Value-at-Risk, sensitivity analysis and stress test models.

Operations with financial derivatives, with special emphasis on those subject to margin calls and daily adjustments, are considered in the measurement of the liquidity risk limits adopted by the Bank and in the composition of the scenarios used in the liquidity stress tests, conducted monthly.

The contractual maturity profile of liabilities with financial derivatives is presented in Note 39.

e) Credit risk

Credit risk is the risk of loss due to non-performance by a borrower under the contractual terms of a loan, devaluation of a loan due to deterioration in the borrower's risk rating, reduced expectations of earnings or interest under a loan contract, concession of benefits as part of a renegotiation or the incurrence of additional costs to recover a loan. Key components of credit risk are as follows:

(i) Counterparty: the risk of non-performance by a counterparty with respect to its obligations under a financial instrument, including obligations related to derivatives;
(ii) Country: the risk of loss under the contractual terms of a financial instrument negotiated with a foreign counterparty (resulting from actions taken by the government of the country in which the counterparty is located). This also includes transfer risk, which is the possibility of not being able to convert amounts received in foreign currencies into the local currency;
(iii) Commitment: the risk of having to make payments to honor guarantees, co-obligations, loan commitments or transactions of a similar nature;
(iv) Intermediary: the risk of non-performance by an intermediary under the contractual terms of a loan;
(v) Concentration: the risk of loss due to significant exposures to a single counterparty, specific risk factor or groups of counterparties with similar characteristics.

The Bank's credit risk management process is based on best practices and complies with the requirements of Bacen. The process is designed to identify, evaluate, control, mitigate and monitor exposures to credit risk. This contributes to the ongoing financial strength and solvency of the Bank and the protection of shareholders' interests.

Credit policy

The Bank's policy provides guidance for the assumption of credit risk and applies to every business unit involved in credit-related activities. The policy is reviewed every year and approved by the Board of Directors. In addition to the assumption and management of credit risk, it also covers collections and credit recovery. The policy applies to transactions performed for or on behalf of third parties (except when the fund provider requires the use of specific procedures).

The collections policy establishes procedures for the recovery of past-due loans and situations involving a contractual or legal violation. It also covers specific cases involving cross-border transactions, arbitration and legal matters involving foreign countries in which the Bank does business.

Mitigation policy

The Bank is conservative in the extension of credit and takes measures to mitigate all (or a portion) of the risks incurred. On an aggregated basis, to keep credit risk exposures within the levels established by Senior Management, the Bank seeks to either transfer or share credit risk.

The Bank's credit policy addresses the use of risk mitigating instruments, which forms part of the strategic decision-making process. These polices are communicated throughout the Bank and cover every phase of the credit risk management process.

For collateralized loans, the Bank performs a technical study or asset valuation. These reports are valid for up to one year. In the case of personal guarantees, the Bank analyzes the overall financial condition of the guarantors (beyond their direct and indirect obligations to the Bank). The analysis also includes third-party debt, focusing on tax, social security and labor-related claims.

The credit policy provides the operational units with clear and comprehensive guidelines. Among other aspects, it covers the classification, requirement, type, evaluation, formalization, control and need for additional guarantees. This ensures that risk is appropriately mitigated over the entire life of the contracts.

Measurement

Credit risk is measured based on indicators such as past-due payments, portfolio quality, allowance for loan losses, concentrations, expected losses and regulatory and economic capital requirements, among others.

Due to the nature and volume of the transactions, the diversity and complexity of its products and services and the significant amounts involved, the Bank's credit risk measurement process is performed systematically. The architecture of databases and corporate systems allows the Bank to perform comprehensive measurements of credit risk.

Information is derived from a variety of different corporate databases. In determining the final risk rating of transactions, the Bank considers the nature of the transaction, collateral, past-due payments, term, customer risk, credit limit, debt level, payment delays and situations of elevated risk related to the client or its business group.

The Bank's risk classification criteria considers the following categories:

(i) specific transactions: loans for which credit risk is mitigated by the existence of collateral or other features;
(ii) transactions with clients in receivership, bankruptcy, court-supervised or out-of-court recovery (or similar situations) under the Brazilian Civil Code: these types of situations receive appropriate weighting in the risk rating;
(iii) renegotiated loans: classified based on the final risk rating of the renegotiated transaction; and
(iv) other transactions: loans that do not fit in one of the previous categories are divided among two sub-categories:

- (a) clients with indebtedness less than or equal to R$ 50 thousand: a collective rating is assigned based on the product type; and
- (b) clients with indebtedness greater than R$ 50 thousand: specific methods are used to evaluate the borrower (credit limit and total indebtedness) and the individual loans (nature, purpose, term and collateral).

The following table shows the risk categories used by the Bank to classify credit risk. The categories consider the individual transactions (nature, purpose, guarantees, term and project risk) and the client itself (risk, credit limit and total debt). This information is captured directly by the Bank's operational systems.

Credit risk classification

Classification	Risk level	Description
AA A B C	Low risk	Operations classified in lower ratings, considered as a low probability of write-off.
D E	Medium risk	Operations classified in average ratings. Typically are new client operations or with a history of restrictions, and may also be renegotiated or classified operations by delay or drag (1).
F G H	High risk	Operations classified in higher ratings, with high probability of write-off, that may be originated from delayed operations, subject to drag (1) or renegotiated.

(1) Mechanism of automatic risk change of an operation caused by the existence of the operations with higher risk in the client's portfolio or group which he belongs.

The risk classifications shown in the table vary from AA to H, which is analogous to the categories defined by Bacen. These rules require banks to use consistent and verifiable criteria that considers both the debtor and its guarantors. Higher risk classifications represent greater risk to the financial institution.

Maximum credit risk exposure

	Dec 31, 2017	Dec 31, 2016
Cash and bank deposits	13,471,112	12,798,204
Compulsory deposits with central banks	69,081,139	63,451,094
Loans to financial institutions	35,116,862	49,119,008
Securities purchased under resale agreements	348,186,760	371,682,685
Financial assets at fair value through profit or loss	8,453,138	7,669,398
Financial assets available for sale	120,214,877	104,669,675
Financial assets held to maturity	10,457,429	9,120,261
Loans to customers	621,512,738	637,804,116
Total items recorded in the consolidated balance sheet	**1,226,494,055**	**1,256,314,441**
Off balance sheet items	132,684,121	125,638,649
Total credit risk exposure	**1,359,178,176**	**1,381,953,090**

Cash, bank deposits and compulsory deposits with central banks do not present significant credit risk. The Bank's other exposures are described below:

Loans to financial institutions

Loans to financial institutions refer to interbank deposits and to loan portfolios acquired with co-obligation of the assigning institution.

These loans follow the Bank's risk analysis, being classified by internal rating and these exposures exhibit low credit risk.

Repurchase agreements

Repurchase agreements are mainly formalized with the Brazilian Central Bank and other financial institutions. Securities used to back these transactions are normally federal government bonds. These transactions do not present non-performing credits and are not generally subject to impairment losses.

Financial assets at fair value through profit or loss, available for sale and held to maturity

Financial assets at fair value through profit or loss include trading securities and derivative financial instruments. Changes in fair value are recorded in profit or loss.

Available for sale securities include public sector debt (mainly issued by the Federal Government) and corporate bonds. Financial instruments in this category are measured at fair value, with changes recorded directly in shareholders' equity.

Fair value measurements of financial assets at fair value through profit or loss and available for sale consider the credit risk of the counterparties.

Financial assets held to maturity consist mainly of Federal Government bonds and do not present significant credit risk.

Off-balance sheet Items

The same risk classification criteria used for regular loans is also used for off-balance sheet items. These arrangements impact clients' credit limits and generally refer to pre-approved credit, credit pending disbursement and guarantees.

Pre-approved credit includes credit cards and overdraft protection. Credit pending disbursement represents future cash outflows under existing loan commitments (following a release of funds schedule), including project finance and real estate loans. These clients present low credit risk.

Guarantees provided represent various types of guarantees offered to low risk clients. Payment is only required under these agreements if the client defaults on its obligation to a third-party creditor. When payment is required, the exposure is transformed into a loan.

Off-balance sheet items are presented in Note 40.

Loans to customers

Loans to customers are classified as:

(i) current and not impaired;
(ii) past-due and not impaired; or
(iii) subject to impairment losses.

	Dec 31, 2017	Dec 31, 2016
Current and not impaired	519,520,586	545,257,658
Past-due and not impaired (1)	26,648,202	22,948,334
Subject to impairment losses	75,343,950	69,598,124
Total loans to customers	**621,512,738**	**637,804,116**
Impairment losses	(36,321,797)	(33,947,381)
Net total	**585,190,941**	**603,856,735**

(1) Includes the amount of overdue and non-accrual loans.

Loans to customers – performing and not subject to impairment losses

Risk level	Dec 31, 2017	Dec 31, 2016
Low risk	515,199,796	535,413,356
Medium risk	3,031,516	9,490,140
High risk	1,289,275	354,162
Total	**519,520,587**	**545,257,658**

This category includes performing loans with no signs of impairment.

Based on the Bank's criteria and lack of evidence that the loans will not be fully recoverable, loans classified as high risk in this category are not subject to impairment. At December 31, 2017, only 0.25% of the exposures in this category were considered high risk.

The medium and high risk exposures relate mainly to clients who, despite having active loans, are infrequent borrowers, have an outdated credit profile or inactive credit limits. There are no new loans to these clients, and their existing transactions are performing.

Considering the lack of information, the Bank assigns these loans more conservative risk ratings.

Loans to customers – non-performing and not subject to impairment losses

	Dec 31, 2017	Dec 31, 2016
1 to 60 days	26,324,432	20,817,461
61 to 90 days	34,927	484,704
Over 90 days	288,843	1,646,169
Total	**26,648,202**	**22,948,334**

This category includes:

(i) past-due loans to customers with no indicators of impairment; and
(ii) past-due loans with impairment indicators but for which no impairment loss has been recognized.

Loans to customers past-due for more than 90 days classified as past due but not subject to impairment are considered non-impaired because of CMN and Bacen regulations requiring the Bank to grant these clients a grace period to comply with the renegotiated payment terms (i.e. payment of past-due installments and new payment schedules negotiated with the product managers). The CMN determines the time limit for complying with the renegotiated terms (maturities, interest rates and conditions for partial payments), which can be subject to change. Once the customer complies with the new terms, the loans are reclassified to current status. The loans may be reclassified to performing even if the customer has not made any payments subsequent to the renegotiation. If the customer does not perform under the renegotiated terms, impairment will be calculated.

Risk Level	Dec 31, 2017	Dec 31, 2016
Low Risk	25,968,260	17,800,507
Medium Risk	339,724	4,808,608
High Risk	340,218	339,219
Total	**26,648,202**	**22,948,334**

Based on the Bank's criteria and lack of evidence that the loans will not be fully recoverable, non-performing loans classified as high risk in this category are generally not subject to the recognition of impairment. At December 31, 2017, 1.27% of the exposures in this category were classified as high risk loans to customers (1.27% were considered medium risk).

Loans to customers – subject to impairment loss

	Dec 31, 2017	Dec 31, 2016
Collective assessment	56,390,795	53,302,391
Individual assessment	18,953,155	16,295,733
Total	**75,343,950**	**69,598,124**

This category consists of loans to customers with indicators of impairment for which impairment losses have been recorded. The Bank performs an individual impairment analysis for the individually significant loans. For all other loans, the Bank performs a collective assessment.

Loans with recoverability issues are those in which the client is experiencing significant financial difficulties and has violated the loan agreement (including non-payment or late payment of principal or interest). This category also includes loans for which the borrower may enter bankruptcy or is undergoing a financial reorganization.

Recoverability issues are considered at the client level, not the transaction level. Therefore, if any loan is identified as non-performing, all of that client's loans will receive the same treatment.

In determining the significance of exposures for purposes of individual impairment testing, the Bank considers the client as a whole and not each individual transaction. Clients with a level of indebtedness requiring the highest level of approval according to the Bank's methodology are considered individually significant.

The Bank's Collections and Credit Recovery areas perform the impairment assessment for individually significant loans. The Bank generally records an allowance for the entire loan balance when a client enters (or is likely to enter) bankruptcy or some other form of judicial recovery. The same procedure is applied to clients who appear on reports issued by Brazilian credit bureaus (such as Serasa Experian or SPC Brasil), and loans to a client for which a loan has been written-off in the past.

If the fair value of a loan's collateral covers 100% of the outstanding loan balance, no impairment loss is recognized. For uncollateralized loans, the Bank analyzes the client's overall credit profile, including its general credit history and prior experience with the client.

The individual assessment considers factors related to the client and the loan itself, including:

(i) the customer's business;
(ii) risk distribution (Banco do Brasil vs. third-parties);
(iii) the customer's economic and financial condition;
(iv) internal and external restrictions on the customer (credit policy, past experience and information from credit bureaus); and
(v) collateral.

Risk Level	Dec 31, 2017	Dec 31, 2016
Low Risk	26,639,238	25,137,256
Medium Risk	19,608,030	16,038,800
High Risk	29,096,682	28,422,068
Total	**75,343,950**	**69,598,124**

At December 31, 2017, 38.61% of impaired loans to customers were classified as high risk, while 26.02% were classified as medium risk.

Assets received as collateral

	Dec 31, 2017	Dec 31, 2016
Collateralised loans	401,308,809	423,760,950
Uncollateralised Loans	135,256,972	143,730,238
Loans with other mitigators	84,946,957	70,312,928
Total	**621,512,738**	**637,804,116**

The different types of loan collateral received by the Bank are listed below:

(i) rural properties (land and buildings);
(ii) urban properties – real estate located in urban areas (houses, apartments, warehouses, sheds, commercial or industrial buildings, urban lots, shops, etc.);
(iii) crops – representing the harvest of the financed products (avocado, rice, beans, etc.). Perishable goods (vegetables, fruit, flowers, etc.) require additional collateral;
(iv) furniture and equipment – only assets that can be easily moved or removed (machinery, equipment, vehicles, etc.);
(v) financial investments with the Bank – savings accounts, certificates of deposit, fixed income funds, etc.;
(vi) personal guarantees – including personal endorsements and surety funds such as FGO, FAMPE, FUNPROGER, etc.;
(vii) extractive agricultural products – pineapple, acai, rice, coffee, cocoa, grapes, etc.;
(viii) industrial products – raw materials, goods or industrial products (steel coil, footwear, stainless steel plates, etc.);
(ix) receivables – including credit cards, future billings and checks;
(x) livestock – cattle, pigs, sheep, goats, horses, etc.;
(xi) securities and other rights – credit securities and other collateral rights (Commercial Credit Notes – CCC, Industrial Credit Notes – CCI, Credit Notes Export – CCE, Rural Product Notes – CPR, rural notes, resources held by the Bank, receivables or other credit notes arising from services provided or goods delivered); and
(xii) credit insurance – provided by the Brazilian Insurer for Export Credits – SBCE, Brazilian Credit Insurer – Secreb, etc.

The Bank prioritizes collateral with high liquidity on its loans to customer balances.

The maximum guarantee that may be provided by each type of collateral is based on the use of specific percentages, as shown in the table below:

Asset	% coverage
Credit rights	
Receipt for bank deposit	100%
Certificate of bank deposit (1)	100%
Savings deposits	100%
Fixed income investment funds	100%
Pledge Agreement – cash collateral (2)	100%
Standby letter of credit	100%
Others	80%
Guarantee funds	
Guarantee Fund for Generation of Employment and Income	100%
Guarantee Fund for Micro and Small Business	100%
Guarantee Fund for Operations	100%
Guarantee Fund for Investment	100%
Other	100%
Guarantee (3)	100%
Credit insurance	100%
Pledge Agreement – securities (4)	77%
Offshore funds – BB Fund (5)	77%
Livestock (6)	70%
Pledge Agreement – cash collateral (7)	70%
Other (8)	50%

(1) Except certificates that have swap contracts.
(2) In the same currency of the operation.
(3) Provided by a banking institution that has a credit limit at the Bank, with sufficient margin to support the co-obligation.
(4) Contract of deposit/transfer of customer funds.
(5) Exclusive or retail.
(6) Except in Rural Product Notes (CPR) transactions.
(7) Cash collateral celebrated in a distinct currency of the supported operations that have no foreign exchange hedge mechanism.
(8) Include properties, vehicles, machines, equipment, among others.

Collateral in the form of financial investments with the Bank may not be used by the client for other purposes until the loan is fully settled. Without having to notify the borrower, when the financial investments mature, the Bank may apply the funds to any past-due loan installments.

In addition to the credit assignment and credit rights assignment clauses, loans to customers also contain a collateral reinforcement clause. This ensures that the collateral coverage percentage agreed to at inception of the loan is maintained over the entire life of the transaction.

The surety funds used by the Bank as collateral have the following characteristics:

(i) determination of maximum coverage percentages for use of the funds as guarantees based on the loan type (investment or working capital);
(ii) target specific customers based on revenue and risk classification;
(iii) existence of counter guarantees;
(iv) maximum limits based on the funds' equity (leverage ratio); and
(v) limits on accumulated losses (stop loss) considering maximum permitted default rates.

The managers of the surety funds monitor compliance of the transactions with the funds' rules (even before the guarantees are issued). They are also responsible for operational management of the guarantees issued and the funds' assets. If necessary, they will suspend use of the funds as guarantees when the total amount of pledged resources will exceed the maximum leverage allowed by each fund.

For clients considered individually significant, each loan is also evaluated on an individual basis. For insignificant clients/loans, a collective assessment is performed. The table below shows the guarantees received by the Bank for loans with evidence of impairment that were analyzed on an individual basis. The value of the collateral is considered in the calculation of the allowance.

	Dec 31, 2017	Dec 31, 2016
Value of the loans	19,246,712	11,490,982
Value of the guarantees	5,683,504	8,795,051

The amounts included in the above table refer to real guarantees received by the Bank through contractual agreements. In the case of default, such guarantees are legally executable up to the amount of the loan or agreement or amount determined in arbitration in the case of judicial recovery.

The Bank uses the following criteria to evaluate loan guarantees for individually significant clients:

(i) consideration of all guarantees registered in the Bank's own systems;
(ii) classification as real guarantees of real estate, securities, receivables rights, transactions with Banco do Brasil in Brazil and abroad and furniture and equipment (machinery, vehicles and industrial assets with long-term useful lives);
(iii) assets with significant price volatility are not accepted as guarantees (i.e. equity shares);
(iv) assets subject to deterioration for which no evaluation was performed in the previous year are not accepted as guarantees (crops and animals);
(v) prohibits promissory notes without endorsement, GBB guarantees, guarantees from related companies, guarantees by individuals (partners and managers) and standby letters of credit from being accepted as guarantees.

Concentrations

The credit risk management strategies guide the Bank's activities at the operational level. Strategic decisions include, among other aspects, determination of the Bank's risk appetite and credit risk and concentration limits. The Bank also follows the concentration limits established by Bacen.

To manage concentration risk, the Bank monitors sectoral limits, individual exposures and exposures to business conglomerates. Additionally, the Bank developed and implemented a system for managing credit risk concentrations in the corporate portfolio. The model is based on the Herfindahl Index and evaluates concentrations based on the credit risk of the borrowers (considering interrelationships between the different economic sectors represented in the portfolio).

Additional information about credit exposure by economic activity is contained in Note 23.

	Dec 31, 2017	Dec 31, 2016
Banco do Brasil		
Domestic market	**584,959,383**	**601,167,193**
Southeast	305,596,746	321,916,939
South	102,797,011	105,980,696
Midwest	79,866,471	78,314,069
Northeast	68,709,929	67,243,679
North	27,989,226	27,711,810
Foreign market	**36,553,355**	**36,636,923**
Total	**621,512,738**	**637,804,116**

Renegotiated loans

Renegotiated loans present recoverability issues due to significant financial problems with the borrower and involve modification of the loan's original terms.

Amounts related to renegotiated loans are presented in Note 23.

Assets that the Bank acquired in the settlement of loans

	Dec 31, 2017	Dec 31, 2016
Real estate	227,848	198,068
Machines and equipments	2,206	2,505
Vehicles and related	140	237
Other	42	42
Total	**230,236**	**200,852**

Other real estate owned received as settlement for non-performing loans is periodically offered in the market through auctions. The Bank does not use these assets to obtain financial income or in the performance of its own activities.

f) Operational risk

Operational risk is the possibility of loss due to failures, deficiencies or inadequacies in internal processes and systems, human error and external events. It also includes legal risk arising from errors or deficiencies in contracts, sanctions for non-compliance with laws and indemnification for damages caused to third parties.

Based on the Bank's operational risk strategies and policies (and applicable regulatory requirements), the operational risk management process can be summarized as follows:

Phases of the operational risk management process

Management phase	Summary of activities
Identification	Involves identifying and classifying operational risk events to which the Bank is exposed; and indicating areas of occurrence, causes and potential financial impacts associated with the Bank's processes, products and services.
Evaluation	Involves the quantification of operational risk exposures to evaluate the impact on the Bank's businesses. Also involves a qualitative analysis of the risks identified (considering the probability of occurrence and likely impact), to determine appropriate risk tolerance levels.
Control	Involves monitoring the behavior of operational risks, limits, indicators and operational loss events. Also involves the implementation of controls to ensure that operational risk limits and indicators remain within acceptable levels.
Mitigation	Involves the development and implementation of mechanisms to reduce risk and operational losses by either eliminating the risk, reducing the probability of occurrence or reducing the impact if the event occurs.
Monitoring	Designed to identify deficiencies in the operational risk management process and to report them to senior management. Also involves communication and feedback based on the detection of weaknesses in the other phases.

Operational risk policy

The Board of Directors reviews and approves the operational risk policy each year. The policy provides guidance to the Bank´s different areas to ensure the overall effectiveness of the operational risk management model. The Bank's subsidiaries and investees use these guidelines to define their individual operational risk policies, considering any specific requirements and the laws and regulations of the countries in which they operate.

In accordance with CMN Resolution 3,380/2006, the policy permeates all of the activities related to operational risk and is designed to identify, evaluate, control, mitigate and monitor risks in Banco do Brasil and its subsidiaries.

Monitoring

Operational losses are monitored based on monthly calculations of the losses and consider overall limits established for operational losses (both internal and external occurrences). The information is included in the appropriate reports and used to inform the responsible areas should they need to develop mitigating action plans.

To make the monitoring process more efficient, specific operational risk limits were established for each of the following categories:

(i) labor issues;
(ii) operational failures (economic plans, indemnification and collections, exclusion from restrictive registers, repetition of overpayment, service failures);
(iii) external fraud and theft (external theft, external electronic fraud, card losses and fraudulent documents);
(iv) internal frauds; and
(v) system failures.

Risk dashboards are used to support the systemic monitoring of operational loss events. These dashboards contain information about global and specific limits and the decisions made by the Risk Management Committee. If any limits are exceeded, the managers responsible for the process, product or service must explain the reason for the occurrence and provide plans to mitigate the associated risks.

43 – TRANSFERS OF FINANCIAL ASSETS

The Bank transfers financial assets during the normal course of business. The most common assets transferred are debt and equity instruments and loans to customers. To determine the appropriate accounting treatment, the Bank evaluates the level of continuing involvement with the transferred asset. This analysis allows the Bank to determine if the asset should continue to be recognized in full, recognized to the extent of its continuing involvement or derecognized.

The most common transfers are:

- sales of securities under repurchase agreements (with a corresponding liability recognized in securities sold under repurchase agreements); and
- transfers of loan portfolios with retention of substantially all of the risks and rewards of ownership (with a corresponding liability recognized in amounts payable to financial institutions).

Financial assets transferred and still recognized in the consolidated balance sheet and their associated liabilities

	Dec 31, 2017		Dec 31, 2016	
	Financial assets transferred	Associated liabilities	Financial assets transferred	Associated liabilities
Financial assets related to repurchase agreements				
Financial assets at fair value through profit or loss	174,710	190,846	473,446	424,813
Financial assets available for sale	30,997,903	30,928,290	36,936,707	36,052,691
Financial assets held to maturity (1)	9,259,124	9,270,571	23,141,191	23,139,314
Total	**40,431,737**	**40,389,707**	**60,551,344**	**59,616,818**

(1) Refers to debentures issued by a controlled entity (BB Leasing S.A.), which are eliminated in the consolidation process.

Financial assets transferred and still recognized in the consolidated balance sheet where the associated liabilities are resources only to the transferred assets

	Dec 31, 2017		Dec 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit assignment with substantial retention of risks (1)				
Financial assets transferred	496,056	499,253	612,087	616,291
Associated liabilities	496,365	496,365	612,132	612,132
Net position	**(309)**	**2,888**	**(45)**	**4,159**

(1) Financial assets transferred and associated liabilities are recognized in the consolidated balance sheet in the line items "Loans to customers net of allowance" and "Amount payable to financial institutions", respectively.

Sales with repurchase agreement

These are transactions in which the Bank sells a security and simultaneously agrees to buy it back on for a fixed price on a future date. The Bank continues to recognize the security in full on the balance sheet, since it retains substantially all of the risks and rewards of ownership. Consequently, the Bank continues to participate in changes in fair value and income generated by the security.

The Bank recognizes the cash received as an asset. A liability is recognized for the obligation to repurchase the security. During the life of the transaction, the Bank does not have the right to negotiate the transferred asset, since it effectively sells the contractual rights to the security's cash flows.

Credit assignment with substantial retention of risks and rewards

In these transactions, the Bank transfers the rights to the future cash flows of loans and receivables in exchange for cash. The Bank continues to recognize the assets on the balance sheet, since it retains substantially all of the risks and rewards associated with the loans. Consequently, the Bank has responsibility for any defaults on the receivables it transfers.

The Bank recognizes the cash received as an asset. A liability is recognized for the obligation to the counterparty financial institution. During the life of the transaction, the Bank does not have the right to negotiate the transferred asset, since it effectively sells the contractual rights to the loan's cash flows.

44 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

These rules apply to financial assets and liabilities presented on a net basis in the consolidated balance sheet or subject to master netting or similar agreements, regardless of whether they are presented on a net basis.

IAS 32 requires financial assets and liabilities to be offset and presented on a net basis when there is a legally enforceable right to offset the amounts and the Bank intends to settle them on a net basis, or to realize the asset and liability simultaneously.

IFRS 7 requires the Bank to present financial instruments subject to master netting or similar agreements, even if they do not meet some or all of the requirements for offsetting under IAS 32. Agreements of this nature include the Global Derivative Agreements (known as CGD in Brazil), International Swaps and Derivatives Agreement (ISDA) and Global Master Repurchase Agreements (GMRA).

Some of the Bank's derivatives are contracted under CGD agreements in Brazil and ISDA contracts overseas. These contracts include the following conditions for offsetting:

- Netting of payments: provides for offsetting in the ordinary course of business when there are amounts to be paid by the parties in the same currency for the same transaction;
- Multiple Transaction Payment Netting: provides for offsetting in the ordinary course of business when there are amounts to be paid by the parties in the same currency on the same date;
- Set off: provides for offsetting transactions subject to early termination if the party not in default exercises its right to offset.

Some of the Bank's repurchase agreements involve overseas master netting agreements (GMRA contracts). These agreements contain offsetting rules similar to those of the CGD / ISDA agreements.

Offsetting under master netting agreements are permissible in the ordinary course of business (Netting of payments or Multiple Transaction Payment Netting) and in the event of default, insolvency or bankruptcy by either of the parties (Set off).

Financial instruments received and pledged as collateral include cash deposits and / or highly liquid financial instruments. These instruments are subject to normal market variations and include an ISDA Credit Support Annex, as applicable. This allows the securities received as collateral to be sold or pledged as collateral in a different transaction over the life of the agreement. However, the collateral must be returned at maturity. The guarantee may be sold and the proceeds used to pay-down the outstanding balance in the event of default, insolvency or bankruptcy of one of the counterparties.

For both repo and derivative contracts, collaterals (given and received) may be in the form of cash or trading securities.

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements.

Dec 31, 2017	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	13,514,423	(13,086,490)	427,933	(22,008)	(27,787)	-	378,138	226,986	654,919
Reverse repurchase agreement	570,465	-	570,465	-	-	(515,419)	55,046	347,616,295	348,186,760
Total	**14,084,888**	**(13,086,490)**	**998,398**	**(22,008)**	**(27,787)**	**(515,419)**	**433,184**	**347,843,281**	**348,841,679**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements.

Dec 31, 2017	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral given		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	(13,643,772)	13,086,490	(557,282)	86,495	245,193	-	(225,594)	(232,605)	(789,887)
Repurchase agreement	(992,073)	-	(992,073)	-	-	806,971	(185,102)	(375,250,622)	(376,242,695)
Total	**(14,635,845)**	**13,086,490**	**(1,549,355)**	**86,495**	**245,193**	**806,971**	**(410,696)**	**(375,483,227)**	**(377,032,582)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements.

(2) Includes the total amount of operations without master netting agreements.

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements.

Dec 31, 2016	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	11,294,339	(10,173,760)	1,120,579	(107,213)	-	-	1,013,366	491,984	1,612,563
Reverse repurchase agreement	165,903	-	165,903	-	-	(149,385)	16,518	371,516,782	371,682,685
Total	**11,460,242**	**(10,173,760)**	**1,286,482**	**(107,213)**	**-**	**(149,385)**	**1,029,884**	**372,008,766**	**373,295,248**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements.

Dec 31, 2016	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral given		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	(11,670,417)	10,173,760	(1,496,657)	27,155	221,875	-	(1,247,627)	(373,734)	(1,870,391)
Repurchase agreement	(936,029)	-	(936,029)	-	-	794,998	(141,031)	(373,698,003)	(374,634,032)
Total	**(12,606,446)**	**10,173,760**	**(2,432,686)**	**27,155**	**221,875**	**794,998**	**(1,388,658)**	**(374,071,737)**	**(376,504,423)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements.

(2) Includes the total amount of operations without master netting agreements.

45 – EMPLOYEE BENEFITS

Banco do Brasil sponsors the following pension and health insurance plans for its employees:

	Plans	Benefits	Classification
Previ – Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Benefit Plan 1	Retirement and Pension	Defined benefit
	Informal Plan	Retirement and Pension	Defined benefit
Cassi – Caixa de Assistência dos Funcionários do Banco do Brasil	Associates Plan	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	General Regulation	Retirement and Pension	Defined benefit
	Complementary Regulation 1	Retirement and Pension	Defined benefit
	B' Group	Retirement and Pension	Defined benefit
	Unified Health Plan - PLUS	Health Care	Defined benefit
	Unified Health Plan - PLUS II	Health Care	Defined benefit
	Complementary Health Care - PAMC	Health Care	Defined benefit
Fusesc – Fundação Codesc de Seguridade Social	Multifuturo Plan I	Retirement and Pension	Variable contribution
	Benefit Plan I	Retirement and Pension	Defined benefit
SIM – Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Health Plan	Health Care	Defined contribution
Prevbep – Caixa de Previdência Social	BEP Plan	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2017			Dec 31, 2016		
	Number of participants			Number of participants		
	Actives	Retired/Users	Total	Actives	Retired/Users	Total
Retirement and Pension Plans	**102,110**	**118,499**	**220,609**	**106,110**	**116,432**	**222,542**
Benefit Plan 1 – Previ	10,637	98,788	109,425	11,268	99,037	110,305
Previ Futuro	77,975	1,520	79,495	78,886	1,084	79,970
Informal Plan	-	3,076	3,076	-	3,267	3,267
Other plans	13,498	15,115	28,613	15,956	13,044	29,000
Health Care Plans	**103,239**	**105,724**	**208,963**	**105,364**	**106,429**	**211,793**
Cassi	92,390	98,618	191,008	93,283	99,245	192,528
Other plans	10,849	7,106	17,955	12,081	7,184	19,265

Bank's contributions to benefit plans

	2017	2016	2015
Retirement and Pension Plans	**1,564,536**	**1,470,795**	**1,367,680**
Benefit Plan 1 – Previ (1)	606,677	575,569	549,275
Previ Futuro	619,585	570,814	499,803
Informal Plan	180,153	184,003	180,547
Other plans	158,121	140,409	138,055
Health Care Plans	**1,287,365**	**1,221,675**	**1,110,904**
Cassi	1,132,016	1,061,596	976,675
Other plans	155,349	160,079	134,229
Total	**2,851,901**	**2,692,470**	**2,478,584**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of Parity Fund and Surplus Fund (Note 45.f). Agreement 97 aims to regulate the way funding is required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to April 14,1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of Informal Plan.

The Bank estimates that contributions to defined benefit plans (post-employment) in the first half of 2018 will be approximately R$ 912,400 thousand.

Amounts recognized in profit or loss

	2017	2016	2015
Retirement and Pension Plans	**(1,396,267)**	**(1,496,120)**	**(439,930)**
Benefit Plan 1 – Previ	(465,601)	(616,738)	358,000
Previ Futuro	(619,585)	(570,814)	(499,803)
Informal Plan	(128,051)	(159,964)	(141,379)
Other plans	(183,030)	(148,604)	(156,748)
Health Care Plans	**(1,545,553)**	**(1,610,839)**	**(1,362,534)**
Cassi	(1,407,685)	(1,464,114)	(1,238,351)
Other plans	(137,868)	(146,725)	(124,183)
Total	**(2,941,820)**	**(3,106,959)**	**(1,802,464)**

a) Retirement and Pension Plans

Previ Futuro (Previ)

Participants in this plan include Bank employees hired after December 24, 1997. Depending on time of service and salary, active participants may contribute between 7% and 17% of their salary. Retired participants do not contribute. The plan sponsor matches participants' contributions up to 14% of their salaries.

Benefit Plan 1 (Previ)

Participants in this plan include Bank employees hired prior to December 23, 1997. Active and retired participants may contribute between 1.8% and 7.8% of their salary or pension.

Prior to December 15, 2000, the Bank contributed 2/3 of the total amount to this plan. As from December 16, 2000, considering the Federal Constitutional Amendment No. 20, the Bank and the participants started to make equal contributions. As a result of this contributive parity, the Parity Fund was set-up in December 2000, and its funds are being used to offset the Bank's contributions (Note 45.f).

Informal Plan (Previ)

Banco do Brasil is fully responsible for this plan. The Bank's contractual obligations include to:

- providing retirement benefits to the initial group of participants and pension payments to the beneficiaries of participants who died prior to April 14, 1967;
- paying additional retirement benefits to plan participants who retired prior to April 14, 1967, or had the right to retire based on time of service and at least 20 years of service with the Bank; and
- increasing retirement and pension benefits above the amount provided for in Previ's benefit plan due to judicial and administrative decisions related to changes in the Bank's job, salary and incentive plans.

The Bank and Previ formalized an agreement on December 31, 2012. Under the agreement, Banco do Brasil paid 100% of the mathematical reserves of the Special Group (for which it was fully liable) using funds from the Parity Fund. As a result, this group migrated from the Informal Plan to Benefit Plan 1. The Special Group includes participants from Benefit Plan 1 (Previ) listed in the first paragraph of first clause of the contract signed on December 24, 1997. These participants received additional retirement benefits due to administrative and/or judicial decisions (Note 45.f).

Prevmais (Economus)

Participants in this plan include employees of Banco Nossa Caixa (a bank acquired by Banco do Brasil on November 30, 2009) who enrolled after August 01, 2006, or were part of the General Regulation benefit plan and opted to receive their vested account balances. The sponsor and participants make equal contributions, which may not exceed 8% of participants' salaries. The plan provides additional risk coverage, including supplemental health, work-related accident, disability and death benefits.

General Regulation (Economus)

Participants in this plan include employees of Banco Nossa Caixa who enrolled prior to July 31, 2006. This plan is closed to new members. The sponsor and participants contribute equally.

Complementary Regulation 1 (Economus)

Participants in this plan include employees of Banco Nossa Caixa. This plan offers supplemental health benefits and annuities upon death or disability. The sponsor, participants and retired/other beneficiaries fund the plan.

B' Group (Economus)

Participants in this plan include employees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. This plan is closed to new members. Benefit levels are based on the fulfillment of certain conditions outlined in the plan regulation.

Multifuturo Plan I (Fusesc)

Participants in this plan include employees of the Banco do Estado de Santa Catarina – Besc (acquired by Banco do Brasil on September 30, 2008) who enrolled after January 12, 2003, or were part of the Benefit Plan I (Fusesc) and chose to participate in this plan. Participants may contribute from 2.33% to 7% of their salaries. The plan sponsor matches these contributions.

Benefit Plan I (Fusesc)

Participants in this plan include employees of Besc who enrolled prior to January 11, 2003. This plan is closed to new members. The sponsor and participants contribute equally.

BEP Plan (Prevbep)

Participants in this plan include employees of the Banco do Estado do Piauí – BEP (acquired by Banco do Brasil on November 30, 2008). The sponsor and participants contribute equally.

b) Health Care Plans

Associates Plan (Cassi)

The Bank sponsors a health care plan managed by Cassi. The plan covers health care services related to prevention, protection, recovery and rehabilitation for participants and their beneficiaries. Each month, the Bank contributes 4.5% of participants' salaries or pension benefits. Monthly contributions by participants and pensioners total 3% of their salary or pension, in addition to copayments for certain hospital procedures. Moreover, as a result of the amendment to the Cassi Statute in November 2016, it was approved the extraordinary monthly contribution of 1% for the participants until December 2019.

Unified Health Plan - PLUS (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a contribution of 1.5% over gross salary, without limit (offering coverage for employees and certain preferred dependents) deducted from their payroll. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents (preferred and non-preferred).

Unified Health Plan - PLUS II (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a contribution of 1.5% over gross salary, without limit (offering coverage for employees and certain preferred dependents), deducted from their payroll. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents and adult children. This plan does not cover non-preferred dependents.

Complementary Health Care Plan - PAMC (Economus)

Participants in this plan include employees of Banco Nossa Caixa located in the state of São Paulo. The plan serves disabled employees under the Complementary and General Regulations and their dependents. Participant costs vary based on usage and in accordance with a progressive salary table.

Health Plan (SIM)

Participants in this plan include employees of Besc and other sponsors of the plan (including Badesc, Codesc, Bescor, Fusesc and SIM). Active members contribute monthly 3.44% of gross salary, including their 13th salary. Inactive members contribute monthly 8.86% of gross salary, while the plan sponsors contribute 5.42%. Beneficiaries also contribute 0.75% per dependent. The plan requires a copayment for ambulatory care procedures.

c) Risk factors

The Bank may need to make unplanned contributions to Previ, Economus, Fusesc and Prevbep, which could negatively affect operating income.

Determination of the Bank's obligations to these entities is based on long-term actuarial and financial estimates and the application and interpretation of current regulatory standards. Inaccuracies inherent to the estimation process could result in differences between recorded amounts and the actual obligations in the future. This could have a negative impact on the Bank's operating results.

d) Actuarial valuations

Actuarial evaluations are performed every six months. The information contained in the below tables refers to the calculations at December 31, 2017 and 2016.

d.1) Changes in present value of defined benefit actuarial obligations

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other Plans	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	**(148,349,574)**	**(121,329,915)**	**(965,470)**	**(909,280)**	**(7,948,422)**	**(6,248,098)**	**(7,609,949)**	**(6,301,921)**
Interest cost	(15,912,131)	(17,069,298)	(96,792)	(121,736)	(901,981)	(941,398)	(819,764)	(860,756)
Current service cost	(429,542)	(455,492)	-	-	(98,102)	(85,735)	(23,819)	(26,616)
Past service cost	-	-	(31,259)	(38,228)	-	-	-	-
Benefits paid net of retirees contributions	12,228,789	10,350,474	180,153	184,002	724,412	624,614	653,780	585,425
Remeasurements of actuarial gain/(losses)	(2,796,329)	(19,845,343)	(46,324)	(80,228)	(500,037)	(1,297,805)	(1,100,287)	(1,006,081)
Experience adjustment	3,518,247	(1,749,063)	(7,965)	(8,380)	(10,283)	(293,184)	45,167	259,022
Changes to biometric assumptions	-	-	-	-	-	-	(644,827)	(78,102)
Changes to financial assumptions	(6,314,576)	(18,096,280)	(38,359)	(71,848)	(489,754)	(1,004,621)	(500,627)	(1,187,001)
Closing balance	**(155,258,787)**	**(148,349,574)**	**(959,692)**	**(965,470)**	**(8,724,130)**	**(7,948,422)**	**(8,900,039)**	**(7,609,949)**
Present value of actuarial liabilities with surplus	(155,258,787)	(143,946,397)	-	-	-	-	(5,713,736)	(5,731,092)
Present value of actuarial liabilities without surplus	-	(4,403,177)	(959,692)	(965,470)	(8,724,130)	(7,948,422)	(3,186,303)	(1,878,857)

d.2) Changes in fair value of plan assets

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other Plans	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	**143,946,397**	**118,378,747**	**-**	**-**	**-**	**-**	**5,731,092**	**5,394,014**
Interest income	15,410,472	16,291,315	-	-	-	-	608,154	725,014
Contributions received	606,678	575,569	180,153	184,002	724,412	624,614	220,451	177,830
Benefits paid net of retirees contributions	(12,228,789)	(10,350,474)	(180,153)	(184,002)	(724,412)	(624,614)	(653,780)	(585,425)
Actuarial gain / (loss) on plan assets	16,289,868	19,051,240	-	-	-	-	(192,181)	19,659
Closing balance	**164,024,626**	**143,946,397**	**-**	**-**	**-**	**-**	**5,713,736**	**5,731,092**

(1) Refers to the following plans: General Regulation (Economus), Prevmais (Economus), Complementary Regulation 1 (Economus), Multifuturo I (Fusesc), Benefit Plan I (Fusesc) and BEP Plan (Prevbep).

d.3) Amounts recognized in the consolidated balance sheet

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other Plans	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
1) Fair value of the plan assets	164,024,626	143,946,397	-	-	-	-	5,713,736	5,731,092
2) Present value of actuarial liabilities	(155,258,787)	(148,349,574)	(959,692)	(965,470)	(8,724,130)	(7,948,422)	(8,900,039)	(7,609,949)
3) Surplus/(deficit) (1+2)	8,765,839	(4,403,177)	(959,692)	(965,470)	(8,724,130)	(7,948,422)	(3,186,303)	(1,878,857)
4) Net actuarial asset/(liability) [1]	**4,382,919**	**(2,201,588)**	**(959,692)**	**(965,470)**	**(8,724,130)**	**(7,948,422)**	**(2,078,422)**	**(1,260,178)**

(1) Refers to the portion of the sponsor in surplus/(deficit).

d.4) Maturity profile of defined benefit actuarial obligations

	Duration [1]	Expected benefit payments [2]				
		Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Plano 1 (Previ)	9.34	13,297,575	13,142,312	12,984,304	243,411,753	**282,835,944**
Plano Informal (Previ)	5.57	154,261	137,927	122,797	907,784	**1,322,769**
Plano de Associados (Cassi)	9.90	753,742	740,040	725,455	15,179,919	**17,399,156**
Regulamento Geral (Economus)	10.14	453,591	453,981	454,153	10,426,188	**11,787,913**
Regulamento Complementar 1 (Economus)	14.75	1,455	1,558	1,667	107,905	**112,585**
Plus I e II (Economus)	6.67	59,245	55,058	51,052	514,204	**679,559**
Grupo B' (Economus)	9.75	16,056	15,980	15,895	334,383	**382,314**
Prevmais (Economus)	12.15	20,169	20,154	20,276	656,763	**717,362**
Multifuturo I (Fusesc)	10.37	6,160	6,111	6,057	140,257	**158,585**
Plano I (Fusesc)	9.20	41,458	41,299	41,075	778,181	**902,013**
Plano BEP (Prevbep)	11.63	3,908	4,307	4,375	136,264	**148,854**

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.
(2) Amounts considered without discounting at present value.

d.5) Breakdown of the amounts recognized in the consolidated statement of income relating to defined benefit plans

	Benefit Plan 1 – Previ			Informal Plan – Previ			Associates Plan – Cassi			Other plans		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Current service cost	(214,772)	(227,746)	(214,361)	-	-	-	(98,101)	(85,734)	(95,421)	(11,909)	(13,324)	(17,170)
Interest cost	(7,956,065)	(8,534,649)	(7,608,718)	(96,792)	(121,736)	(111,770)	(901,980)	(941,398)	(731,014)	(446,325)	(466,551)	(415,349)
Expected yield on plan assets	7,705,236	8,145,657	8,181,079	-	-	-	-	-	-	303,477	361,817	313,068
Unrecognized past service cost	-	-	-	(31,259)	(38,228)	(29,609)	-	-	-	-	-	-
Expense with active employees	-	-	-	-	-	-	(407,604)	(436,982)	(411,916)	(173,065)	(184,881)	(163,199)
Other adjustments/reversals	-	-	-	-	-	-	-	-	-	6,924	7,610	1,719
(Expense)/income recognized in profit or loss	**(465,601)**	**(616,738)**	**358,000**	**(128,051)**	**(159,964)**	**(141,379)**	**(1,407,685)**	**(1,464,114)**	**(1,238,351)**	**(320,898)**	**(295,329)**	**(280,931)**

d.6) Composition of the plan assets

	Benefit Plan 1 – Previ		Other plans	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Fixed income	70,104,125	58,053,582	4,708,087	4,831,482
Floating income[1]	77,501,636	70,648,892	316,452	294,651
Real estate investments	9,759,465	9,126,202	190,893	194,858
Loans and financing	5,593,240	5,254,043	121,801	100,183
Other	1,066,160	863,678	376,503	309,918
Total	**164,024,626**	**143,946,397**	**5,713,736**	**5,731,092**
Amounts listed in fair value of plan assets				
In the sponsor's own financial instruments	12,191,887	11,631,219	30,297	23,926
In properties or other assets used by the sponsor	155,611	156,758	7,684	7,848

(1) Includes, in Previ's Benefit Plan 1, the amount of R$ 45,179,060 thousand (R$ 30,265,763 thousand as of December 31, 2016), related to assets that are not quoted in active markets.

d.7) Main actuarial assumptions

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other Plans	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Inflation rate (p.a.)	5.10%	5.41%	5.00%	5.29%	5.11%	5.43%	5.11%	5.40%
Real discount rate (p.a.)	5.30%	5.77%	5.05%	5.84%	5.32%	5.75%	5.31%	5.77%
Nominal rate of return on investments (p.a.)	10.67%	11.49%	-	-	-	-	10.69%	11.48%
Real rate of expected salary growth (p.a.)	0.93%	1.04%	-	-	-	-	0.91%	0.92%
Actuarial life table	Soft AT-2000 (reduced by 10%)		Soft AT-2000 (reduced by 10%)		Soft AT-2000 (reduced by 10%)		AT-2000/ AT-83	AT-2000
Capitalization method	Projected credit unit		Projected credit unit		Projected credit unit		Projected credit unit	

(1) As of June 2017, Complementary Regulation 1 and B' Group started to use AT-83.

d.8) Sensitivity analysis

The sensitivity analysis is performed for changes in a single assumption while maintaining all others constant. This is unlikely in reality, since some of the assumptions are correlated.

The same methodology was used to perform the sensitivity analysis in each of the periods presented. However, the discount rate was updated to reflect market conditions.

Dec 31, 2017			Life table		Salary increase		Interest rate	
			+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Benefit Plan 1 (Previ)	Present value of defined benefit actuarial obligations	155,258,787	151,561,097	158,921,732	155,306,251	155,211,324	151,852,415	158,809,808
	Surplus/(deficit) in the plan	8,765,839	12,463,529	5,102,894	8,718,375	8,813,302	12,172,211	5,214,818
Informal Plan (Previ)	Present value of defined benefit actuarial obligations	959,692	922,038	998,110	-	-	946,932	972,829
	Surplus/(deficit) in the plan	(959,692)	(922,038)	(998,110)	-	-	(946,932)	(972,829)
Associates Plan (Cassi)	Present value of defined benefit actuarial obligations	8,724,130	8,509,285	8,937,459	8,726,940	8,721,320	8,516,369	8,941,503
	Surplus/(deficit) in the plan	(8,724,130)	(8,509,285)	(8,937,459)	(8,726,940)	(8,721,320)	(8,516,369)	(8,941,503)
General Regulation (Economus)	Present value of defined benefit actuarial obligations	6,902,096	6,797,371	7,003,546	-	-	6,719,685	7,093,139
	Surplus/(deficit) in the plan	(2,633,398)	(2,528,673)	(2,734,849)	-	-	(2,450,987)	(2,824,441)
Complementary Regulation 1 (Economus)	Present value of defined benefit actuarial obligations	45,493	47,149	43,876	-	-	43,909	47,158
	Surplus/(deficit) in the plan	(956)	(2,612)	661	-	-	628	(2,621)
Plus I and II (Economus)	Present value of defined benefit actuarial obligations	656,497	630,484	683,032	-	-	642,310	671,291
	Surplus/(deficit) in the plan	(656,497)	(630,484)	(683,032)	-	-	(642,310)	(671,291)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	210,324	206,099	214,423	-	-	205,496	215,351
	Surplus/(deficit) in the plan	(210,324)	(206,099)	(214,423)	-	-	(205,496)	(215,351)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	314,908	313,662	316,205	317,409	312,451	305,677	324,644
	Surplus/(deficit) in the plan	87,070	88,315	85,773	84,569	89,527	96,301	77,334
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	81,695	80,233	83,118	-	-	79,700	83,780
	Surplus/(deficit) in the plan	126,571	128,033	125,148	-	-	128,566	124,486
Benefit Plan I (Fusesc)	Present value of defined benefit actuarial obligations	618,161	606,881	629,220	-	-	607,348	629,391
	Surplus/(deficit) in the plan	52,975	64,255	41,916	-	-	63,787	41,745
BEP Plan (Prevbep)	Present value of defined benefit actuarial obligations	70,865	69,770	71,925	70,985	70,745	68,956	72,866
	Surplus/(deficit) in the plan	48,256	49,352	47,196	48,136	48,376	50,165	46,255

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Benefit Plan 1 (Previ)	4,382,919	-	-	(2,201,588)
Informal Plan (Previ)	-	-	(959,692)	(965,470)
Associates Plan (Cassi)	-	-	(8,724,130)	(7,948,422)
General Regulation (Economus)	-	-	(1,368,699)	(829,730)
Complementary Regulation 1 (Economus)	-	-	(339)	(2,659)
Plus I and II (Economus)	-	-	(656,497)	(409,315)
B' Group (Economus)	-	-	(210,324)	(170,302)
Prevmais (Economus)	43,535	36,846	-	-
Multifuturo I (Fusesc)	63,286	57,514	-	-
Benefit Plan I (Fusesc)	26,488	33,586	-	-
BEP Plan (Prevbep)	24,128	23,882	-	-
Total	**4,540,356**	**151,828**	**(11,919,681)**	**(12,527,486)**

f) Allocations of the Surplus – Benefit Plan 1

	2017	2016
Parity Fund		
Opening balance	**129,900**	**120,378**
Interest and inflation adjustment	9,092	14,065
Contributions to Plan 1 – Agreement 97	(36,266)	(4,543)
Closing balance	**102,726**	**129,900**
Surplus Fund		
Opening balance	**9,432,110**	**8,959,543**
Contributions to Plan 1	(570,411)	(571,026)
Interest and inflation adjustment	637,789	1,043,593
Closing balance	**9,499,488**	**9,432,110**
Total funds allocated surplus	**9,602,214**	**9,562,010**

f.1) Parity Fund

In 2000, the cost of switching to equal contributions was based on the Benefit Plan 1's surplus at the time. The agreement (between Banco do Brasil and participants) allowed the Bank to recognize an asset of R$ 2.227.254 thousand in Other assets. The asset is recalculated each month based on the actuarial target: INPC (the National Consumer Price Index published by the Brazilian Institute of Geography and Statistics – IBGE) + 5% p.a..

Since January 2007, the asset has been used to offset financial liabilities related to the agreement signed with Previ in 1997. This agreement granted additional benefits to participants in Benefit Plan 1 (Previ) who joined the plan prior to April 14, 1967, and until that date had not yet retired.

f.2) Surplus Fund

This fund contains resources transferred from the Allocation Fund (because of the plan's surplus), which the Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The Surplus Fund is recalculated based on the actuarial target (INPC + 5% p.a.).

46 – RELATED-PARTY TRANSACTIONS

a) Bank's key management personnel

Salaries and other benefits paid the Bank's key management personnel (Executive Board and Board of Directors) are as follows:

	2017	2016	2015
Short-term benefits	**48,812**	**47,096**	**53,683**
Salary and social security costs	33,098	34,674	33,569
Executive Board	32,699	34,167	33,078
Board of Directors	399	507	491
Variable remuneration (cash) and social security costs	12,592	9,067	16,865
Other [1]	3,122	3,355	3,249
Termination benefits	**549**	**1,180**	**97**
Share-based payment benefits	**8,459**	**7,260**	**5,966**
Total	**57,820**	**55,536**	**59,746**

(1) Includes contributions to pension plan and complementary healthy plan, housing and relocation benefits, group insurance, among others.

The Bank's variable compensation policy (developed in accordance with CMN Resolution 3,921/2010) requires variable compensation for the Executive Directors to be paid partially in shares (Note 37.l).

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank.

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosure to the market. The policy aims to establish rules to assure that all decisions, especially those involving related party and other situations potentially conflicted, are made observing the interests of the Bank and its shareholders. It is applicable to all stakeholders and directors of the company.

The policy forbids related party transactions under conditions other than those of the market or that may adversely affect the Bank's interest. Therefore, the transactions are conducted under normal market conditions. The terms and conditions reflect comparable transactions with unrelated parties (including interest rates and collateral requirements). These transactions do not involve unusual payment risks.

According to current standards and the Bank’s Bylaws, the Bank does not grant loans and advance, neither does buy nor sell any kind of assets to the Bank’s key management personnel. The only possible loans with key management personnel were contracted before the effectiveness of the mandates.

The transactions between the consolidated companies are eliminated in the consolidated financial statements.

Intercompany transactions with these related parties consist of interest bearing and non-interest bearing deposits loans, sale and repurchase transactions, acquisitions of loan portfolios, provision of services and guarantees.

The most important transactions involving the National Treasury include rural loans granted by the Bank under CMN Resolution 2,238/1996 and receivables from the National Treasury for interest rate equalization under Federal Government programs (Law 8,427/1992). Interest rate equalization represents an economic subsidy for rural credit, which provides borrowers with discounted interest rates compared to the Bank’s normal funding costs (including administrative and tax expenses). The equalization payment is updated by the Selic rate in accordance with the National Treasury’s budgeting process (as defined by law) and is designed to preserve the Bank’s earnings.

Some transactions are disclosed in other notes: the resources applied in federal government securities are listed in Notes 20, 21 and 22. Information about the government funds are related in Note 34; and additional information about the Bank’s contributions and other transactions with sponsored entities are listed in Note 45.

Previ uses the Bank's internal systems for voting, selective processes and access to common internal standards, which generates cost savings for both parties involved. There are also gratuitous loan between the Bank and some related parties, where the Bank is a transferee in the contracts, using the spaces mainly for the installation of self-service terminals, banking service offices and branches. Gratuitous loan with related parties do not represent significant value, because the most of them are carried out with third parties.

Fundação Banco do Brasil (FBB) promotes, encourages and sponsors actions in the areas of education, culture, health, social welfare, recreation and sports, science, technology and community development. In 2017, the Bank’s contributions to FBB totaled R$ 54,457 thousand (R$ 48,343 thousand in 2016).

c) Summary of related-party transactions

	Dec 31, 2017				
	Controlling shareholder [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Loans to financial institutions	-	9,788,955	-	301,087	10,090,042
Financial assets	-	3,440,424	-	682,928	4,123,352
Loans to customers [5]	-	3,418,210	2,774	31,326,490	34,747,474
Other assets [6]	4,430,928	801,095	-	356,159	5,588,182
Total	**4,430,928**	**17,448,684**	**2,774**	**32,666,664**	**54,549,050**
Guarantees received [7]	-	2,278,693	-	3,920,441	6,199,134
Liabilities					
Deposits of clientes	262,607	41,085	1,279	8,885,618	9,190,589
Securities sold under repurchase agreements	-	1,993,484	-	3,465,726	5,459,210
Liabilities from issuance of securities and other financial liabilities	145,264	-	-	73,268,852	73,414,116
Other liabilities [8]	452,077	13,565,303	18,327	1,570,053	15,605,760
Total	**859,948**	**15,599,872**	**19,606**	**87,190,249**	**103,669,675**
Guarantees given and other coobligations [9]	-	6,804,136	-	735,098	7,539,234
Consolidated statement of income					
			2017		
Interest, service and other income	5,210,625	6,979,402	340	4,034,584	16,224,951
Borrowing and other expenses	(71,607)	(554,665)	(1,203)	(5,288,710)	(5,916,185)
Total	**5,139,018**	**6,424,737**	**(863)**	**(1,254,126)**	**10,308,766**

(1) National Treasury.

(2) Comprised of the companies listed in Note 26.

(3) Board of Directors and Executive Board.

(4) Includes the transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES and Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R$ 24 thousand as allowance for losses on loans on transactions with related parties. The reversal os expense for allowance was R$ 39,798 thousand in 2017. The loans with key management personnel were contracted before the effectiveness of the mandates.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables.

(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.

(8) The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim.

	Dec 31, 2016				
	Controlling shareholder [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Loans to financial institutions	-	14,208,705	-	-	14,208,705
Financial assets	-	3,526,917	-	897,187	4,424,104
Loans to customers [5]	-	702,922	3,153	31,239,992	31,946,067
Other assets [6]	5,162,844	1,040,105	-	53,199	6,256,148
Total	**5,162,844**	**19,478,649**	**3,153**	**32,190,378**	**56,835,024**
Liabilities					
Deposits of clients	379,593	176,621	2,493	14,844,610	15,403,317
Securities sold under repurchase agreements	-	5,699,646	-	3,100,600	8,800,246
Liabilities from issuance of securities and other financial liabilities	2,471,934	-	-	80,610,367	83,082,301
Other liabilities	115,348	1,425,515	25,396	662,042	2,228,301
Total	**2,966,875**	**7,301,782**	**27,889**	**99,217,619**	**109,514,165**
Guarantees given and other coobligations [7]	-	6,814,807	-	837,984	7,652,791
Consolidated statement of income					
			2016		
Interest, service and other income	6,393,676	7,787,233	386	4,718,993	18,900,288
Borrowing and other expenses	(103,273)	(478,407)	(3,286)	(5,797,816)	(6,382,782)
Total	**6,290,403**	**7,308,826**	**(2,900)**	**(1,078,823)**	**12,517,506**

(1) National Treasury.

(2) Comprised of the companies listed in Note 26.

(3) Board of Directors and Executive Board.

(4) Includes the transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES and Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R$ 120,404 thousand as allowance for losses on loans on transactions with other related parties.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables – National Treasury.

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim.

47 – CURRENT AND NON CURRENT ASSETS AND LIABILITIES

	Dec 31, 2017		
	Up to 1 year	After 1 year	Total
Assets			
Cash and bank deposits	13,471,112	-	13,471,112
Compulsory deposits with central banks	69,081,139	-	69,081,139
Loans to financial institutions net of allowance	28,238,016	6,878,846	35,116,862
Securities purchased under resale agreements	347,671,300	515,460	348,186,760
Financial assets at fair value through profit or loss	8,453,138	-	8,453,138
Debt and equity instruments	7,798,219	-	7,798,219
Derivatives	654,919	-	654,919
Financial assets available for sale	5,373,298	114,841,579	120,214,877
Financial assets held to maturity	7,627,111	2,830,318	10,457,429
Loans to customers net of allowance	221,200,764	363,990,177	585,190,941
Non-current assets held for sale	94,512	-	94,512
Investments in associates and joint ventures	-	20,532,053	20,532,053
Property and equipment	-	7,466,150	7,466,150
Intangible assets	-	7,615,120	7,615,120
Goodwill	-	591,582	591,582
Other	-	7,023,538	7,023,538
Tax assets	8,267,861	39,601,948	47,869,809
Current	8,267,861	121,489	8,389,350
Deferred	-	39,480,459	39,480,459
Other assets	41,386,835	37,938,305	79,325,140
Total	**750,865,086**	**602,209,956**	**1,353,075,042**
Liabilities			
Deposits of clients	383,786,362	42,290,241	426,076,603
Amount payable to financial institutions	21,666,498	2,982,626	24,649,124
Financial liabilities at fair value through profit or loss	789,887	-	789,887
Derivatives	789,887	-	789,887
Securities sold under repurchase agreements	365,536,950	10,705,745	376,242,695
Liabilities from issuance of securities and other financial liabilities	147,477,642	190,504,648	337,982,290
Provision for labor, tax and civil lawsuits	1,656,104	7,944,247	9,600,351
Tax liabilities	2,365,251	3,069,317	5,434,568
Current	2,365,251	-	2,365,251
Deferred	-	3,069,317	3,069,317
Other liabilities	56,129,844	14,931,252	71,061,096
Shareholders' equity	**-**	**101,238,428**	**101,238,428**
Total	**979,408,538**	**373,666,504**	**1,353,075,042**

	Dec 31, 2016		
	Up to 1 year	After 1 year	Total
Assets			
Cash and bank deposits	12,798,204	-	12,798,204
Compulsory deposits with central banks	63,451,094	-	63,451,094
Loans to financial institutions net of allowance	48,320,442	798,566	49,119,008
Securities purchased under resale agreements	371,533,292	149,393	371,682,685
Financial assets at fair value through profit or loss	7,669,398	-	7,669,398
Debt and equity instruments	6,056,835	-	6,056,835
Derivatives	1,612,563	-	1,612,563
Financial assets available for sale	5,815,704	98,853,971	104,669,675
Financial assets held to maturity	434,544	8,685,717	9,120,261
Loans to customers net of allowance	226,451,506	377,405,229	603,856,735
Non-current assets held for sale	44,531	-	44,531
Investments in associates and joint ventures	-	19,641,884	19,641,884
Property and equipment	-	7,614,059	7,614,059
Intangible assets	-	8,743,714	8,743,714
Goodwill	-	591,582	591,582
Other	-	8,152,132	8,152,132
Tax assets	12,287,967	42,174,833	54,462,800
Current	12,287,967	1,746	12,289,713
Deferred	-	42,173,087	42,173,087
Other assets	45,122,420	29,219,218	74,341,638
Total	**793,929,102**	**593,286,584**	**1,387,215,686**
Liabilities			
Deposits of clients	376,841,299	48,474,587	425,315,886
Amount payable to financial institutions	18,177,520	3,099,414	21,276,934
Financial liabilities at fair value through profit or loss	2,234,846	-	2,234,846
Debt instruments	364,455	-	364,455
Derivatives	1,870,391	-	1,870,391
Securities sold under repurchase agreements	358,405,217	16,228,815	374,634,032
Liabilities from issuance of securities and other financial liabilities	138,642,045	229,708,723	368,350,768
Provision for labor, tax and civil lawsuits	1,621,811	7,941,128	9,562,939
Tax liabilities	5,946,803	2,896,498	8,843,301
Current	5,946,803	-	5,946,803
Deferred	-	2,896,498	2,896,498
Other liabilities	81,699,469	5,220,818	86,920,287
Shareholders' equity	**-**	**90,076,693**	**90,076,693**
Total	**983,569,010**	**403,646,676**	**1,387,215,686**

48 – EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATE IN PROFIT OR LOSS

	2017	2016	2015
Interest income	(7,224,021)	(7,271,268)	26,039,863
Interest expense	6,325,900	10,638,489	(31,404,693)
Other operating income [1]	1,027,079	2,014,443	1,551,612
Other operating expenses [1]	-	(1,835,683)	(44,708)
Income taxes – current [2]	383,191	(2,023,596)	2,716,208
Financial instruments measured at fair value through profit or loss [3]	145,977	(1,023,604)	1,599,799
Effects of changes in foreign exchange rate in profit or loss	**658,126**	**498,781**	**458,081**

(1) Mainly includes the foreign exchange transactions, foreign exchange changes of credit cards operations and gains/(losses) from foreign investment translation.
(2) Refers to tax effects of hedge instruments for foreign currency translations adjustments of equity investments.
(3) Refers to derivative financial instruments (swaps, forward operations and options of currency and commodities).

49 – SUBSEQUENT EVENTS

There are no subsequent events after the date of these consolidated interim financial statements.

MEMBERS OF MANAGEMENT

PRESIDENT
Paulo Rogério Caffarelli

VICE-PRESIDENTS
Antônio Gustavo Matos do Vale
Antonio Mauricio Maurano
Bernardo de Azevedo Silva Rothe
Carlos Hamilton Vasconcelos Araújo
José Eduardo Pereira Filho
Marcelo Augusto Dutra Labuto
Marcio Hamilton Ferreira
Tarcisio Hübner
Walter Malieni Junior

DIRECTORS
Adriano Meira Ricci
Alexandre Alves de Souza
Carla Nesi
Carlos Alberto Araujo Netto
Carlos Renato Bonetti
Cicero Przendsiuk
Edson Rogério da Costa
Eduardo Cesar Pasa
Fabiano Macanhan Fontes
Fernando Florencio Campos
Gustavo de Souza Fosse
João Pinto Rabelo Júnior
José Caetano de Andrade Minchillo
José Eduardo Moreira Bergo
José Ricardo Fagonde Forni
Leonardo Silva de Loyola Reis
Lucinéia Possar
Marcio Luiz Moral
Marco Antonio Ascoli Mastroeni
Marco Túlio de Oliveira Mendonça
Marco Túlio Moraes da Costa
Marcos Renato Coltri
Marvio Melo Freitas
Nilson Martiniano Moreira
Reinaldo Kazufumi Yokoyama
Rogério Magno Panca
Simão Luiz Kovalski

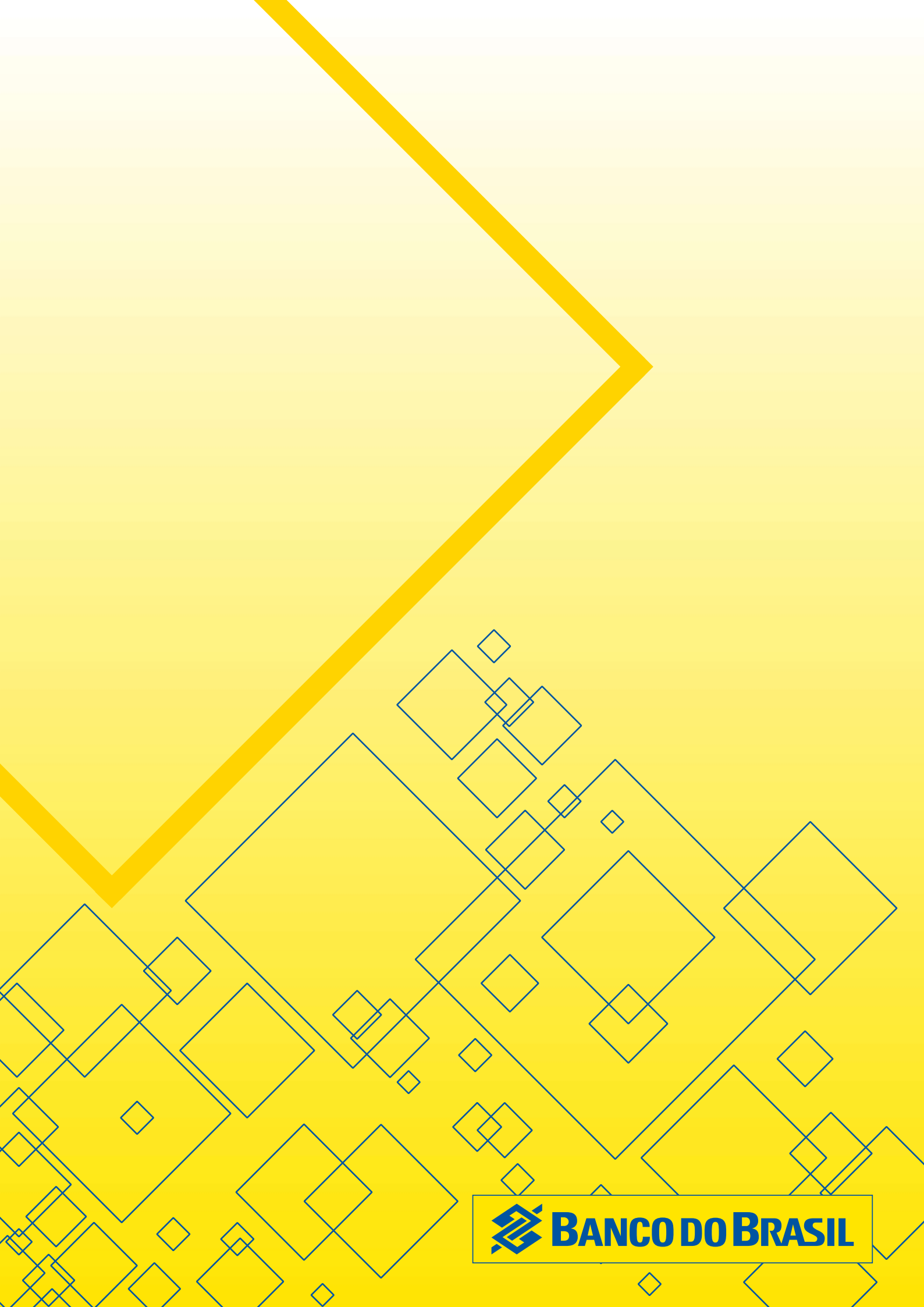
BOARD OF DIRECTORS
Beny Parnes
Daniel Sigelmann
Fabiano Felix do Nascimento
Fabrício da Soller
Julio Cesar Costa Pinto
Luiz Serafim Spinola Santos
Paulo Rogério Caffarelli

FISCAL COUNCIL
Aldo César Martins Braido
Christianne Dias Ferreira
Felipe Palmeira Bardella
Giorgio Bampi
Mauricio Graccho de Severiano Cardoso

AUDIT COMMITTEE
Antônio Carlos Correia
Luiz Serafim Spinola Santos
Marcos Tadeu de Siqueira

ACCOUNTING DEPT.
Eduardo Cesar Pasa
General Accountant
Accountant CRC-DF 017601/O-5
CPF 541.035.920-87

Daniel André Stieler
Accountant CRC-DF 013931/O-2
CPF 391.145.110-53


BANCO DO BRASIL