

Banco do Brasil  
Annual, Social and  
Environmental Report



2003

## Leadership Positions

- Total Assets: R\$230.1 billion
- Total Loans: R\$77.6 billion
- Deposits and Market Funding: R\$150.1 billion
- Asset Management:
  - R\$102.6 billion, 19% market share
- Export Exchange: 28.9% market share
- Customer Base: 18.8 million
- Distribution Network in Brazil 13,220 points of service
- ATM network in Latin America:
  - 37,018 machines
- Internet: 6 million registered customers
- Cards Revenues: R\$18.1 billion

## Ratings

### Global Rating

<a href="#">FitchAtlanticRatings</a>	Classification
Short-Term – Foreign Currency	B
Long-Term – Foreign Currency	B+
Short-Term – Local Currency	B
Long-Term – Local Currency	B
Individual	D
Support	4

### Standard & Poor's

	Classification
Long-Term – Local Currency	BB
Long-Term – Foreign Currency	B+

### Moody's

	Classification
Long-Term Debt – Foreign Currency	Ba3
Long-Term Deposits – Foreign Currency	B3
Short-Term – Foreign Currency	NP
Long-Term Deposits – Local Currency	A3
Short-Term – Local Currency	P-2
Financial Strength	E+

### Domestic Rating

<a href="#">FitchAtlanticRatings</a>	Classification
Short-Term	F1+(bra)
Long-Term	AA(bra)

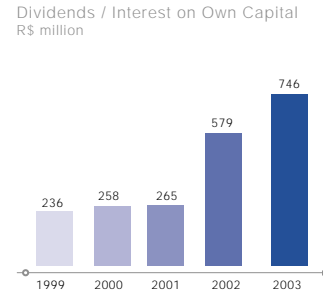
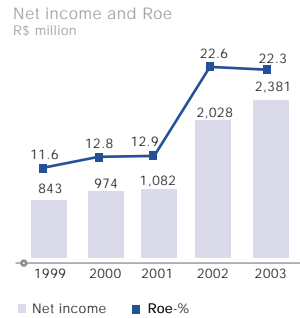
### Moody's

	Classification
Short-Term	BR-1 (3)
Long-Term	Aaa.br (3)

# Highlights

## Create value to shareholders

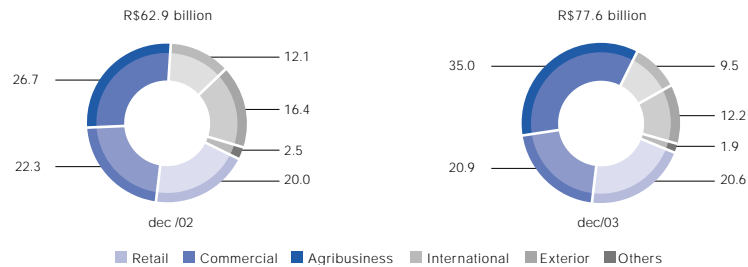
Banco do Brasil's first institutional objective, the creation of value to shareholders, is present in all of its decisions. Profit of R\$2.4 billion in 2003 and Return on Shareholders' Equity (Roe) of 22.3% confirm BB's goal to create shareholder wealth.



## Grow market share for loans and financing

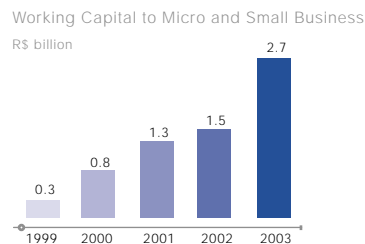
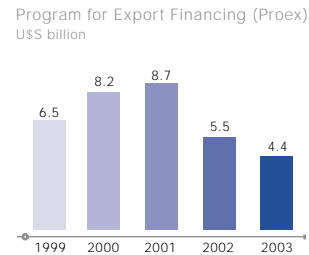
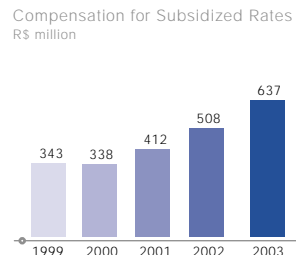
In 2003, Banco do Brasil remained the absolute leader in Brazil in lending, holding a 18.9% share of the Brazilian Banking System's portfolio. Total Loans of BB amounted to R\$77.6 billion, growth of 23.4% compared to 8.7% for the Brazilian Banking System as a whole.

Loan Portfolio Composition - %



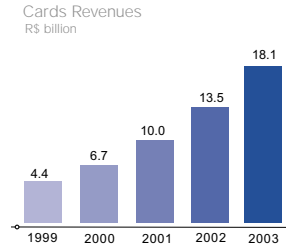
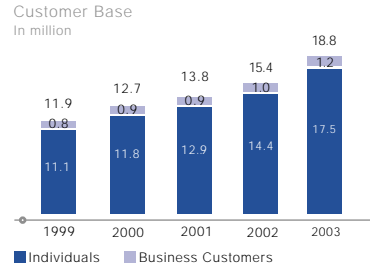
## Contribute to public policies with prior allocation of funding and receiving adequate remuneration

Banco do Brasil acts as an agent of public policies when assists the Government by financing agriculture, foreign trade, and small business. The Federal Government's budget foresees the payment of interest rate subsidies for loans with spreads that are incompatible with the profitability expected from the Bank's business.



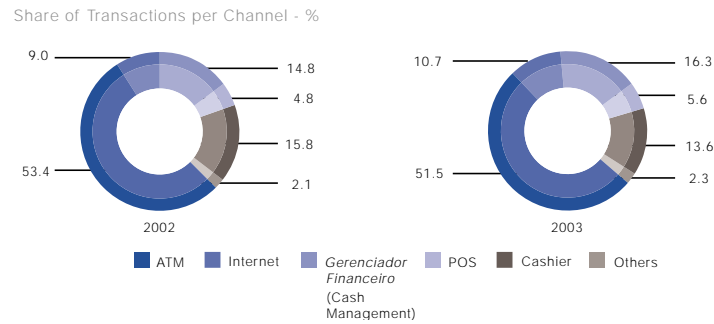
Grow the customer base and strengthen relationship with customers

Banco do Brasil had the largest customer base among banks in Brazil, growing 21.8% to 18.8 million customers at the end of 2003. BB's goal is to reach 20 million customers in 2004.



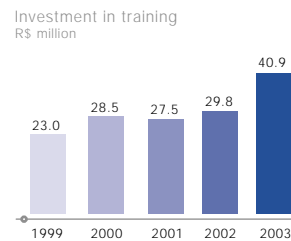
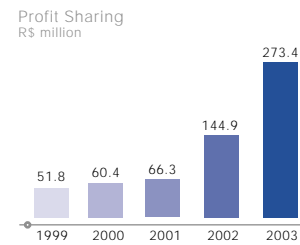
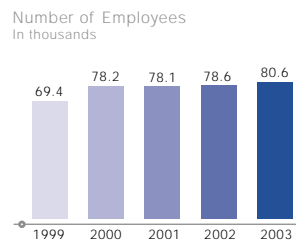
Improve the competitiveness of our products and services through the use of advanced technology and non-conventional channels

BB's customers can access the Bank's products and services using various automated channels, such as automated teller machines, Internet, telephone, and facsimile. Automated transactions processed by BB's customers reached 86.4% of the total at the end of 2003.



Strengthen bonds between the Bank and its employees

Banco do Brasil understands that its human capital is decisive for the Company's success. Accordingly, R\$40.9 million was invested in training and qualification of employees in 2003 and R\$273 million was distributed in the form of profit sharing.



## BB Figures

	1999	2000	2001	2002	2003
<b>Income - R\$ million</b>					
Gross Profit from Financial Intermediation	1,164	4,681	4,869	8,071	10,006
Service Fees	2,803	3,189	3,760	4,454	5,491
Personnel Expenses	(5,036)	(5,623)	(5,575)	(5,548)	(6,812)
Other Administrative Expenses	(2,573)	(2,882)	(3,586)	(4,097)	(4,514)
Other Operating Income Items	3,922	1,810	1,902	309	401
Operating Income	280	1,176	1,370	3,190	4,573
Non-Operating Income	(47)	140	79	171	149
Income Before Taxes	233	1,316	1,449	3,361	4,721
Income and Social Contribution Taxes	662	(282)	(301)	(1,188)	(2,067)
Statutory Profit Sharing	(52)	(60)	(66)	(145)	(273)
Net Income	843	974	1,082	2,028	2,381
<b>Assets - R\$ million</b>					
Total Assets	126,454	138,363	165,120	204,595	230,144
Stockholders' Equity	7,271	7,965	8,747	9,197	12,172
Loans (a)	29,006	35,917	40,225	51,470	65,591
Deposits	72,214	69,070	73,436	97,253	110,014
Asset Management	33,527	47,967	61,438	66,153	102,658
<b>Shares</b>					
Dividends / Interest on Own Capital	236	258	265	579	746
Asset Value (R\$/1,000)	10.21	11.19	12.29	12.40	16.63
Net Income (R\$/1,000)	1.18	1.37	1.52	2.77	3.25
Market Capitalization - R\$ million	5,598	3,985	7,206	6,696	17,568
Price to book value (x)	1.1	0.6	1.0	0.8	1.4
<b>Profitability and Productivity - %</b>					
Return on Shareholders' Equity	11.6	12.8	12.9	22.6	22.3
Efficiency Ratio (b)	92.2	80.9	69.2	59.0	56.3
Coverage Ratio (c)	55.6	56.7	67.4	80.3	82.5
<b>Other Indicators - In thousands</b>					
Customers	11,106	12,697	13,844	15,391	18,751
Service Network (d)	7.2	7.5	11.0	12.3	13.2
Automated Teller Machine (ATM)	24.5	30.1	32.3	33.6	37.0
Credit Cards	1,862	3,252	3,829	4,731	5,335
Number of Employees	69.4	78.2	78.1	78.6	80.6

a Net of Provision for Doubtful Loans. Including Leasing.

b Administrative Expenses over Operating Income

c Revenue from Service Fees over Personnel Expenses

d Points of service provided by automated teller machines only are not included in years 1999 and 2000

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2003

This report was printed in Brazilian made paper, produced through rigid international environmental quality standards: without chlorine, with minimum emission of noises and solid residues, effluent liquids treated, controlled standards of odor and without impact on the Brazilian native forests.

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# contents



A photograph of a woman with dark curly hair, smiling warmly at the camera. She is wearing a bright yellow t-shirt and a blue and white plaid apron. In the background, a man in a white shirt and a woman in a blue shirt and yellow apron are working at a wooden table in what appears to be a workshop or factory setting. The lighting is warm and indoor.

# Opportunities

During 2003, Banco do Brasil expanded its credit offering, financing the economic and social development of Brazil

## Message from the Board of Directors

### Dear Shareholders,

Under the scenario of falling interest rates and the pick up in growth foreseen for 2003, we dedicated ourselves to making Banco do Brasil even more competitive and committed to Brazilian society. We implemented various initiatives that nurtured ongoing improvement of our corporate governance practices and the strengthening of our role as an agent of public policy, as well as our position in the Brazilian banking market.

We began to expressly include social and environmental responsibility in our corporate strategy, which was reviewed and improved. Over the year, we expanded the supply of credit in a responsible manner, responding to the aspirations of the Federal Government in relation to the financing of economic and social development in Brazil, especially in programs to support small businesses, international trade, and Brazilian agribusiness. This last was in great part responsible for the fine performance of the Brazilian trade balance in 2003.

Propelled ahead by new market opportunities, as well as the Federal Government's desire to provide low income and informal workers with access to the banking system, we formed two fully owned subsidiaries: the Banco Popular do Brasil, which is intended to extend the business of the bank into the area of micro-finances in an innovative manner; and BB Administradora de Consórcios, which offers another alternative for financing durable goods and services for our existing, as well as potential customers.

In order to reinforce our strategic partnerships, we worked together with Deutsche Bank to restructure our ownership interest in Maxblue Holdings S.A. and its subsidiary, Maxblue DTVM S.A. The end of this partnership entered into in 2001 represented a jumping off point for BB's efforts to operate independently in the high income segment.

We also seek to promote a perception among employees and the public at large of BB's identification with its customers. We have perfected our business model by developing products and segmentation, redefining market niches, as well as by pursuing excellence in relation to our qualifications and performance.

We also improved our technology and mechanisms for security and control, as well as developed business and operating partnerships to share knowledge, risks, and costs.

The results of all of these actions are reflected in the largest profit of Banco do Brasil in recent history – R\$2.4 billion, 17.4% above 2002 (R\$2.0 billion). This result is in line with the enhanced performance shown in recent years.

Various leadership positions among institutions in the National Financial System can also be added to this record income. Banco do Brasil ended the year as the largest Bank in Brazil with total assets of R\$230.1 billion and expansion of 23.4% in its loan portfolio, which ended the year at R\$77.6 billion. Leadership in financing of agribusiness (R\$27.2 billion), Brazilian foreign trade (R\$7.4 billion), and small business (R\$9.8 billion) also deserve note.

BB is also the leader in customers base (18.8 million), deposits and market funding (R\$150.1 billion), asset management (R\$102.6 billion), export exchange (28.9%), and Internet banking (6 million registered customers).

These leadership positions are linked to our pursuit of efficiency while we continue to maintain prudent banking practices. The efficiency ratio (administrative expenses over operating revenues) improved by more than two percent from 2002 to 2003, decreasing from 59% to 56.3%. Our Capital Adequacy Ratio increased from 12.2% to 13.7% over the same period.

In parallel to these improvements in efficiency and competitiveness, Banco do Brasil redoubled its efforts as a public bank focused on economic and social development in Brazil. In 2003, support was provided to almost 900 thousand families under the Federal Government Family Agriculture Programs – *Programa Nacional de Fortalecimento da Agricultura Familiar* (Pronaf) and *Banco da Terra*. In addition, over 530 thousands small businesses were benefited by lines of credit for investment and working capital, as well as US\$4.4 billion in exports that were financed under the Federal Government Program for Export Financing – *Programa de Financiamento às Exportações* (Proex).

The performance achieved by Banco do Brasil in 2003 was only possible due to the dedication of our employees and the confidence of customers and shareholders. We thank you all and present our accomplishments and the most significant events of 2003 in the following pages.

The Board of Directors

## Message from the President

### Efficiency, Creativity and Commitment to the Country

The year 2003 was marked by the best results of BB's history. For customers, shareholders and the society as a whole, our figures provide an image of a better Brazil that is projected in this Annual Report. With the efforts of the 80 thousand employees, BB developed products and services that contributed to the country's export efforts and that promoted the expansion of credit; acted in programs that focus on underprivileged communities and generated many other vectors of the development.

At the same time that new projects have been launched, such as micro-credit and Banco Popular do Brasil, we perfect programs that were consolidated by its efficiency, over the years. Changes have been implemented, while business responsibility together with performance has been maintained at BB. Our reputation for dignity among other institutions in the market is based on the concrete example that it is possible to generate income and dividends while maintaining a commitment to the Country.

Banco do Brasil entered 2004 with the proposal of being the main partner of a goal part of the productive chains of the economy and serve, through the offering of specialized products and services, different market segments. The fact we are an agile company, we adapt to changes of a dynamic market, multiple in its demands.

Our leadership in many activities – such as in the agribusiness support, in the asset management, in the amount of loans and deposits, in the number of customers, in the distribution network and in the internet – shows that the importance of BB is the driver of these accomplishments.

Many times, in messages to society, we called out Banco do Brasil's 195 year tradition to support bold initiatives. With no doubt, our history is an important factor that sustains our market credibility. If in one side we must persecute the maintenance of wealthy transactions, in the order, we must be efficient in order to guarantee BB's permanent adjustment to serve specific demands of different market segments.

There are many examples of how Banco do Brasil has changed for better and today it is characterized as a complete institution that identifies itself with the customer. We increased our

market share in 2003. We invested in business creativity as well as in terms of our growing sensitivity in relation to the most urgent needs of the Brazilian society, that demands effective social actions. In this sense BB is one of the main partners of the Federal Government Program Against Hunger (*Fome Zero*). Nowadays, it is almost 1.4 thousand comities, serving about 700 thousand people. BB also helped to distribute more than 1.7 thousand tons of foodstuff to registered entities. In social and cultural events, BB created 9.2 thousand temporary jobs. It deserves special attention the volunteer work of about 11 thousand BB employees and their relatives, that also acts in the education area, in programs mainly for children and adolescents.

In the following pages it is shown not only BB's 2003 performance, but also a Country retaking its growing process and its social and economic development. In 2003, we worked to turn Banco do Brasil into a highly committed company to the construction of a better Brazil.

Enjoy your reading!

Cássio Casseb Lima



## Perspectives

In 2004, we will continue to develop our strategic forecasting model. The same guides BB's actions through the use of objectives linked to corporate directives and also provides performance indicators. In addition to the institutional objectives pursued in 2003, new ones were added in 2004. We note the following new objectives:

- Perfect Corporate Governance practices as a way to meet expectations of interested parties;
- Promote banking inclusion through our Banco Popular do Brasil; and
- Expand business with customers.

During the coming year, we will continue to work to create value for shareholders, assuring a minimum return of 17% on shareholders' equity. We will also seek to assure that an adequate relationship exists between revenues and our cost structure by keeping our efficiency ratio at 56% and holding coverage ratio to a minimum of 50%.

As a consequence of our ongoing focus on business production and sustainable growth for the economy, we expect to grow our loan portfolio by from 20% to 30%, placing emphasis on commercial business, especially small and medium sized companies. We also expect to grow our customer base to 20 million customers. Moreover, we intend to raise the average number of products used by a customer to four.

We will continue our strategy to be the main bank for foreign trade, in order to continue as the leader in export exchange. We also intend to position BB as one of the top three banks in domestic Capital Markets and borrow at least US\$500 million abroad for the Bank's own portfolio, reducing costs and extending maturities.

Internally, we will attempt to be the best bank to work with in Brazil and achieve an overall employee satisfaction level equal to or greater than 80%. We will invest in the development of employees, seeking to provide them with a minimum of 82 hours of training per employee. We will also pursue stronger performance in the area of social responsibility by implementing Ethos' Indicators for Social Responsibility. We expect to improve our evaluation by 10% in relation to 2003.

Risk management, transparency, rationalization of costs, and process automation will continue to be priorities of the Bank. Our commitment to creating value for shareholders and customers extends to employees and society, as well as our pursuit of sustainable development for the institution and the strengthening of the role of Banco do Brasil as an agent of economic and social development in Brazil.



# Identity

As the largest bank in Brazil, BB highlights among others by serving all markets segments in addition to its social role



## Profile

Formed in 1808, BB is the largest bank in Brazil today. Over the past several years, it has become an agile, modern, and competitive organization that is even more committed to the economic and social development of Brazil. BB has the largest customer base and service network among all institutions of the National Financial System.

Banco do Brasil has stood out for its capacity to meet the needs of all segments of financial markets, providing products, services, and business solutions without neglecting its social role as a sponsor of programs, projects, and initiatives that reaffirm the truest values of the Brazilian society.

The dedication and commitment of BB employees, throughout its 195 year history, made the company overcome historical changes, such as the Independence of Brazil, Proclamation of the Republic of Brazil and the Banking System Reformulation.

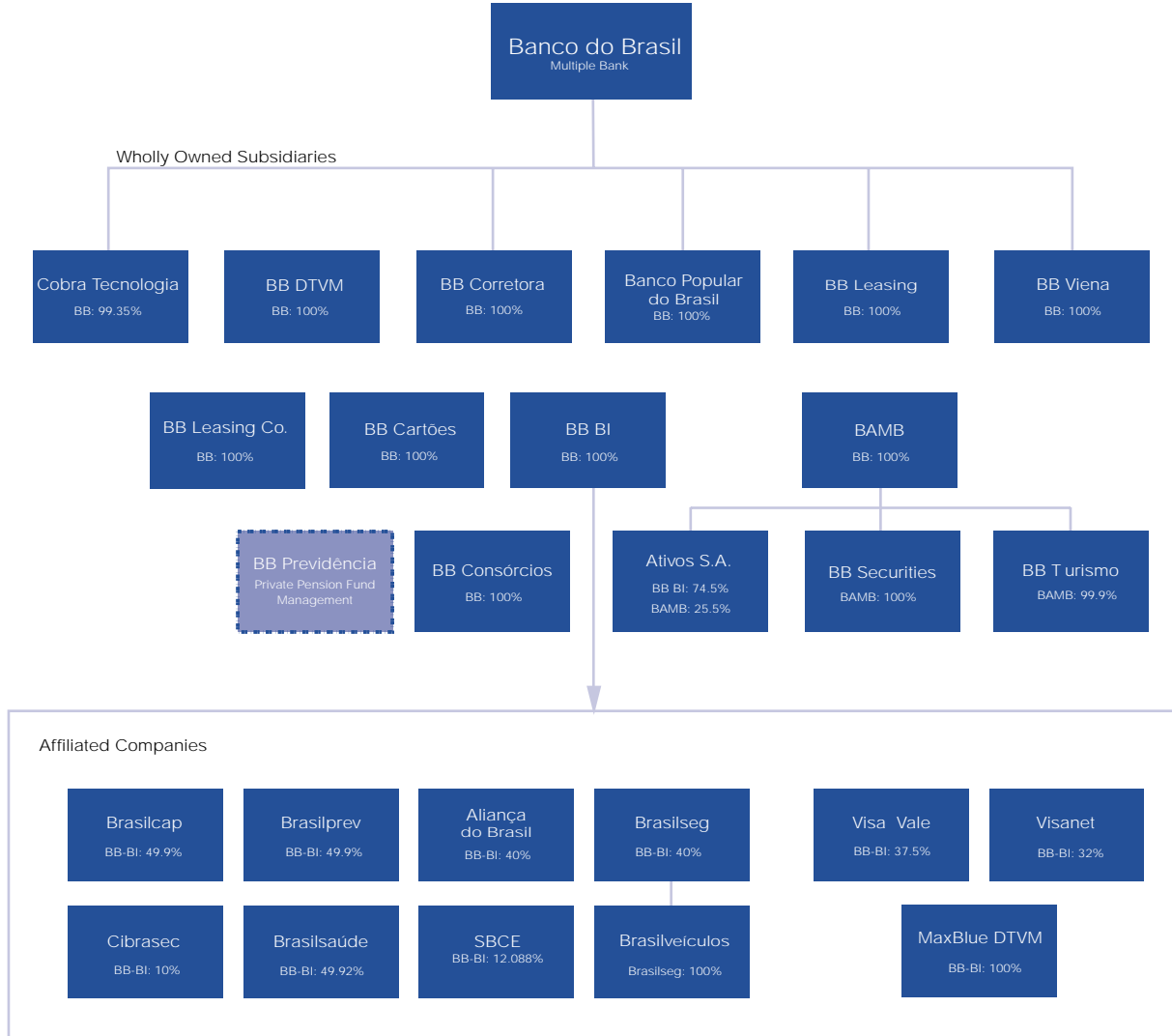
The social concern, always present in the bank's culture, was shaped with the Banco do Brasil Foundation in 1988, and was reinforced, in 2003, with the creation of a specific area for social and environmental responsibility management in the Company's business.

Banco do Brasil's shares have been traded on stock exchanges since 1906 and the Institution is presently organized as a multiple bank. Fourteen companies currently make up the group that is headed by Banco do Brasil.

## BB Group Structure

As a full service bank, Banco do Brasil is specialized in market segments and functions in an integrated manner. The companies that form the BB's Group Structure supplement the Bank's portfolio of products and services and allow it to provide banking and financing solutions adequate for the needs of its customers. BB's investment bank – BB BI – also has strategic partnerships in 11 affiliated companies in which it holds 10% or more of the capital.





## Organizational Structure

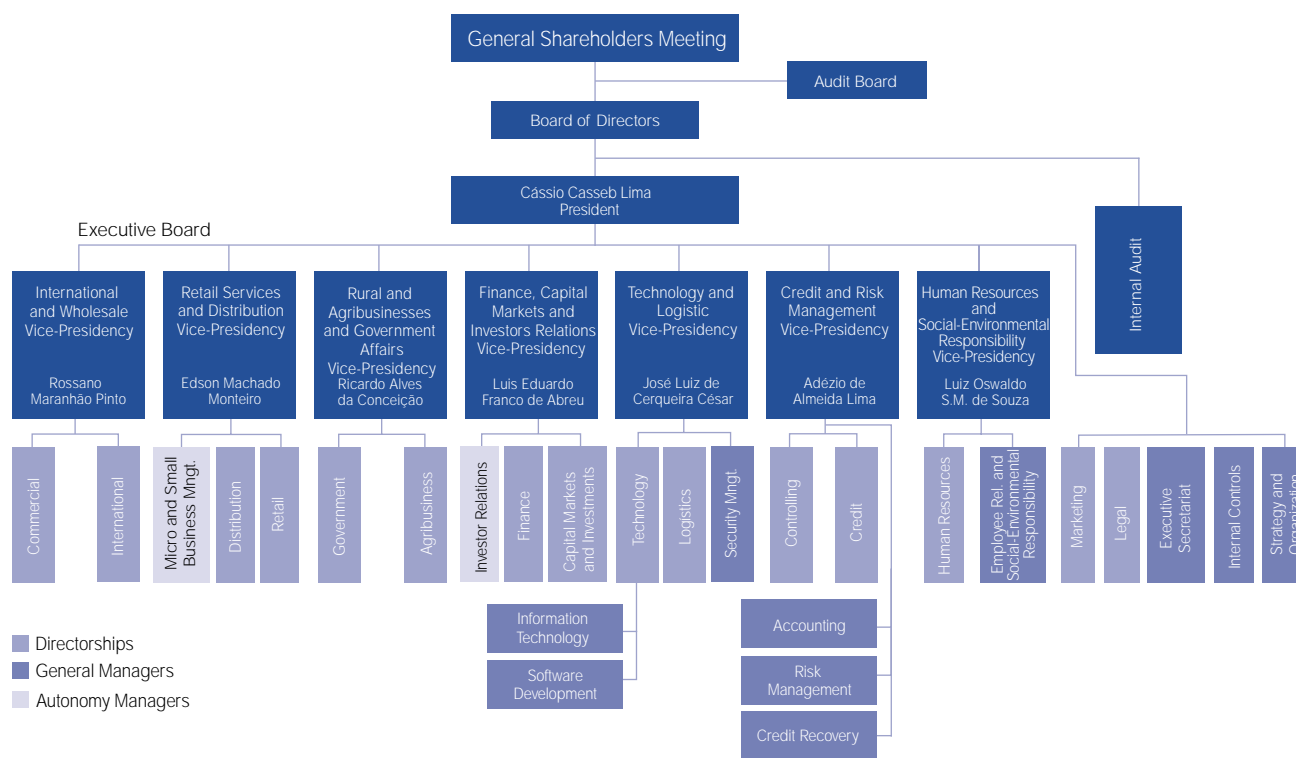
In order to create conditions for BB's expansion in the banking industry and assure its efforts to support social and economic development in Brazil, in 2003, Banco do Brasil integrated risk management has been improved; its focus on the market and customers was refined; greater emphasis has been placed on actions in the areas of social and environmental responsibility, and control over costs has been guaranteed.

In addition, the Board of Directors approved a new organizational structure in February 2003 to improve the Corporate Governance model which implementation began in 2001. Among the changes made, a new structure combined and integrated risk areas to guarantee global management over market, credit, and operating risks. This assures more efficient allocation of capital and a more detailed view of our exposure to risks.

Changes in the structure also refined our market focus, especially in the small businesses segment, for which a specialized area was implemented to serve the same. In addition to this, management increased the clarity of and placed more importance on objectives and actions related to social and environmental responsibility, as well as the value and the commitment of employees, through the creation of a vice-presidency for Human Resources and Social and Environmental Responsibility. This specialization represents management's recognition that the factor of differentiation among companies is human capital and that all facets of our business contribute to the sustainability of BB.

Banco do Brasil's organizational structure allows coherent policies to be established and tasks to be clearly defined in each of its areas, which are complementary and work in synergistic manner. The Bank is managed by a president and seven vice presidencies who are responsible for fifteen directorships. Three of the directorships are responsible for defining relationship strategies for customers of our Business Pillars – Retail, Wholesale, and Government.

BB's management structure currently has approximately seven thousand employees, which represents 8.5% of the workforce. The remaining employees work directly with customer relationships as an integral part of the distribution network.



## Shareholders

In December 2003, BB's capital was distributed among 743.3 billion registered (book-entry) common shares with no par value. The major shareholder is the Brazilian Treasury, which owns 71.8% of the capital, followed by the pension fund for employees of Banco do Brasil (Previ) with 13.8%, and BNDESPar – the investment arm of the National Bank for Economic and Social Development (BNDES) – which holds 5.8% of capital. The remaining 7.1% are widely distributed in the market.

Shareholders	% ON
Brazilian National Treasury	71.8
Previ	13.8
BNDESPar	5.8
Treasury Stocks	1.5
Foreign Capital	2.2
Individuals	3.3
Other Companies	1.1
Other Pension Funds	0.5
<b>Total Shareholders</b>	<b>100.0</b>

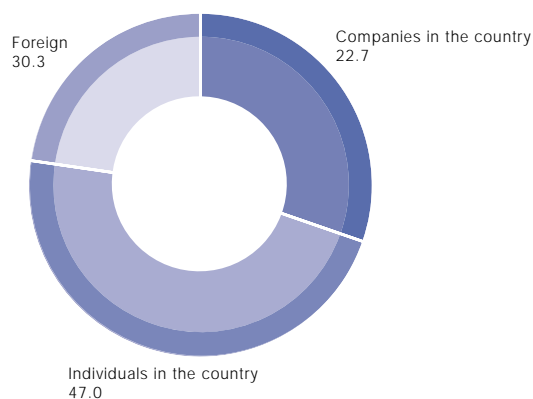
The Bank's shareholder universe is broadly distributed in terms of the number of shareholders. Of the total universe of 329,334 shareholders, 90% owned up to 50,000 shares, representing only 0.3% of the capital, while only three shareholders held 91.4% of capital.

Ownership Categories	N. of shareholders	% Shareholders	N. of shares	% of Total
1 to 50 thousand	296,473	90.02%	2,247 million	0.30%
Over 50 thousand	32,861	9.98%	741,028 million	99.70%
<b>Total</b>	<b>329,334</b>	<b>100.00%</b>	<b>743,275 million</b>	<b>100.00%</b>

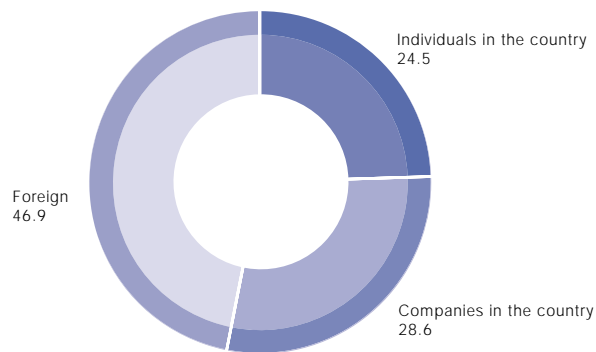
Shareholders resident in Brasil (99.8%) held 97.8% of total capital. Foreign shareholders (0.2%), mainly large investors, owned 2.2% of the Bank's capital.

Shares available for trading (free float) represented 7.1% of the total capital. A total of 64.6% of the free float shares (34.2 billion shares) are held in custody by the *Companhia Brasileira de Liquidação e Custódia* (CBLC)

Free Float – Distribution – %



Free Float – CBLC – Distribution – %



Approximately 57% of the individual shareholders living in Brazil (3.3% of total) have a checking account with BB and 5% are employees of the Bank. These shareholders have a conservative profile and most of them are, they include individuals who are over 55 years of age; 49% hold college degrees and 40% are retired.

Shareholder services are available in the over three thousand branches of BB in Brazil. In 1999, the Bank implemented a shareholder service via BB Responde (0800 78 5678), through which shareholders can obtain information of a general nature on dividends, financial performance, etc. and they can also request information on their shareholdings.

The Bank created a virtual shareholder room at its website [bb.com.br](http://bb.com.br), links *Relações com Investidores* or English in February 2004, reinforcing its policy of improving services for BB's shareholders. As a consequence of this pioneering effort made by Banco do Brasil, shareholders can use the Internet to consult holdings, historical earnings, share purchases and sales, as well as other relevant information on capital markets and the Bank, using an individual access password.

The screenshot shows the 'Relações com Investidores' page. At the top, there is a search bar and navigation links. The main header includes the BB logo and the text 'Relações com Investidores'. Below this, there is a navigation menu with items like 'Relatórios', 'Informações ao Mercado', and 'Opinião do Mercado'. The central content area features a globe graphic with the text 'Bem vindo ao site Relações com Investidores'. To the right, there is a financial chart for the IBOV Índice Bovespa and a table of market data.

Índice/Taxa	Valor	%	Hora
IBOV	22,80	-0,88	14:56
RS&F2	2,39	-4,48	15:00
Bovespa	19.884,00	2,28	15:01
Dow Jones	9.429,50	-	23:11

The Shareholders Room provides other services, such as information on holdings, a shareholder channel – with data on market behavior and the main world exchanges, corporate acts – and direct access to a page for purchase and sale of shares.

## BB's Securities

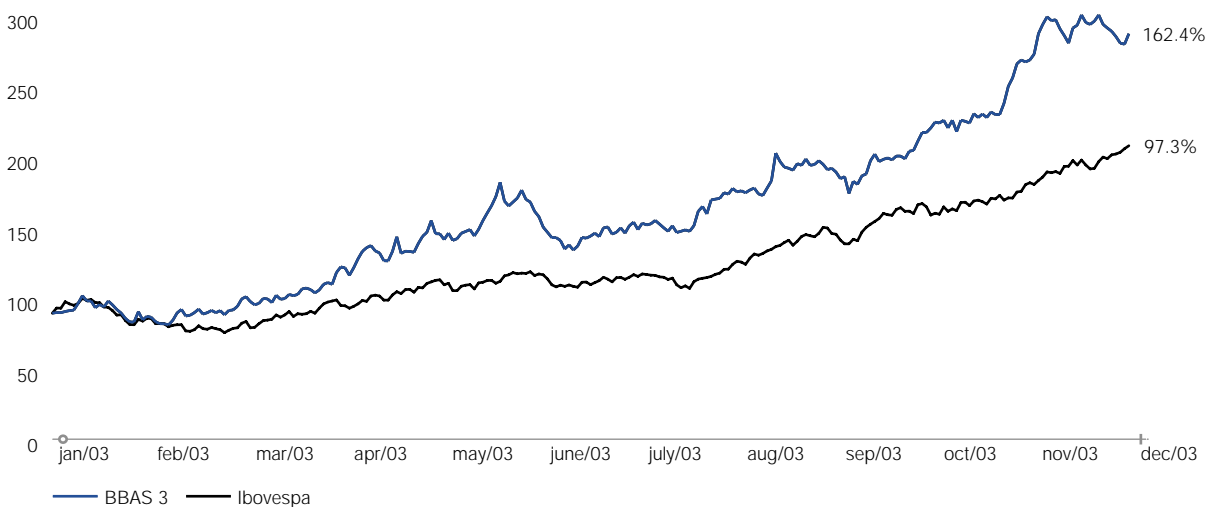
### Common Shares – BBAS3

Confidence in the governmental policies resulted in the reestablishing of the flow of foreign investment into Brazil, which had a positive impact on the performance of the São Paulo Stock Exchange (Bovespa). Ibovespa (Bovespa Index) reached 22,236 points in 2003, an increase of 97.3%. Improvements in the Bank's results also had a positive influence on the performance of BB's shares traded on the Bovespa exchange. The volume traded reached a total of R\$1 billion compared to R\$409 million in 2002. Together with this scenario, and also influenced by its growing results, BB presented a positive performance in the Brazilian Stock Exchange.

BB's shares (BBAS3) ended December 2003 with a participation of 1.44% in Ibovespa and a price increase of 162.4%, reaching R\$24.00 per thousand shares.

BB Shares vs. Ibovespa

Base 100 = 12/31/2002



Source: Economática

## Stock Warrants – BBAS12 e BBAS13

Three series of stock warrants were issued when the Bank increased its capital in 1996: series A, B, and C, maturing in 2001, 2006, and 2011, respectively. The exercise price for these warrants was set at R\$8.50 and this price was readjusted over time, applying the IGP-DI inflation index.

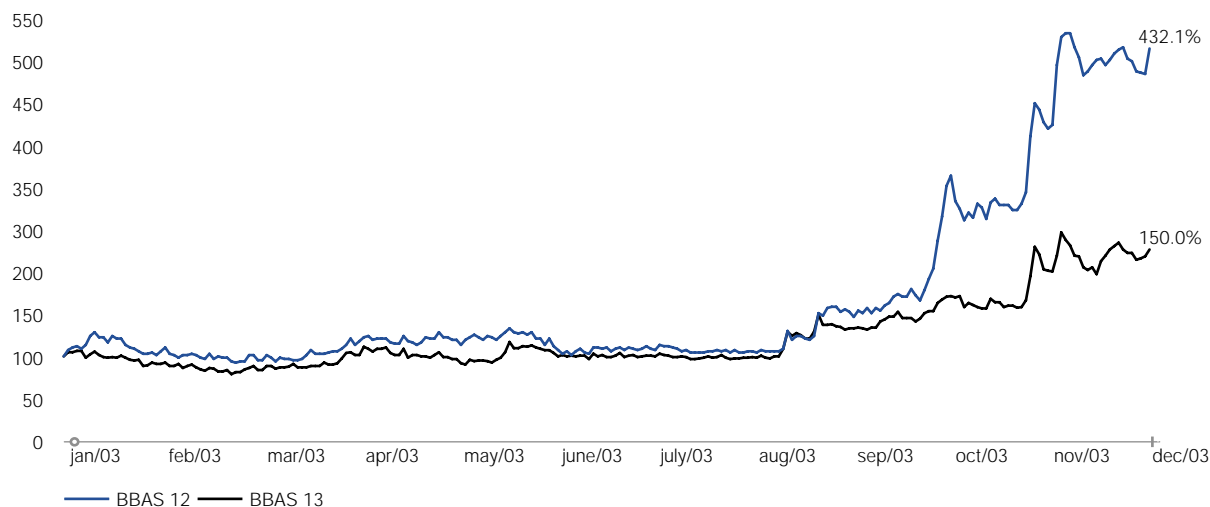
Stock warrants series “A” were exercised or canceled in 2001. The outstanding warrants in series “B” and “C” have the following characteristics:

Series	Code	Quantity	Exercise Price R\$ per thousand	Quotation in R\$ as of 12.31.2003
B Warrants	BBAS 12	213,591,693,924	18.98	2.98
C Warrants	BBAS 13	355,986,156,540	18.98	2.60

The value of these warrants increased surprisingly, accompanying the performance of BB's shares in 2003, as can be seen in the performance of closing prices shown as follows. This behavior also reflects the positive perceptions of the market in relation to management's proposed repurchase of outstanding warrants, as can be seen in information found in the Material Facts dated November 12, 2003 and February 17, 2004, available at the website [bb.com.br](http://bb.com.br), links *Relações com Investidores* or English.

Performance of Stock Warrants Series “B” and “C”

Base 100 = 31/12/2002



Source: Economática

## Market Capitalization

Market capitalization reached R\$17.6 billion at the end of 2003 compared to R\$6.7 billion in 2002, increasing 162.4%. The price/book value ratio reached 1.44x compared to 0.73x (Dec03 - Dec02) and net income per thousand shares reached R\$3.25 compared to R\$2.77 (2003 - 2002). This improvement in the market value of BB's securities is also the result of management's proposal to increase its liquidity. We highlight the following proposals presented:

a) Studies performed in the market established that the existence of stock subscription warrants tied to a pre-established price negatively effect the potential for valuation of the Bank's shares. Based on this study, the Board of Directors approved implementation of a public offer to acquire warrants series "B" and "C" for subsequent cancellation.





Simultaneously, the Bank will make a private offering of shares for the maximum amount foreseen as the amount required covering costs related to the acquisition of the warrants. Both transactions are linked to the conditions that at least 90% of warrants are offered for repurchase and at least 90% of the stock subscription must be subscribed.

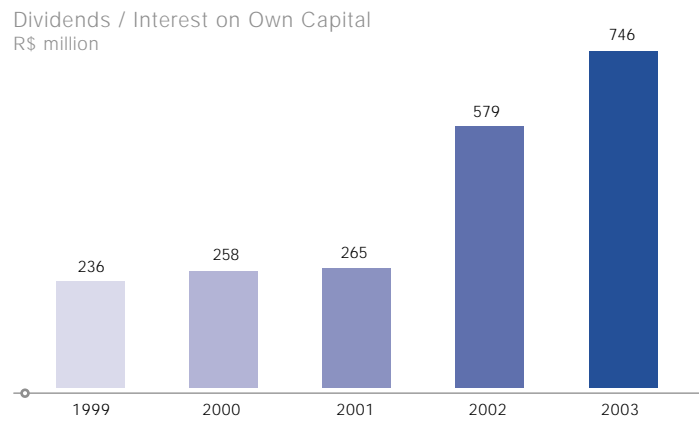
b) In order to stimulate trading volume of securities, reduce operating costs, improve shareholder services, and facilitate pricing of BB's shares, in a General Meeting held on November 12, 2003, shareholders approved reverse splits for shares and stock warrants series "B" and "C". The reverse split turned each one thousand shares or subscription rights into one share or subscription right. Beginning as of January 26, 2004, the Bank's shares and warrants began to be traded in single units and capital was distributed among 743,275,506 shares held by 275,269 shareholders.

Fractions of shares and warrants remaining as of March 12, 2004, (142,860 shares; 151,676 "B" warrants and 156,992 "C" warrants) were sold in the market without cost to shareholders or warrant holders for a total of R\$4.3 million. This amount was distributed among the respective owners.

### Shareholders' Compensation

Shareholders have the right to receive a mandatory minimum dividend equal to twenty-five percent (25%) of adjusted net income as set forth in the law (Article 202 of Law 6,404; Decree 2,673/98) and the by-laws of the Bank every semester. Banco do Brasil can authorize the payment or crediting of interest on own capital to shareholders and consider any such amount an integral part of any mandatory minimum dividend (Article 9 of Law 9,249; Decree 2,673/98)

Compensation of BB's shareholders has grown in recent years, which is demonstrated in the graph below.





# Transparency

The relation between Banco do Brasil and its various audiences is based on the principles expressed on the Code of Ethics and Standards of Professional Conduct



## Corporate Governance

BB has reinforced its commitment to capital markets by adopting standards for corporate governance required to join Bovespa's "New Market". This voluntary initiative demonstrates the Bank's interest in greater transparency, improving investor relations, and assuring equal rights among shareholders. Among the commitments already assumed and included in the Bank's by-laws, we note the holding of at least one meeting annually with analysts; disclosure of information via the Internet; presentation of financial statements in English; and implementation of a unified one-year mandate for members of the Board of Directors and Audit Board.

BB's relations with its various audiences are based on the Letter of Principles for Social and Environmental Responsibility and on ethical principles set forth in Banco do Brasil's Code of Ethics and Standards of Professional Conduct. These principles are disseminated throughout the Bank and they are also a recurring theme during training, specific presentations, and internal meetings. In addition to being distributed to all employees, the Code of Ethics is also divulged on the Internet – [bb.com.br](http://bb.com.br), link *Relações com Investidores*. The Bank is also a member of the Federal Government's Committee for Public Ethics.

### Administration

General oversight of Banco do Brasil's business is the responsibility of the Board of Directors (CA). According to the institution's by-laws, the board is made up of seven members, including up to three appointed by the minority shareholders. Of these, one is reserved for an employees represent and must be indicated by investment clubs that hold at least three percent of voting capital. Previ is the largest minority shareholder and it is responsible for appointing the board members foreseen for minority shareholders. The Board met sixteen times in 2003, including twelve ordinary and four extraordinary meetings.

None of the members of the Board has a significant holding in the Bank's capital and only the vice president of the Board of Directors holds an executive position as president of the Board of Officers. Decisions involving policies, corporate strategies, general business plans, master plans, and overall budget must be approved by at least five board members, that is, at least one representative of minority shareholders must be in agreement.

## Board of Directors

### President:

**Bernard Appy**, Brazilian, Economist. Carried out studies and research in the areas of macroeconomics and microeconomics. Consultant in the areas of political economics and forecasts, and prepared bills for laws and opinions on economic matters. Employee of the Treasury Ministry.

### Vice President:

**Cássio Casseb Lima**, Brazilian, Production Engineer. Worked at various financial institutions, including Bank Boston, Credit Lyonnais, and Citibank. Former president of Credicard S.A. He is currently a sponsor and manager of Institute for Recycling of Adolescents (Reciclar), a social project for young persons at Jaguaré (SP).

### Representative of the Brazilian Government, appointed by the Treasury Minister:

**Tarcísio José Massote de Godoy**, Brazilian, Engineer with postgraduate work in civil engineering (soils). He is the General Coordinator for Assumption and Restructuring of Liabilities at the National Treasury Secretariat. Former Assistant Secretary and General Coordinator of the Secretariat for Supplementary Pensions. He is an employee of the Treasury Ministry.

### Representative of the Brazilian Government appointed by the Minister for Planning, Budget, and Management:

**José Carlos Rocha Miranda**, Brazilian, Economist, Masters and PhD in Economics. Employee of the Ministry for Planning, Budget, and Management. He is professor at the Economics Institute at Universidade Federal of Rio de Janeiro (UFRJ).

### Representatives appointed by minority shareholders:

**Francisco Augusto da Costa e Silva**, Brazilian, Attorney, Executive MBA from Coppead (UFRJ). Legal advisor to Embramec, former head counsel of BNDESPar, BNDES and BNDESPar director, and president of the Brazilian Securities Commission (CVM).

**João Carlos Ferraz**, Brazilian, Economist with a degree in Journalism; post graduate work in Economics and Political Science and specialization in Estudios Sociales del Area Iberoamericana in Madrid, Spain; and PhD in Economics and in Political Science and Technology. Director and assistant professor at the Economics Institute of UFRJ. Former visiting professor, consultant, and researcher at universities in Japan, Chile and England.

**Carlos Augusto Vidotto**, Brazilian, Economist; Masters and PhD in Economics. Professor at the Department of Economics of Universidade Federal Fluminense (UFF) where lectures at the post graduate level.

### Supervision and Control

The Board of Directors formerly counted on the Superior Audit Committee to assist it with responsibilities related to internal audits and supervision. However, this group was extinguished at an Extraordinary Shareholders' Meeting held on October 7, 2003, and an Audit Committee was formed in accordance with the Brazilian Monetary Council (CMN) Resolution 3,081 of May 29, 2003. This Committee will be fully functioning by July, 2004.

In addition, BB is also subject to supervision by the Brazilian Central Bank, the Federal Government General Accounting Office (*Tribunal de Contas da União*), and its independent auditors, who according to Central Bank regulations must be substituted every four years. Independent audit services are currently provided by *PricewaterhouseCoopers Auditores Independentes*.

The Audit Board, which is responsible for control and supervision of administrative acts, is made up of five members, three of which are appointed by minority shareholders. This committee normally meets once each month or whenever an extraordinary meeting is called by one of its members or the Bank's management.

#### Audit Board

#### Representative of the National Treasury appointed by the Treasury Minister:

**Marcus Pereira Aucélio**, Brazilian, Forestry Engineer with post graduate work in Finances and Public Sector Finance. General Coordinator for Management of the Public Debt – Secretariat of the National Treasury (STN).

### **Representative of the Federal Government appointed by the Treasury Minister:**

**Rodrigo Pirajá Wienskoski**, Brazilian, Attorney with postgraduate work in Economic and Business Law. Legal Counsel at the National Treasury.

### **Representatives appointed by minority shareholders:**

**João Batista Nogueira**, Brazilian, Economist with post graduate work in Economics and Finance, Macroeconomic Analysis, Planning, and Marketing. Former Coordinator at the Secretariat for Regional Development of the Federal Government. Former special representative of the Treasury Ministry.

**Satomi Iura**, born in Japan and naturalized as a Brazilian citizen, Economist and Accountant. Retired employee of BB. Former Secretary of Planning, as well as coordinator and director of the Municipal Department of Finance in Lajes (SC).

**Vicente de Paulo Barros Pegoraro**, Brazilian, Attorney with degrees in Economics, Accounting, Business Administration, and Languages; post graduate work and specialization in Systems Analysis, Information Technology, Accounting, Costs, and Auditing. Retired employee of BB. Board and audit committee member at companies in which Previ has an ownership interest.

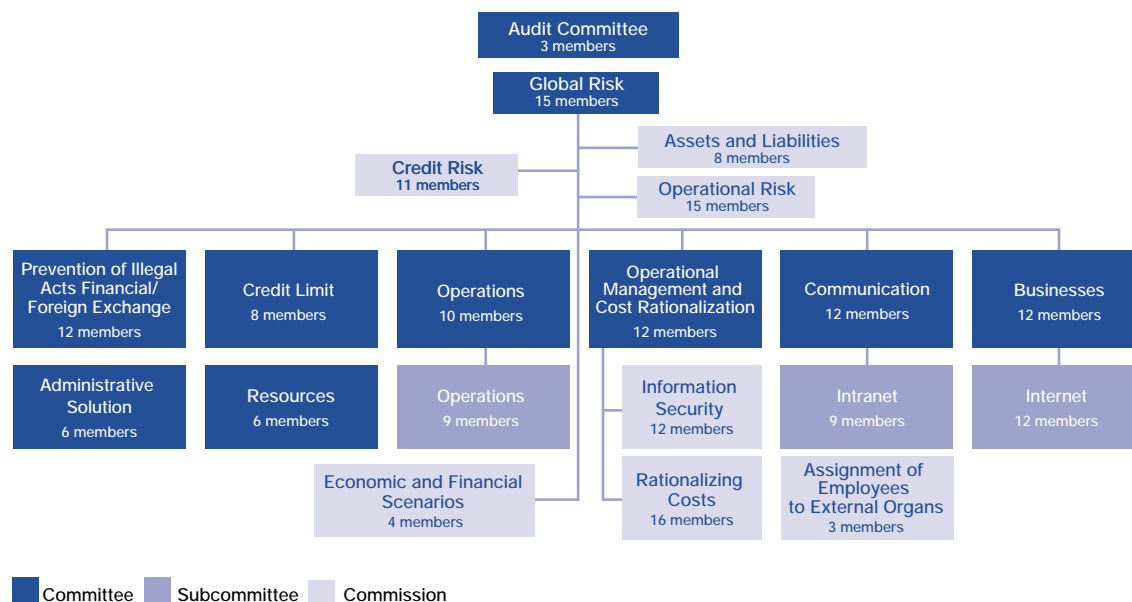
## **Management**

The Executive Board is formed by the Board of Officers – which includes the president, Cássio Casseb Lima and seven vice presidents – and fifteen directors. This Board is responsible for managing the Bank's business. The members of the Executive Board are for the most part shareholders of BB.

The management system also includes Internal Auditing and an Internal Control Unit that are responsible for compliance of the Bank's operations and business following the law, internal regulations, and policies of the Bank. In addition, committees and commissions are responsible for defining actions for BB's various businesses.

All Company decisions are made in committee; there is no individual authority. In order to involve all executives in the definition of the strategies and the approval of proposals for BB's various businesses, management has formed various committees and commissions.

## Committees and Commissions



## Policies for Disclosure and Trading

On June 10, 2002, in compliance with CVM Instruction 358/02, management approved a Policy for Disclosure of Material Facts or Acts that governs the treatment of privileged information for the entire conglomerate. For BB, implementation of this policy is more than just a requirement of a regulatory agency; it demonstrates the Bank's respect for investors, as well as its commitment to transparency. BB has also adopted a policy for trading in its securities by persons who the Bank considers subject to self-regulation, even though the CVM only suggests this practice. Both policies are available to the market at the CVM's site [www.cvm.gov.br](http://www.cvm.gov.br) and BB's site [bb.com.br](http://bb.com.br), link *Relações com Investidores*.

In addition to these policies, the Bank has also had a broad and effective self-regulation system since the introduction of CVM Instruction 31/84, through which it regulates and controls the disclosure of significant information and trading of the Bank's securities by employees and management. All rules and procedures are included in the Instruction Code Book (LIC) to which all employees of the Bank have access. According to these



instructions, all employees and service providers that have access to meaningful information, regardless of their position, are required to follow self-regulation guidelines. At the end of 2003, the list of self-regulated individuals at BB's headquarters included over six thousand employees and managers.

As recommended by the CVM and required by internal guidelines for self governance, members of the Board of Directors, of the Fiscal Council, and of the Executive Board immediately inform the quantity and characteristics of securities issued by the Bank when they come into possession of the same, as well as their plans for trading of the same, as shown in the table below. Trades actually made involving BB securities are communicated to the Bank and the CVM on a monthly basis.

Board of Directors	Common shares		B Warrants		C Warrants	
	12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Bernard Appy	1,000	-	-	-	-	-
Cássio Casseb Lima	1,000	-	-	-	-	-
Carlos Augusto Vidotto	1,001	01	-	-	-	-
Francisco Augusto da Costa e Silva	1,002	01	-	-	-	-
João Carlos Ferraz	1,001	01	-	-	-	-
José Carlos Rocha Miranda	1,000	-	-	-	-	-
Tarcísio José Massote de Godoy	1,000	-	-	-	-	-

Note: The change seen in the ownership positions of board members is attributable to the reverse stock split and subsequent rounding off of fractions generated as result of the same.

Audit Board	Common shares		B Warrants		C Warrants	
	12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
João Batista Nogueira	4,233	4,233	1,238	1,238	2,065	2,065
Marcus Pereira Aucélio	-	-	-	-	-	-
Rodrigo Pirajá Wienskoski	-	-	-	-	-	-
Satomi Iura	88,713	88,713	25,729	25,729	42,883	42,883
Vicente de Paulo Barros Pegoraro	1,232	1,232	336	336	560	560

Executive Board	Common shares		B Warrants		C Warrants	
	12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Cássio Casseb Lima	1,000	-	-	-	-	-
Adézio de Almeida Lima	2,464	2,464	769	769	1,233	1,233
Edson Machado Monteiro	57,876	57,876	17,362	17,362	28,939	28,939
José Luiz de Cerqueira César	-	-	-	-	-	-
Luiz Eduardo Franco de Abreu	1,000	-	-	-	-	-
Luiz Oswaldo Sant'Iago Moreira de Souza	2,544	2,544	748	748	1,249	1,249
Ricardo Alves da Conceição	371,463	371,463	111,253	111,253	185,424	185,424
Rossano Maranhão Pinto	-	-	-	-	-	-

Directors	Common shares		B Warrants		C Warrants	
	12.31.03	12.31.02	12.31.03	12.31.02	12.31.03	12.31.02
Aldo Luiz Mendes	-	-	-	-	-	-
Antônio Francisco de Lima Neto	403	403	120	120	203	203
Augusto Braúna Pinheiro	-	-	-	-	-	-
Derci Alcântara	33,676	33,676	9,806	9,806	16,345	16,345
Fernando Barbosa de Oliveira	67,848	67,848	20,177	20,177	33,631	33,631
Henrique Pizzolato	26,537	26,537	7,714	7,714	12,858	12,858
João Carlos de Mattos	-	-	-	-	-	-
José Gilberto Jaloretto	-	-	-	-	-	-
Manoel Gimenes Ruy	14,267	14,267	4,192	4,192	6,988	6,988
Miguel Oscar Viana Peixoto	-	-	-	-	-	-
Paulo César Simplício da Silva	29,044	29,044	8,568	8,568	14,281	14,281
Paulo Rogério Caffarelli	898	898	245	245	409	409
Renato Donatello Ribeiro*	84.9811*	84.9811*	2,438	2,438	4,064	4,064
Rosa Maria Said	-	-	-	-	-	-
Willian Bezerra Cavalcanti Filho	-	-	-	-	-	-

\* Quotas of the BB Employees' Investment Club (CIN)

## Market Relations

BB's relationship with its shareholders and investors is handled by the Investor Relations Division (RI), which places at their disposal objective, trustworthy, and timely information. Analysts, investors, and BB's customers can gain access to and monitor financial information, business performance, and strategies adopted by the Bank at the website [bb.com.br](http://bb.com.br), link *Relações com Investidores*. In addition to this data and other institutional information, the site also has a virtual Shareholder's Room.

The Investor Relations Division divulges on its site quarterly reports, material facts, institutional presentations, and other meaningful information in Portuguese and English. Among the information disposed by Investor Relations Division, the quarterly performance analysis report,

Management Discussion and Analysis Report, presents developments in BB's main businesses and the factors that contributed to results in the period, as well as financial statements and notes to the financial statements to the same (See Management Discussion and Analysis Report).

In 2003, the Investor Relations Division held 12 meetings with market analysts – ten at regional at the Association of Analysts and Investment Professionals in Capital Markets (Apimec) and two with the Brazilian Association of Capital Market Analysts (Abamec); 26 meetings in Brazil with investors and market analysts; five meetings with market institutions abroad; 52 meetings with international investors and market analysts, including 26 on Brazil Day (New York, USA) and 26 at the *V Foro Latibex* (Madrid, Spain); four institutional presentations in seminars and meetings with executives of other companies; eight conferences with analysts; five conference calls on performance, including three in Portuguese and two in English; and three national congresses: the 4th Congress of Corporate Governance, Capital Market General Business Plan Meeting, and the 5th Investor Relations Meeting general business plans.

**The main questions answered by Investor Relations Division in 2003 were as follows:**

**Is Banco do Brasil prepared to face a scenario of falling interest rates without profitability being affected?**

Banco do Brasil has shown increases in financial brokerage margins over various quarters that are primarily attributed to its capacity to expand its assets and take advantage of its scale. The Bank understands that under a combination of falling interest rates and economic growth it would have room to intensify operations in retail and wholesale segments, which would add to the excellent performance that agribusiness operations have presented, thus weakening the pressure of a lower spread on our financial margin.

**Why has the share of the Bank's agribusiness loan portfolio increased in relation to total loans?**

Banco do Brasil is a pioneer in granting of farm credit in Brazil and it is the leader in this segment. The agribusiness area is currently one of the most efficient and competitive areas of the Brazilian economy. It contributes significantly to the trade balance and the area plays a strategic role in the economic growth of Brazil. Growth in the agribusiness loan portfolio has accompanied the expansion in this area over the past year and the increase in official resources available to finance this activity.

### **Could the Bank's profitability be affected by political mismanagement or because of its social role?**

Banco do Brasil understands that its responsibilities in relation to the execution of the government's public policies do not collide with its prerogatives as a publicly traded company whose capital is divided between the federal government and minority shareholders. Accordingly, the Bank's by-laws govern relations between the Bank and its majority shareholder, the federal government, in order to guarantee adequate remuneration to the Bank when it acts as an agent of public policy:

Section II – Dealings with the federal government

Article 5. The Bank will contract directly with the federal government or its agent as set forth in law when it:

- I – executes assignments and services related to its role as a financial agent of the National Treasury and in other functions attributed to it by law;
- II – provides financing of interest to the federal government and executes official programs that use resources of the federal government or funds of any other nature; and
- III – provides a guarantee in favor of the federal government.

Sole paragraph. Engaging of the bank by the federal government as dealt with in this article shall require that the following conditions be met in accordance with the situation:

- I – the respective funding should be placed at the disposal of the Bank and respective remuneration stipulated;
- II – adequate remuneration of the funding to be used should be formally defined in advance and equalization (interest rate subsidies) should be formally stipulated for financial costs; and
- III – the remuneration formally stipulated in advance should never be less than the cost of the services to be provided.

This concept in the Bank's by-laws is based on Article 245 of the Corporation Law, which prohibits managers from acting in detriment to a company in favor of an affiliated, subsidiary, or parent company.

### **Will Banco do Brasil enroll in Bovespa's "New Market"?**

In the statutory reforms of 2001 and 2002, Banco do Brasil included all requirements in regulations for Bovespa's "New Market" in its by-laws. Examples of these requirements are as follows: a provision that the majority shareholder promote measures that contribute to assuring that at least 25% of the shares issued by the Bank remain in circulation; implementation of public share offerings using

mechanisms that favor dispersion of capital; extending of the same conditions obtained by the majority shareholders to all shareholders if control in the company is sold by them (100% tag along); establishing of a unified one-year mandate for all members of the Board of Directors; disclosure of annual financial statements using international accounting rules and standards (US GAAP or IAS GAAP). Introduction of improvements for information disclosed quarterly, among which are included consolidation and special reviews; requirement to implement a public offer to purchase all shares in circulation at their actual economic value if capital is to be closed or New Market registration cancelled; compliance with rules for disclosure of transactions entered into by its majority shareholder or company management and which involve assets issued by the company.

However, no decision has been made by management with respect to the signing of a contract for formal entry into the New Market, because the majority shareholder has yet to agree to this.

#### **Will Banco do Brasil have sufficient regulatory capital to cover needs in relation to loan portfolio growth?**

Consistent improvement in the Bank's performance allows BB to fulfill its corporate commitments in relation to payment of dividends to shareholders, while retaining earnings that provide the capitalization needed for new business. The table below demonstrates that at the end of December 2003 BB showed surplus on shareholders equity of approximately R\$3.4 billion, which will allow growth of up to R\$30.8 billion for assets with risk weights of 100%, as in the case of loans:

	R\$ million				
	dec/02	mar/03	june/03	sep/03	'dec/03
Surplus / Shortfall in Shareholders Equity	1,353	2,604	3,128	3,815	3,391
Surplus / Shortfall in Leverage	12,302	23,674	28,439	34,680	30,825
K Coefficient %	12.2	13.4	13.8	14.3	13.7

# Risk Management

## Model

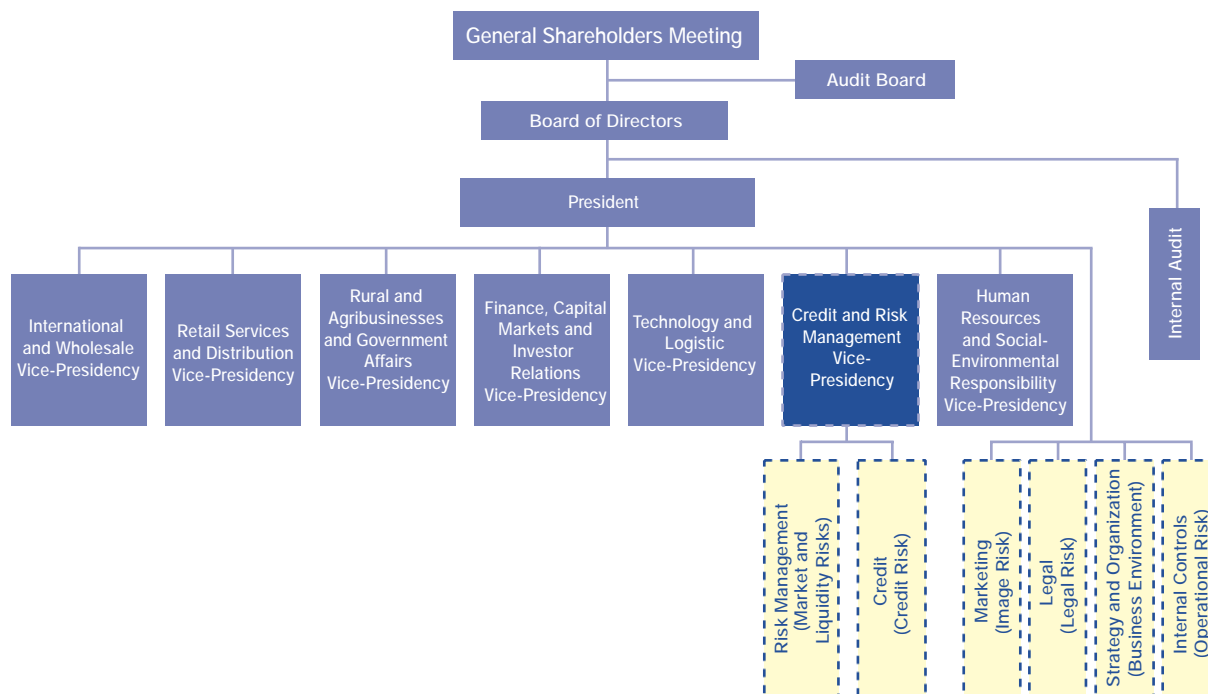
Identification of risks to which the institution is subject is a basic prerequisite for successful management of the Bank. Risk management at Banco do Brasil integrates various categories presented in the model below:



BB has areas with institutional responsibility (decision, execution, and control) for management of corporate risks. These areas have responsibilities that are segregated by business unit and they report directly to senior management of the Company.

A fundamental condition to Banco do Brasil's successful management is the identification of all risk categories

## Risk in the Structure



BB's risk management system is not limited to the measuring of risks. A Global Risk Committee (CRG) has been established to evaluate and define strategies for the Organization, as well as to assume responsibility over conducting processes for management of Market, Liquidity, Credit, Operating, Image, Business Environment, and Legal risks.

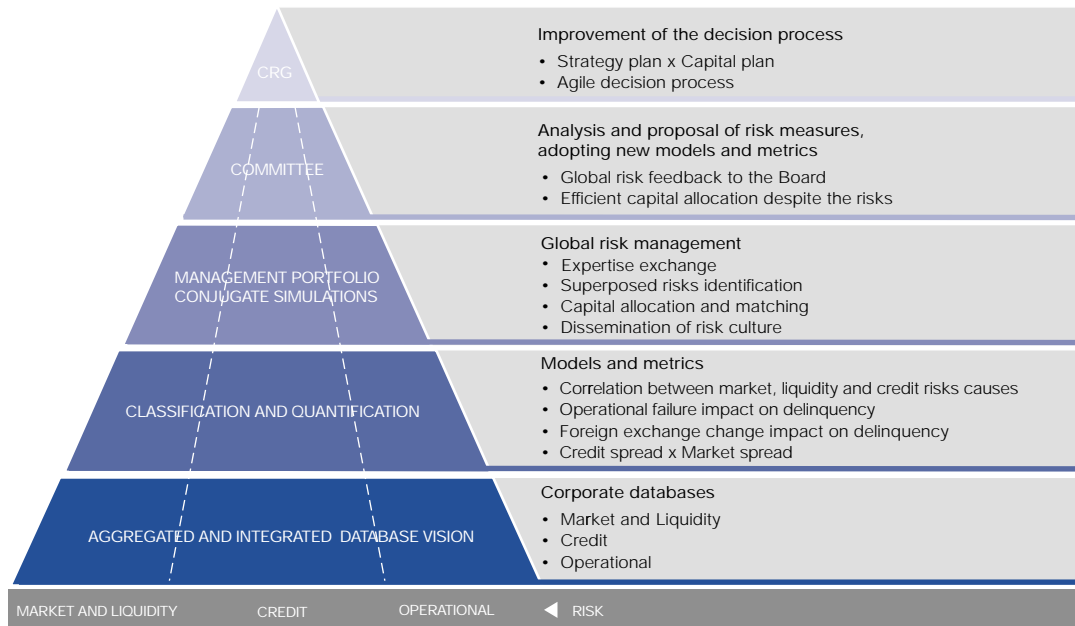
The CRG is made up of members of the Executive Board and executives from various areas. Its purpose is to decide on matters related to risk management at the Bank and its fully owned subsidiaries. The CRG normally meets three times each month and each meeting is dedicated to discussing specific categories of risk. One meeting might focus on Market and Liquidity risks, another on Credit risk, and another on Operating, Image, Business Environment, and Legal risks. In 2003, the committee held a total of 36 regularly scheduled meetings.

Decision Model



CRG considers the interdependence among the various risk categories to define institutional risk strategies, limits for risk, adequate levels of liquidity, contingency plans, and models for measurement of risk.

Global Risk Management Model





Using guidelines stipulated by CRG, Assets and Liabilities Management Commission, Credit Risk Commission, and Operational Risk Commission assume responsibility for placing in practice strategies established for risk exposure.

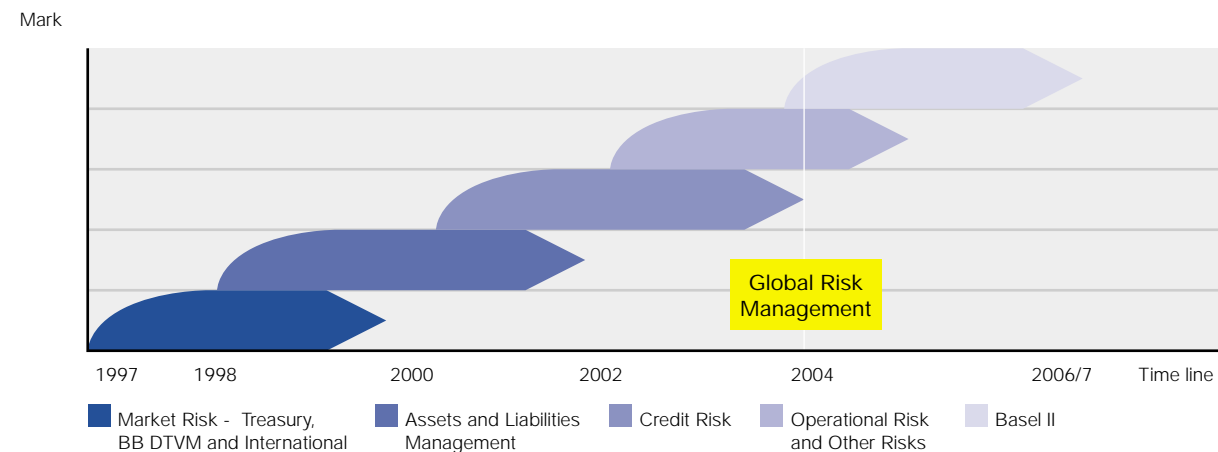
BB's risk management provides the necessary conditions for identifying risk factors inherent to its positions and their respective dimensions, in order to allow the size of potential losses to be estimated and to determine the capital requirements for coverage of the same, as well as to develop mechanisms for monitoring financial instruments. The model allows exposure to risk to be assumed with a better risk-return ratio, aligning BB with best practices adopted around the world in both the financial, as well as other industries.

### Trends

The new Basel Treaty – also called Basel II – explicitly presents the intention of international banking regulators to establish a structure of favorable incentives for adopting internal models for measurement of risk.

Considering that internal models better align equity requirements with the true risks assumed by banks and the fact that banking regulators foresee more emphasis being placed on corporate governance when measuring internal risks and controls, recent developments in risk management at the Bank can be diagrammed, and even more importantly, trends for the near future can be presented as follows:

Trends for Risk Management in Banco do Brasil



## New Policies

To assist in the management of liquidity reserves and control the Bank's cash flow, the CRG established a limit in the second half of 2003 to serve as a strategic indicator and assure equilibrium between the development of investments and borrowing of free funds, thus guaranteeing growth in assets with adequate liquidity.

In order to improve risk management at subsidiaries, the CRG decided to transfer market and liquidity risks of fully owned subsidiaries in Brazil to the Multiple Bank. Accordingly, the process for evaluation of the risks of companies that are part of the BB's Group continues to be done individually. However, management is now carried out in a consolidated manner.

Management of BB's operating risk is being improved to better identify, measure, and monitor the risks involved in its processes and align BB with the requirements of regulatory entities and corporate strategies, in order to improve operating efficiency and optimize use of regulatory capital. The Risk Management Model Project for Operating Risks which was begun in July 2003 counts on the participation of outside consultants and it is expected to take eighteen months to implement its three phases: The first one (Phase I), Qualitative Module, is already concluded; the Phase II, Quantitative and Integration Module and Allocation of Capital Module, and Phase III, Pre-existing and Subsequent Risks Module, are currently being implemented.





# Commitment

We concentrate ourselves on creating long-lasting relationships based on familiarity, specialization and service quality

## Strategy

Our mission mirrors the reason for the organization's existence, as well as serves as a guide and establishes parameters for business dealings. The mission of Banco do Brasil is as follows:

**“To be the solution in services and financial intermediation, meet the expectations of customers and shareholders, strengthen the commitment between employees and the Bank, as well as be useful to society”.**

To fulfill its mission, BB adopts principles that express values understood, accepted, and applied in the organization and the professional lives of employees. These principles include:

- respect for ethical principles and the assets of the Bank;
- commitment to communities and Brazil;
- preserve BB's image as a competitive, solid, and reputable Company;
- emphasizes the BB brand as a competitive differential;
- continuous improvement of products and services;
- proactive action in relation to risk management, profitability, liquidity, and security;
- decisions are made by committees, teamwork as a mechanism of integration;
- valorization of efficient and innovative work;
- incentives for self-development and professionalism of employees;
- upward mobility based on merit;
- quality in services; as well as respect and transparency.

## Vision for the Future

Our vision for the future describes proposals for creation of value added and the success of the organization. In 2003, BB's strategic focus was further perfected considering desirable external and internal positions and attributes, as well as the actions required to achieve them. Accordingly, BB has described its vision for the future as follows:

“We will concentrate on creating long-lasting relationships based on familiarity, convenience, specialization, service quality, and valuing of our customers' time. Our products and services are developed considering attributes that are important to individual customer segments, providing a high level of access and security for electronic channels.

We continue to lead the market for individual and small business customers. We are the main bank for Brazilian companies in Brazil and abroad.

In order to create positive experiences for our customers during their various contacts with Banco do Brasil, we have integrated the management of our service channels, simplified and automated processes, and positioned ourselves as a benchmark in relation to integrated risk management and compliance.

Our performance assures self-sustaining results and profitability and shareholders returns are compatible with the market. We have reinforced our commitment to transparency by adhering to standard practices for the New Market. We are perceived and recognized as a socially responsible business.

We are the best bank to work with in Brazil. We invest in the development of employees because we understand that the way we treat our employees reflects on the way our customers are treated. Our sales force is specialized and qualified to handle the challenges we propose.

Our strategy is to create value for customers, shareholders, employees, and society.”

## Positioning

Positioning is the act of developing products or services that lead the organization to occupy a differentiated position which is highly valued in the perception of customers with relationships. Banco do Brasil uses a model for positioning that can be broken down at two levels: brand and the business.

Brand positioning includes non-business or symbolic attributes, which represent the body of values associated with the institution. Positioning of Banco do Brasil brand should signal identification with the customer and add attributes such as tradition, “Brazilianness”, geographic reach, and social responsibility. The concept of identity will strengthen emotional links between the Bank and its target customers, creating a perception of performance and caring.

The organizational positioning brings together the attributes that make up the business profile, evoking among its customers in a singular manner the way the Bank does business. Banco do Brasil positions itself as a full-service bank that offers a wide variety of products, services, and business solutions and which is specialized in well-defined segments.

### General Business Guidelines

BB guidelines for business are based on three strategic perspectives – Business Results, Customers, Internal Processes, and Organizational Behavior – for which corporate directives are established to guide strategic actions of the Bank in the period.



## Economic Results Perspective

Corporate Directives	Performance Indicators 2003
Strengthen the equity structure by generating growing results	<ul style="list-style-type: none"> <li>• Capital adequacy ratio of 13.7% (Basel Treaty)</li> <li>• R\$12.2 billion in shareholders' equity, growth of 32.3%</li> <li>• R\$230.1 billion in total assets, growth of 12.5% (see Management Discussion and Analysis)</li> </ul>
Strengthen the participation of the Bank in international business, including foreign trade	<ul style="list-style-type: none"> <li>• US\$7.6 billion in financing of Brazilian exports</li> <li>• US\$4.4 billion in exports leveraged by Proex</li> <li>• US\$939 million issued through foreign offerings of the Bank's securities</li> </ul>
Broaden the offer of products and services using alternative channels, pursuing solutions with the lowest costs	<ul style="list-style-type: none"> <li>• Automated transactions represent 86.4% of all transactions processed by BB customers at the yearend</li> </ul>
Develop operating and corporate partnerships to share knowledge of risks and costs	<ul style="list-style-type: none"> <li>• Update of BB technology by outsourcing of data interchange by contracting two companies to provide telecommunication services.</li> <li>• Banco do Brasil and Caixa Econômica Federal (CEF) developed a project to share points of service in BB's ATM and CEF banking branches which would serve customers of both institutions</li> </ul>
Focus participation in companies that generate synergy with the Bank's business, divesting all others	<ul style="list-style-type: none"> <li>• Visa Vale (a BB's affiliated company) – an association between Banco do Brasil, Bradesco and ABN Amro – in partnership with Visa – in order to trade in the voucher card segment (food and meals)</li> <li>• Ownership interest restructuring of Max Blue Holdings S.A. between Banco do Brasil and Deutsche Bank</li> </ul>

## Customer Perspective

Corporate Directives	Performance Indicators 2003
Broaden and increase profitability and loyalty of customers, assuring service quality	<ul style="list-style-type: none"> <li>• 18.8 million customers, growth of 21.8%, average of 3 products per customer</li> <li>• 95% availability for ATMs</li> <li>• 99% availability for BB website - bb.com.br</li> </ul>
Broaden relationships with customers, suppliers, and partners, through integration of management tools and development of new solutions for Internet and intranet	<p>BB website – bb.com.br has a variety of rooms specialized in business, such as:</p> <ul style="list-style-type: none"> <li>• www.agronegocios-e.com.br – R\$2.5 billion negotiated in agribusiness</li> <li>• www.licitacoes-e.com.br – R\$1 billion negotiated under bids intermediation</li> <li>• <i>Sala de Negócios Internacionais</i> – US\$1.3 billion in automated Advancements on Exchange Agreements (ACC), Advancements on Delivered Exchange Securities (ACE) and Foreign Exchange on-line</li> </ul>
Perfect and develop business model – product, price, communication and channel – for market niches	<ul style="list-style-type: none"> <li>• Formation of <i>Banco Popular do Brasil</i> in order to provide the low income population and informal businesses with access to the banking system</li> <li>• Formation of <i>BB Consórcios</i> (a type of purchasing club) in order to offer customers another option for access to durable goods and services and increase BB's customers base.</li> </ul>
Strengthen communication with the public and internal audiences to promote a perception of identification between the Bank and customers	<ul style="list-style-type: none"> <li>• Top of Mind Award – Data Folha Institute for the 13th consecutive year</li> <li>• Award from the Brazilian Association for Business Communication (Aberje) for the Mid Western / Eastern Region in the In-house Magazine Category granted to bb.com.voce</li> </ul>



## Internal Processes and Organizational Behavior Perspective

Corporate Directives	Performance Indicators 2003
Identify internal critical processes, establish minimum performance standards and periodically review them	<ul style="list-style-type: none"> <li>• Engaging of outside consultants to review processes for conducting, collecting and recovering loans</li> </ul>
Perfect mechanisms for security and control, transforming reliability into a marketing differential	<ul style="list-style-type: none"> <li>• Digital Certification in order to assure the safety of the business transactions over the internet</li> <li>• Combat Money Laundering Program</li> </ul>
Improve systems for support of management decisions related to costs, pricing, and credit.	<ul style="list-style-type: none"> <li>• Program for rationalization of costs</li> <li>• Development of behavior scoring model for credit analysis</li> </ul>
Perfect the model for distribution of branches according to market and customer profiles	<ul style="list-style-type: none"> <li>• New models for serving individual customers</li> <li>• New model for segmentation of Wholesale Pillar</li> </ul>
Establish and pursue standards of conduct, qualifications, and excellence	<ul style="list-style-type: none"> <li>• R\$40.9 million invested in training and qualification</li> </ul>
Incorporate technologies that assure reliability, security, transparency, and ease of utilization	<ul style="list-style-type: none"> <li>• Virtual receptionist – terminal available in the branches for managing the service and facilitate new business through the early identification of customers and their needs</li> <li>• Implementation of cards with chips</li> </ul>

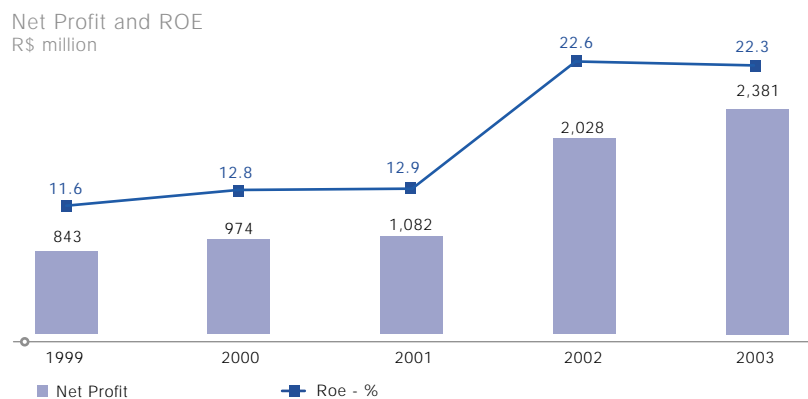
## Performance

Banco do Brasil began with general business guidelines to establish institutional objectives for its corporate strategy in 2003. Indicators that assure compliance have been stipulated for each of the objectives. Below, we present these objectives and the main results, reflecting BB's performance in the period.

### Creation of value to shareholders

Creation of value to shareholders is a constant that runs through all decisions at Banco do Brasil. In addition to income and profitability, this objective seeks to create wealth for BB's shareholders. Net income of Banco do Brasil amounted to R\$2.4 billion in 2003, 17.4% higher than in 2002 and income per thousand shares totaled R\$3.25 compared to R\$2.77 in 2002. Return on shareholders' equity (ROE) reached 22.3%.

Based on the performance in the period, R\$745.7 million was earmarked for distribution to shareholders in the form of interest on own capital, as dividends. This amount was 28.7% larger than the amount paid in 2002. Of this total, R\$321.9 million was distributed in the first half of the year and R\$423.8 million in the second half.

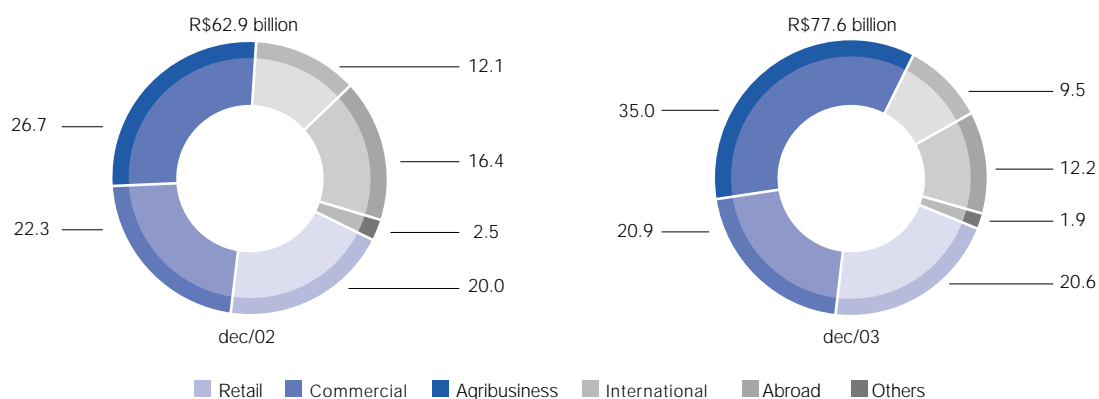


## Expand market share for loans and financing

Banco do Brasil continued as the absolute leader in relation to loans granted in Brazil, holding 18.9% of the total for the Brazilian Banking System at the end of 2003, compared to 15.1% in 2002. BB's loan portfolio totaled R\$77.6 billion in 2003, growing 23.4%. It is worth pointing out that growth in the loan portfolio of the banking system as a whole was 8.7%.

Accompanying growth in the agribusiness area of the Brazilian economy, the portfolio for this area represented the largest portion of the total portfolio, reaching 35% of the total in 2003 compared to 26.7% in 2002.

Loan Portfolio Composition - %

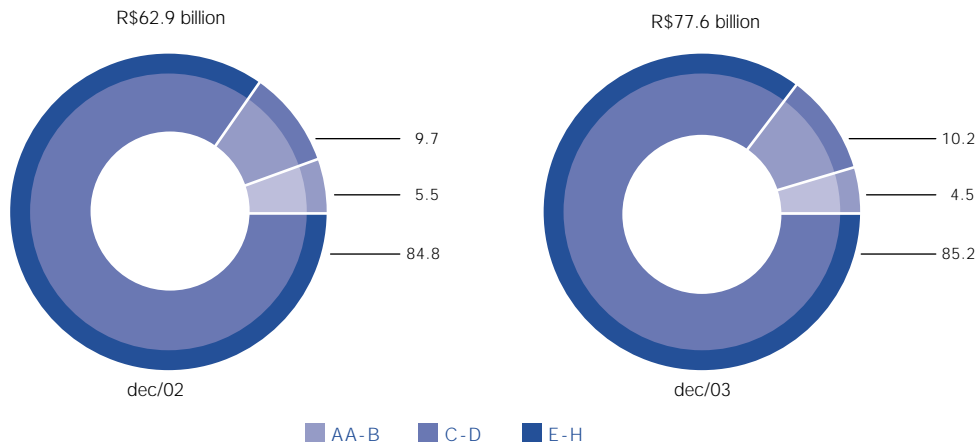


## Reduce levels of exposure to risks in the Group Structure

**Loans:** During 2003, growth in BB's loan portfolio was accompanied by integrated management of the various risk categories, which resulted in improvement in the quality of the portfolio. At yearend, transactions classified in risk categories AA, A, and B represented 85.2% of BB's portfolio compared to 78.6% for the National Financial System as a whole.

BB's loan portfolio also showed improvement in the total number of transactions past due. The past due ratio, which includes all transactions past due, decreased from 6% in 2002 to 4.7% in 2003. Additionally, analysis of transactions more than sixty days past due demonstrates that their share in the portfolio dropped from 3.3% to 3%.

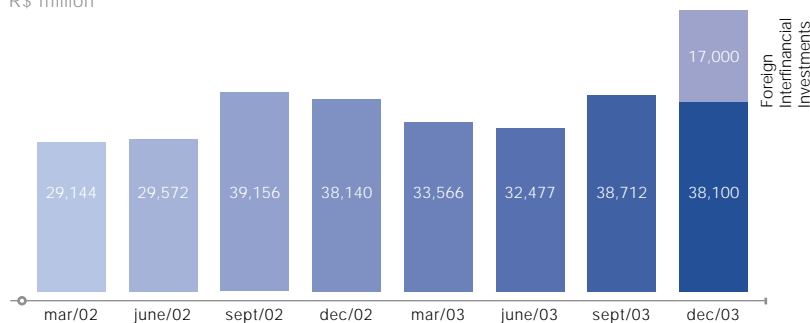
Risk Level of Credit Operations - %



**Liquidity:** Banco do Brasil maintains a comfortable level of liquidity as a consequence of its broad and diversified base of depositors, the quality of its assets, and rigorous control in relation to liquidity risk management. One way of analyzing the liquidity of a financial institution is to compare liquid assets and liabilities. Analyzing the graph below, we can see that the Bank has systematically presented a surplus amount of more than R\$30 billion for this ratio.

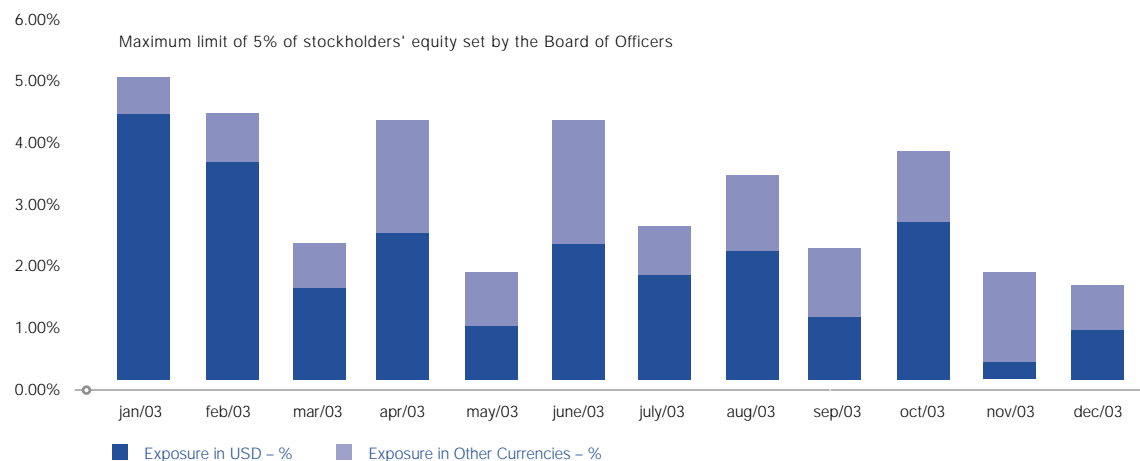
Liquidity Assets (-) Liquidity Liabilities

R\$ million



**Foreign Exchange Exposure:** Banco do Brasil's exposure in this area is managed to assure that it does not generate capital requirements. Accordingly, it was not necessary to allocate capital for this purpose in 2003.

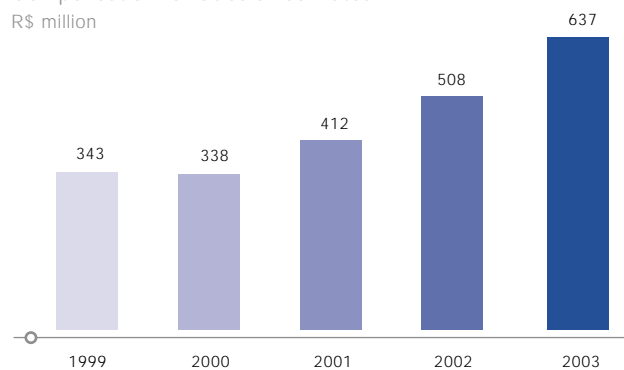
Foreign Exchange Exposure Evolution



### Act as an agent of public policy with prior allocation of resources and adequate remuneration

In its role as an agent of public policy, Banco do Brasil acts as a link between the Federal Government and farmers by providing low cost financing funded by Farm Savings and a Ministry for Labor and Employment financial support line (FAT). In order to the viability of this intermediation, the National Treasury pays the Bank the difference between borrowing costs, administrative costs and taxes and the interest rate charged to the borrower as foreseen under current law (Law 8,427/92 and 9,848/99) in the form of Compensation for Subsidized Rates. Revenue from equalization of interest rates totaled R\$637 million in 2003 compared to R\$508 million in 2002.

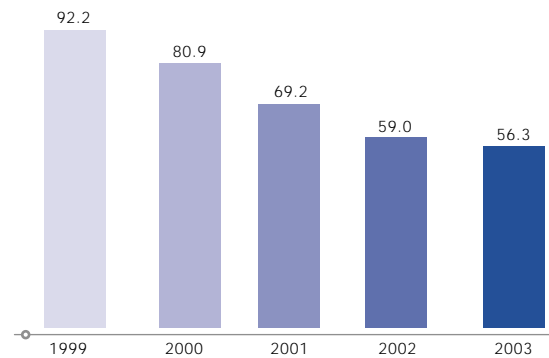
Compensation for Subsidized Rates  
R\$ million



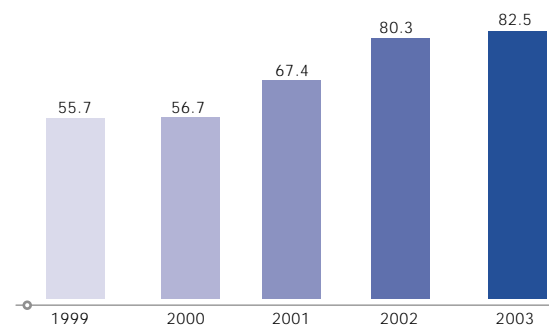
## Assure an adequate relationship between revenue generation and cost structure and increase the volume of revenues

The pursuit of efficiency is a firm goal of Banco do Brasil. The efficiency ratio, which expresses the relationship between Administrative Expenses and Operating Revenues, showed improvement in 2003, reaching 56.3% compared to 59% in 2002. The ratio of Service Revenues over Personnel Expenses also improved from 80.3% in 2002 to 82.5% in 2003. When all administrative expenses are considered, this ratio rose from 45.6% to 48.6%.

Efficiency Ratio – %



Coverage Ratio – Service Revenues/Personnel Expenses – %



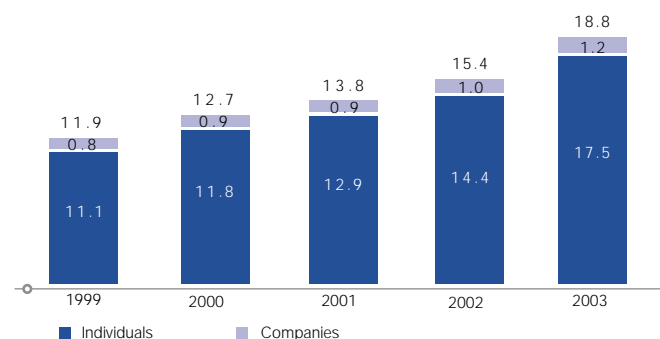
The expansion in BB's Loan Portfolio allowed Total Loan Revenues to rise 16.9% that added up R\$16.1 billion. Service Revenue grew 23.3% to R\$5.5 billion in 2003.

## Broaden the customer base and strengthen relationships with customers

Banco do Brasil's 18.8 million customers made it the institution with the most customers among banks operating in Brazil at the end of 2003. This represented growth of 21.8% for the year. BB's goal for 2004 is to reach 20 million customers by yearend.

In 2003, synergy among our business pillars – Retail, Wholesale, and Government – resulted in the addition of 1.1 million new customers for BB through payroll agreements. At yearend, 8.3 million customers received their salaries through deposits at the Bank, a 16.2% increase in relation to 2002.

Customer Base  
In million



The Retail Pillar is responsible for relationships with individuals and micro and small businesses – companies with turnover up to R\$10 million. Segmentation for individual customers distributes them among three groups: *Exclusivo* (monthly income above R\$4 thousand), *Preferencial* (monthly income of from R\$1 thousand to R\$4 thousand), and *Pessoas Físicas* (monthly income below R\$1 thousand).

In 2003, the model for segmentation of individual customers was further improved through the creation of *Banco do Brasil Singular* – a network of branches focusing on customers with monthly income above R\$10 thousand or investments (including BB shares) in excess of R\$50 thousand – and preparation of a model, *Banco do Brasil Private*, which will be introduced for customers with investment potential in excess of R\$1 million, in addition to the formation of *Banco Popular do Brasil* in order to provide service to the low income population and informal businesses.

The management of relationships with individual customers based on behavioral segmentation required implementation of strategies to broaden and increase profitability of business with customers, as well as to create customer loyalty. The Bank has also adopted strategies for expansion that focused on the inclusion in the banking system of more than 580 thousand Social Security (INSS) retirees and pensioners and savers without checking accounts added to the customer base.

The pursuit of more business and specific solutions for the micro and small businesses segment resulted in the creation of an area completely dedicated to this market niche and the winning over of more than 220 thousand new customers, which represented growth of 24.6% for the year and reflects the success of our specialization.

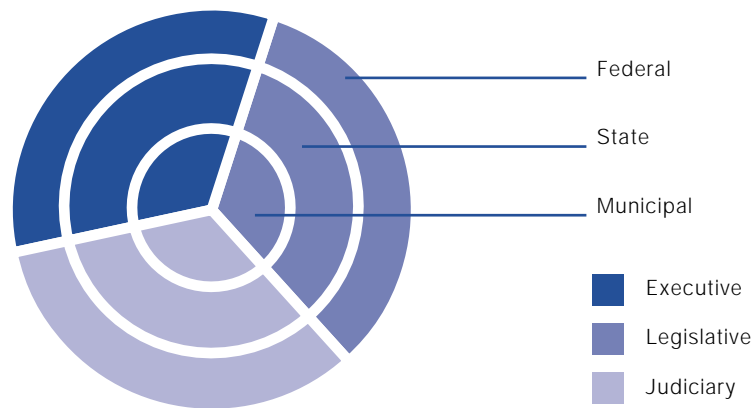
The year 2003, also marked the perfecting of segmentation for our Wholesale Pillar, responsible for serving medium and large companies and corporations. BB reorganized segmentation for this pillar along industry and business lines considering customer sales. The new model allows us to gain specific knowledge of the needs of each company, which allows us to diversify business with this segment and the whole production chain. At yearend, the Wholesale Pillar comprised more than 20 thousand customers.





Banco do Brasil's relationship with the public sector is implemented through our Government Pillar. This business focuses on Federal, State, and Municipal Governments and our strategy is to work in partnership with executive, legislative and judiciary branches and their employees. In 2003, BB assured that administrative and financial solutions which were adequate for the individual needs of each area were made available to each market niche of this sector, being the main partner of this segment.

Government Pillar Segmentation



In addition to perfecting the segmentation of customers in order to expand its business activities and markets, besides the formation of *Banco Popular do Brasil* BB also formed *BB Administradora de Consórcios* providing another option for BB's current and potential customers to finance acquisition of durable goods and services.

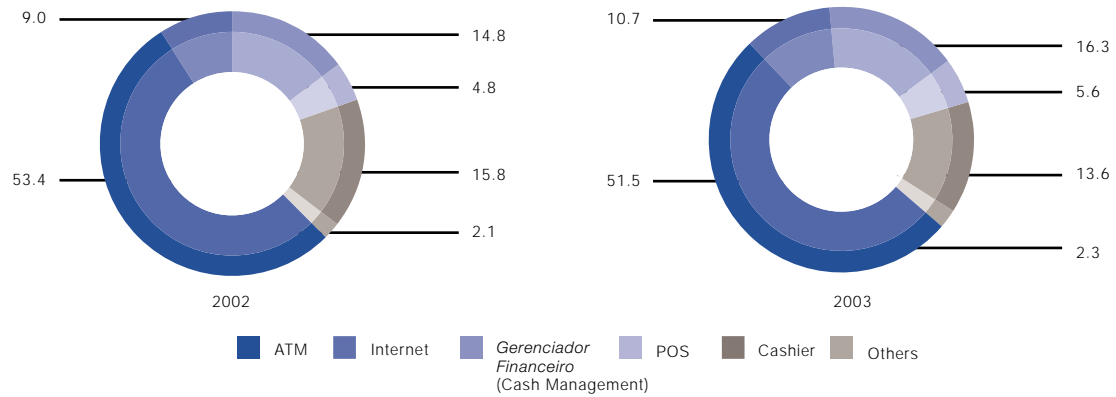
Internationally, BB's efforts included the reinforcing of the support provided to large Brazilian businesses that operate in international markets. In addition to the countries in which the Bank already has a presence, BB is preparing to open an office in Shanghai, China and another in Luanda, Angola. Providing services to Brazilians who reside abroad, the Bank does this especially well in Japan and Portugal, with 110 thousand and 23 thousand customers respectively.

### Boost our competitive position in relation to the offering of products and services that use advanced technology and non-traditional channels

BB customers can access products and services using various automated channels, such as ATMs, Internet, telephone, and fax. The share of automated transactions in

the total processed by BB's customers reached 86.4% in December 2003, which is a market trend.

Share of Transactions per Channel - %



BB's web site – [bb.com.br](http://bb.com.br) also allows access to pages specialized in business, such as Agribusiness ([www.agronegocios-e.com.br](http://www.agronegocios-e.com.br)), Public Bids ([www.licitacoes-e.com.br](http://www.licitacoes-e.com.br)), and the Virtual Room for International Business (Sala de Negócios Internacionais), all of which offer quick and non-bureaucratic access to products, services, and business intermediations. At the Agribusiness web site a total of R\$2.5 billion was negotiated in 2003, which represented growth of 252% over 2002. At the Bids web site approximately R\$1 billion was traded in 3.6 thousand sessions.

Among the products and services available in the Virtual Room for International Business, special notice can be given to financing of exports through automated advancements on exchange agreements contracts and advancements on delivered exchange securities (ACC/ACE), as well as foreign exchange online. These transactions went from US\$234.9 million in 2002 to US\$996.3 million in 2003, growing 324%. An increase was also seen in the number of transactions contracted, which grew from 11.5 thousand to 48.5 thousand. Part of the Virtual Room for International Business, the Foreign Trade Counter was improved to facilitate inclusion of micro and small businesses in the international market. During its first year in operation, the "Counter" registered 2,844 exporting and 680 importing companies.

Beginning in September, Banco do Brasil in partnership with the private sector made another self-service channel available to its customers. Using GSM mobile phone technology, BB's customers gained access to consult account information, make payments, and process financial transfers. The service is the newest option to provide ease together with quick and secure service. BB is a pioneer in the use of this technology in Brazil.

### **Modify processes at BB while providing the attributes most valued by customers and reducing costs**

In 2003, Banco do Brasil and Caixa Econômica Federal (CEF) developed a project to share points of service in which ATM's and banking agents would serve customers of both institutions. BB's part of the project involves 4.8 thousand Teller Machines while CEF's participation involves 8.9 thousand lottery shops. The agreement was signed in January 2004 and implementation will be gradual. Partnerships of this type contribute to rational use of resources and reductions in costs.

Another initiative designed to guarantee the updating of technology while reducing costs involved outsourcing of data interchange by Banco do Brasil, which resulted in BB withdrawing

from construction and operation of its private network to become the manager of services provided by third parties. In addition to representing an advance in the technology to be utilized, the engaging of these new services resulted in savings in relation to investment in modernization of the data interchange network. The process involved a public bid in which BB contracted two companies to provide telecommunication services.

### **Strengthen performance as a socially responsible organization and the bounds with employees**

In addition to expressly including social and environmental responsibility in its corporate strategy, BB formed a specific unit to deal with this area and employee relations in 2003. Initiatives and projects that were previously disbursed throughout the Bank were grouped in this unit, allowing us to refine our focus and expected results.

Another of BB's initiatives to strengthen responsible management of its business involved the July launching of a Letter of Principles for Social and Environmental Responsibility, which sets forth the foundations for administrative and business practices of the Bank in its relationships with its various audiences.



## Letter of Principles for Social and Environmental Responsibility

1. Act in accordance with Universal Values, such as Human Rights, Fundamental Principles, and Rights of Labor, as well as Principles related to the Environment and Development.
2. Recognize that all beings are interconnected and all forms of life are important.
3. Reject preconceived notions and discrimination related to sexual preference, ethnicity, race, creed, or any other difference.
4. Strengthen the vision of Social and Environmental Responsibility as an ongoing investment that is permanent and necessary for the future of humanity.
5. Recognize and utilize the strategic position of BB's Organization in relation to Government, the Market, and Civil Society to adopt a proprietary model for management of Social and Environmental Responsibility that rises to the level of the corporation and the challenges of contemporary Brazil.
6. Include transparency, ethics, and respect for the environment as parameters for the Bank's administrative and business practices.

7. Base relationships with third parties on criteria that follow principles of social and environmental responsibility and which promote economic and social development.

8. Stimulate, divulge, and implement practices for sustainable development.

9. See customers and potential customers, first and foremost, as citizens.

10. Establish and divulge good practices of corporate governance, while maintaining commitments with shareholders and investors.

11. Contribute to the intellectual, professional, artistic, ethical, and spiritual potential of employees and collaborators, so that society is able to take full advantage of the same.

12. Ground our relationships with employees and collaborators on ethical conduct and respect.

13. Contribute to the universal implementation of social rights and citizenship.

14. Contribute to the inclusion of individuals with special needs.



# Markets

Products credibility, agile services and tailor-made relationship with customers make Banco do Brasil the national leader in many market segments

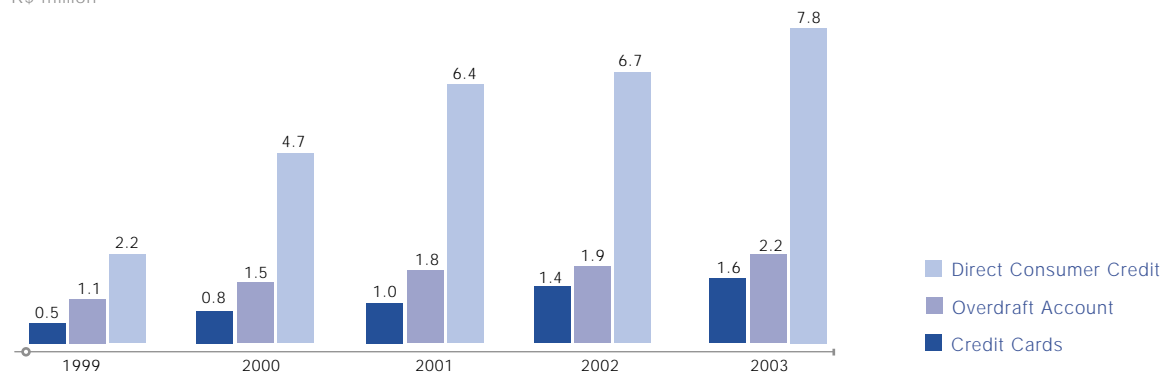
## Retail

Among Retail Pillar business, Consumer Lending (CDC) destined for individuals and loans products destined to micro and small business have an exceptional performance. CDC ended 2003 with 7,763 thousand transactions booked and an outstanding balance of R\$7.8 billion (growth of 15.9% in relation to 2002). Loans to small business totaled R\$9.8 billion in 2003.

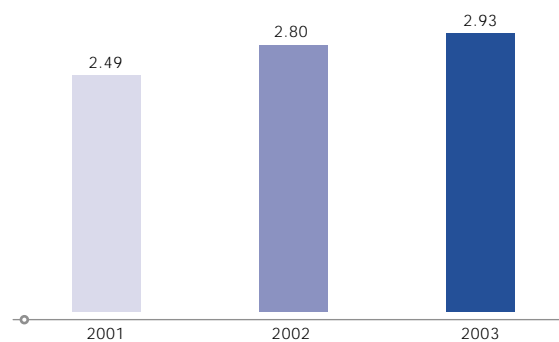
**Individuals** – BB created new consumer lending lines such as financing of goods and services, participating in important retail segments such as consumer electronics, household appliances, payroll loans, and construction material loans.

The *BB Crédito Material de Construção* – a construction material loan line – and *BB Crédito em Consignação* – a loan line based on agreements payroll – both of which launched during 2003, ended the period with outstanding balances of R\$132.3 million and R\$547 million, respectively. *Proger Urbano Pessoa Física – Empreendedor Popular* – a governmental program to finance entrepreneurs – financed over 62 thousand small entrepreneurs in contracts totaling R\$279 million.

Consumer Lending – CDC  
R\$ million



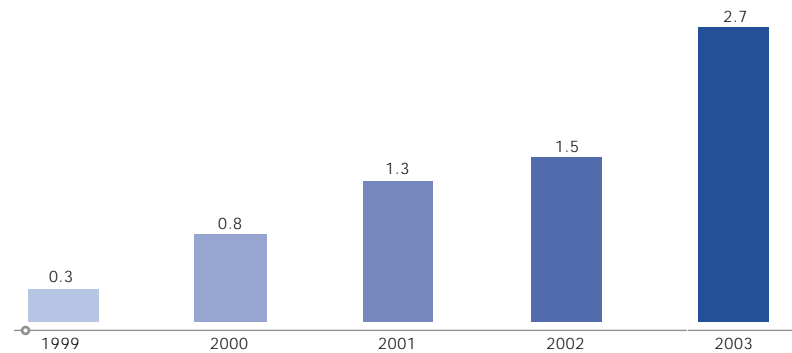
Products per Individual





**Small business – *BB Giro Rápido*** – a working capital line exclusively for small business, which 70% of funding comes from a Ministry for Labor and Employment financial support line (FAT) and the remaining 30% comes from BB – totaled volume contracted of R\$6.1 billion in 2003, an increase of 66.2% compared to 2002. *BB Giro Rápido* financed 535 thousand businesses during the year, 182 thousand of which were included in the portfolio in the period, representing growth of 51.5%.

*BB Giro Rápido*  
R\$ billion



It was possible for Banco do Brasil to significantly increase the volume of credit for small business as a result of the implementation of actions, such as the adjustments made in *BB Giro Rápido*, which expanded the target market for this product including companies with turnover up to R\$5 million. The maximum amount available under *BB Giro Rápido*, was also increased from R\$50 thousand to R\$100 thousand.

Last year, over 19 thousand transactions were entered into under the *Proger Urbano Empresarial*, a governmental program intended to generate employment and income by financing investment projects using funding from FAT. The total outstanding balance grew to R\$876 million in 2003, an increase of 73.1%. In 2003, *Proger Urbano Empresarial* was also made available to companies with turnover up to R\$5 million, while the maximum amount for this product was raised from R\$100 thousand to R\$400 thousand.

Credit to micro and small  
businesses ended 2003 with  
R\$9.8 billion balance

## Wholesale

Loan transactions with Wholesale Pillar customers presented a balance of R\$20.1 billion at yearend. A total of 69% of this amount was earmarked for the manufacturing sector. Among the main business entered into with Wholesale Pillar customers, outstanding loan lines were receivables financing (R\$4 billion), and international and agro-industry loans (R\$6.3 billion and R\$3.5 billion, respectively). As one of the main players in the wholesale market, the main transactions structured and implemented by BB with Wholesale Pillar customers in 2003 were:



Oil

 US\$ 48.124.800,00 Pre-Export Finance	 US\$ 11.250.200,00 Pre-Export Finance	 R\$ 30.800.000,00 Convênio Agronegócio	 US\$ 13.501.800,00 Pre-Export Finance	 US\$ 750.800.000,00 Pre-Export Finance
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Metals and Tools

 R\$ 30.800.000,00 Comprar	 US\$ 9.808.142,71 Export Finance	 US\$ 24.585.338,05 Pre-Export Finance	 US\$ 4.190.000,00 Pre-Export Finance	 US\$ 7.000.000,00 Export Finance
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Electric Energy

 R\$ 11.160.000,00 Capital de Giro	 R\$ 198.260.000,00 Capital de Giro com Recursos Externos	 R\$ 25.800.000,00 Capital de Giro	 R\$ 1.000.000.000,00 Dado para Coordenador	 US\$ 5.541.262,59 Carta de Crédito
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Packing

 R\$ 18.000.000,00 Capital de Giro	 R\$ 200.000.000,00 Distribuição Coordenador Licite	 R\$ 10.800.000,00 Capital de Giro com Recursos Externos	 R\$ 180.000.000,00 Dados para Coordenador	 R\$ 24.000.000,00 Comprar
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Agribusiness

 R\$ 27.800.000,00 Capital de Giro	 US\$ 38.347.797,00 Pre-Export Finance	 R\$ 177.000.000,00 Convênio Agronegócio	 R\$ 10.800.000,00 Convênio Agronegócio	 R\$ 10.000.000,00 Capital de Giro
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 R\$ 175.000.000,00 Capital de Giro	 R\$ 74.981.800,00 Convênio Agronegócio	 US\$ 94.489.792,39 Pre-Export Finance	 US\$ 38.219.400,15 Pre-Export Finance	 US\$ 12.000.000,00 Pre-Export Finance
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 US\$ 48.000.000,00 Pre-Export Finance	 US\$ 4.828.200,00 Export Finance	 R\$ 68.000.000,00 Convênio Agronegócio	 R\$ 28.000.000,00 Convênio Agronegócio	 R\$ 29.000.000,00 Projeto de Investimento
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 US\$ 3.138.000,00 Pre-Export Finance	 US\$ 190.810.038,25 Trade Finance	 R\$ 73.800.000,00 Capital de Giro	 US\$ 85.000.000,00 Pre-Export Finance	 US\$ 52.403.986,24 Pre-Export Finance
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International Trade

 R\$ 180.000.000,00 Capital de Giro	 US\$ 6.800.000,00 Pre-Export Finance	 US\$ 509.340.854,00 Export Finance Foreign Exchange	 R\$ 100.000.000,00 Convênio Agronegócio	 US\$ 25.000.000,00 Pre-Export Finance
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Capital Goods

 R\$ 38.792.118,23 Convênio Agronegócio	 R\$ 185.800.000,00 Capital de Giro	 R\$ 25.000.000,00 Convênio Agronegócio	 R\$ 28.000.000,00 Capital de Giro	 US\$ 21.800.000,00 Pre-Export Finance
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Automotive

 US\$ 89.698.280,80 Capital de Giro	 Negócios no Crédito do Veículo Folha de Pagamento	 Trade Finance	 R\$ 26.360.808,08 Comércio Agrícola	 US\$ 30.008.280,80 Pré-Export Finance
 R\$ 18.086.900,80 Capital de Giro	 US\$ 94.008.280,80 Trade Finance	 US\$ 35.008.280,80 Pré-Export Finance	 VIDROS BRASIL US\$ 18.887.284,80 Pré-Export Finance	 US\$ 12.808.096,80 SACES Exim
 US\$ 62.008.280,80 Pré-Export Finance	 R\$ 80.800.008,08 Pré-Export Finance	 R\$ 438.360.508,08 Capital de Giro	 US\$ 12.808.096,80 Pré-Export Finance	 Negócios no Crédito do Veículo

Chemistry

 R\$ 384.348.444,44 Apoio ao Recebíveis	 R\$ 25.080.800,08 Capital	 R\$ 28.800.500,08 Capital de Giro com Recursos Externos	 US\$ 30.713.080,80 Fertiliz	 R\$ 88.360.808,08 Comércio Agrícola
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Mining

 R\$ 130.808.280,80 Comércio Agrícola	 R\$ 80.800.008,08 Capital de Giro	 R\$ 887.800.008,08 Comércio Agrícola	 mineração rio do norte S.A. US\$ 22.208.800,80 Pré-Export Finance	 MVA S.A. US\$ 18.008.280,80 Pré-Export Finance
 US\$ 54.228.258,41 Pré-Export Finance	 US\$ 38.800.008,08 Pré-Export Finance	 US\$ 43.891.517,81 Pré-Export Finance	 Alcan do Brasil S.A. US\$ 68.888.441,80 Pré-Export Finance	 R\$ 380.800.008,08 Distribuição Comércio
 US\$ 16.558.096,80 Pré-Export Finance	 US\$ 81.448.434,80 Pré-Export Finance	 US\$ 33.008.080,80 Pré-Export Finance	 US\$ 58.080.800,80 Pré-Export Finance	 US\$ 163.508.080,80 Pré-Export Finance

Products

 US\$ 21.638.080,80 Export Finance	 US\$ 18.888.008,80 Pré-Export Finance	 US\$ 98.080.800,80 Pré-Export Finance	 R\$ 240.008.008,08 Distribuição Comércio Local	 R\$ 18.888.008,08 Capital de Giro
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Transportation

 R\$ 28.880.800,08 Capital de Giro com Recursos Externos
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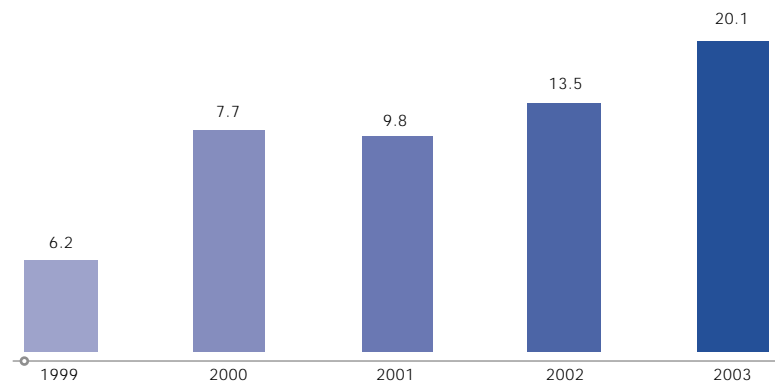
Receivables

 US\$ 197.973.768,80 Pré-Export Finance	 R\$ 18.828.880.808,08 Desconto de Titulos Crédito Consolidado	 R\$ 9.702.008.080,80 Venda Crédito Consolidado	 R\$ 28.848.008.096,80 Desconto de Cheques Crédito consolidado
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## Agribusiness

The Bank is present in all stages of the production chain as an important partner of Brazilian agribusiness. Farm credit finances production and commercialization of farm and ranch products, promotes farm investment, including storage, processing, and manufacture of agricultural products. BB's agribusiness loan portfolio increased 61.6% in 2003, reaching a total outstanding balance of R\$27.2 billion.

Agriculture Funding  
R\$ billion



Investment financing for modernization of production activities represented 36.6% of agribusiness loans. Disbursements to cover financing of the goods and services necessary for farm and ranch production and commercialization represented 57.4% of total transactions.

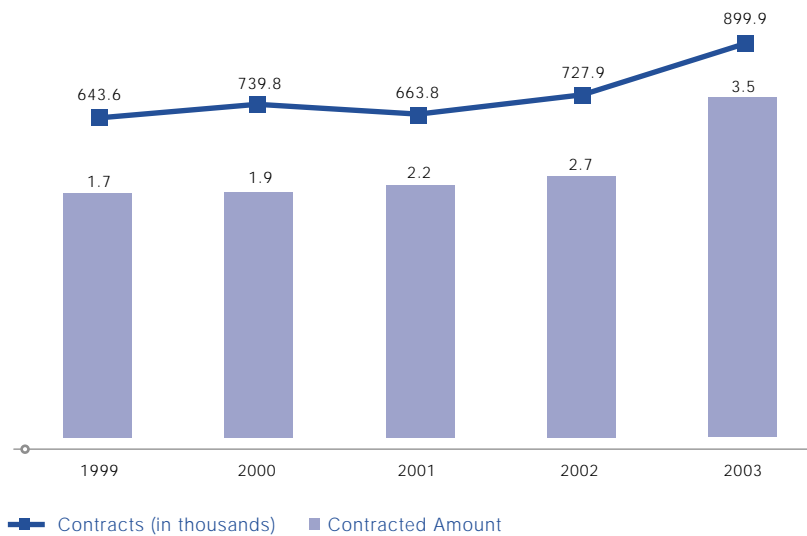
The funding made available through a Constitutional Fund for Financing the Agribusiness in the Central Western Region (*FCO Rural*) totaled R\$573 million. At yearend, the *FCO Rural* portfolio showed a total balance of R\$2.7 billion.

Transactions with *Cédula do Produto Rural (CPR)* – a note in which a producer sells future production, receiving the sale price when the business is formalized through the issue of a certificate – guaranteed by BB ended 2003 with a balance of R\$1.5 billion, increasing 44.5% in relation to 2002. A total of 29.4 thousand contracts were entered into compared to 21.7 thousand in 2002, which represented growth of 35.3%.

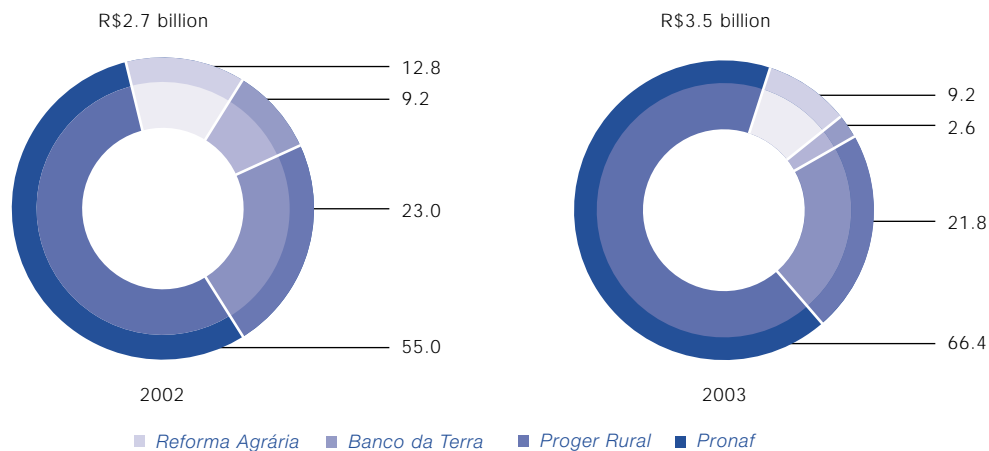
BB's Agribusiness loan portfolio grew 61.6% in 2003, achieving balance of R\$27.2 billion

In supporting family agriculture and small farmers, BB entered into 899 thousand contracts in 2003, 23.6% more than in 2002. Total funding disbursed amounted to R\$3.5 billion, expansion of 32.5%. The yearend balance of the Federal Government Family Agriculture Programs amounted to R\$4.2 billion.

Family Agriculture Funding  
R\$ billion



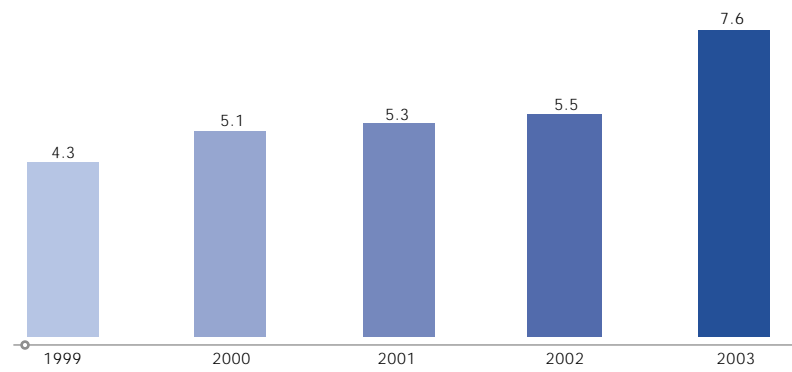
Family Agriculture Funding Composition - %



## International

Reflecting the good performance of Brazilian International Trade in 2003, BB showed significant growth in the financing of Brazilian exports in relation to 2002. Advancements on Exchange Agreements (ACC) and Advancements on Delivered Exchange Securities (ACE) totaled US\$7.6 billion in 2003, representing growth of 38.3% in relation to the volume contracted in 2002. An increase was also seen in the number of transactions entered into, which rose from 23.4 thousand in 2002 to 27.7 thousand in 2003.

ACC/ACE  
US\$ billion

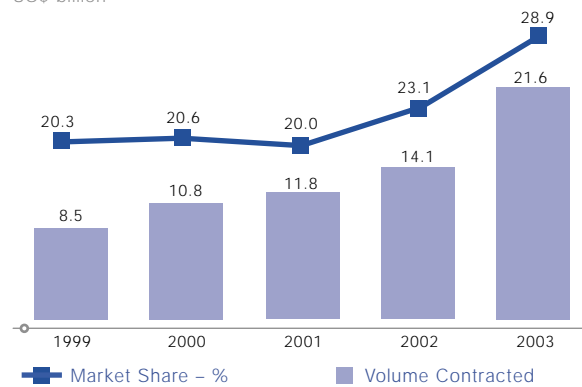


The Federal Government program for export financing (Proex), leveraged US\$4.4 billion in exports to 87 countries, demonstrating that it is an efficient instrument of public policy to position Brazilian products in international markets. The two options – Financing and Equalization of Interest Rates – resulted in disbursements by BB of US\$571 million that benefited 394 companies. Proex for small and medium sized companies grew 45% in the year when compared to 2002.

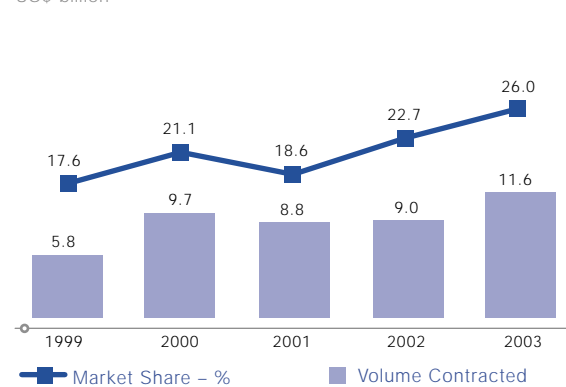
In the foreign exchange market, BB's export exchange transactions totaled US\$21.6 billion, exceeding its performance in 2002, when it amounted to US\$14.1 billion. Import exchange volume totaled US\$11.6 billion for BB in 2003 compared to US\$8.9 billion in 2002. BB continued to lead the export exchange market, increasing its market share from 23.1% in 2002 to 28.9% in 2003. It also ranked first in import exchange market, where it increased its market share from 22.7% to 26.0%.

**The amount applied to ACC and ACE operations was record – US\$7.6 billion, confirming Banco do Brasil vocation as the main partner of the Brazilian exports financing**

Export Exchange  
US\$ billion



Import Exchange  
US\$ billion



Regarding the services provided to Brazilians living abroad, the services provided in Japan and Portugal had an outstanding performance in 2003. The customers in Japan were responsible for remitting 589 thousand payment orders totaling US\$687.2 million. In Portugal, funds remitted in 435 thousand payment orders totaled US\$243.4 million.

## Public Sector

Banco do Brasil continued to be the leader in collection of federal, state, and municipal taxes. A total of R\$157 billion of the R\$496 billion in taxes collected by government passed through BB, which represented 32% of this market. BB also continued to lead in payment of social security benefits (INSS). The Bank made 61.8 millions benefit payments totaling R\$22.8 billion, which amounted to 24% of the market.

BB is also responsible for managing (control, operation, budget, finances, and accounting) Pasep – a governmental program responsible for paying an annual bonus salary to public employees with average monthly income below two minimum salaries, as well as for payment of income and principal (quotas). The Bank has also been engaged by the Ministry of Labor and Employment to identify and pay bonuses to participants. In 2003, 1.2 million participants received bonus payments and 3.8 million participants received income, 13.1% and 6.6% more than in 2002, respectively.

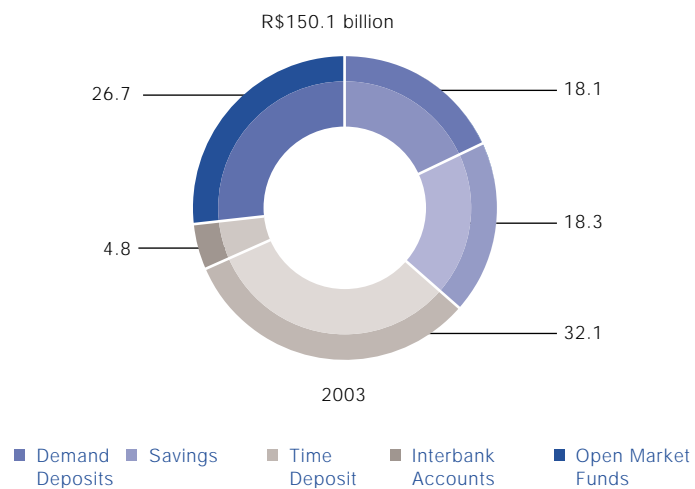


## Funding

The credibility of Banco do Brasil allied with its broadly distributed network allowed BB to maintain its leadership in this segment as well, ending 2003 with a balance of R\$150.1 billion.

Funding	R\$ million				
	1999	2000	2001	2002	2003
Demand Deposits	12,572	16,111	18,831	24,342	27,140
Savings	19,990	19,958	21,242	26,918	27,425
Time Deposit	37,114	26,323	29,142	42,117	48,173
Interbank Accounts	2,539	3,296	4,220	3,876	7,275
Open Market Funds	14,786	28,069	43,753	48,327	40,063
<b>Total</b>	<b>87,001</b>	<b>93,756</b>	<b>117,188</b>	<b>145,580</b>	<b>150,076</b>

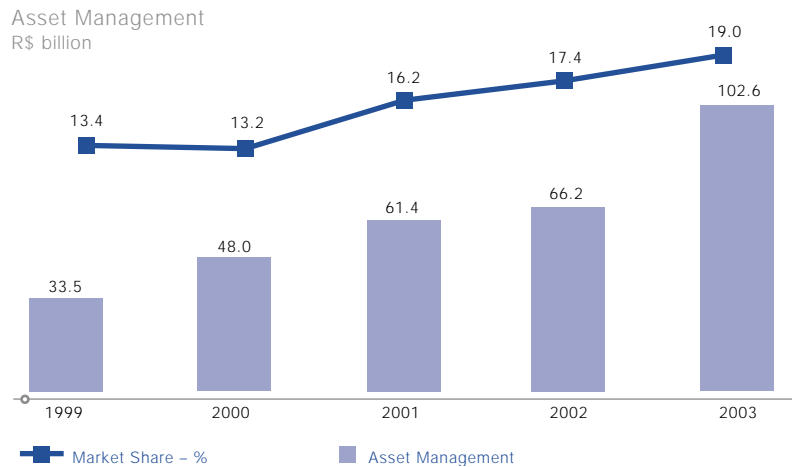
Funding – %



## Asset Management

At yearend, assets managed by BB's wholly owned subsidiary *BB Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários* (BB DTVM) totaled R\$102.6 billion. This amount represented a market share of 19%, which exceeded the 17.4% share in 2002 and also allowed BB DTVM to continue as the largest asset manager in Latin America.

BB DTVM portfolio includes investment funds for different types of customers: individual investors (36%), companies (21%), institutional investors (30%), offshore funds (8%), and funds for the government segment (5%).










## Capital Market

Banco do Brasil led the domestic capital market in origination and distribution of fixed income transactions – issue of debentures and promissory notes. BB participated in ten of 32 offerings in this segment during the year, becoming the institution with the largest presence in the Brazilian market. The Bank held a market share of 19.5% for offerings in the period. The volume of business entered into by BB reached R\$1.4 billion, almost twice the volume of the institution ranked second.

Only one-third of this total was structured under a firm guarantee, that is, with a commitment from the Bank to include securities not placed in the market in its portfolio. The remaining volume was placed on a best effort basis, which indicates the confidence of investors in the experience of Banco do Brasil with origination and distribution of securities offerings in capital markets.

Banco do Brasil was one of the leaders among Brazilian banks in third-party issues in international capital markets. Offerings involving its own securities, BB showed its best performance ever, borrowing US\$939 million. This amount was borrowed through six offerings: three under the Global Medium Term Note Program (GMTN), two under the Securitization of Payment Orders Program (MT100), and one innovative offering involving the securitization of the flow of receivables of Visanet credit cards.

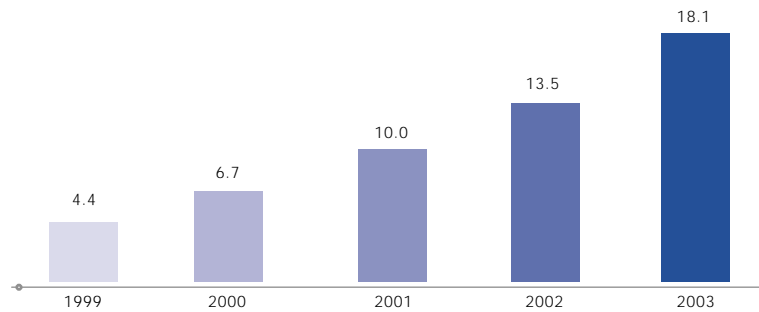
BB borrowed US\$346 million under the GMTN program, and its offering of € 150 million (equivalent to US\$171 million) in July 2003 was worth note, since it was the first borrowing in Euros by BB and up to this time it was also the largest volume borrowed by a Brazilian Bank in this currency. BB borrowed US\$370 million under the MT100 program, including a US\$250 million transaction with a three-year grace period that matures in 10 years. Securitization of the flow of receivables for Visanet credit cards allowed BB to borrow US\$223 million.

						
US\$ 100MM	US\$ 120MM	US\$ 75 MM	€ 150MM	US\$ 178MM	US\$ 45MM	US\$ 250MM
Global Medium Term Notes	MT-100	Global Medium Term Notes	Global Medium Term Notes	Visanet	Visanet	MT-100
6.25% p.a. 1 year	7.26% p.a. 7 years	6.375% p.a. 2 years	4.500% p.a. 1 year	5.911% p.a. 8 years	4.777% p.a. 8 years	6.55% p.a. 10 years
28/jan	17/mar	25/apr	02/july	10/july	10/july	19/dec

## Cards

Banco do Brasil continued to lead in credit and debit card revenue, which totaled R\$18.1 billion, 21% market share. A growth of 34.4% and at the yearend BB had a portfolio of 5.3 million active cards, 12.8% more than in 2002.

Cards Revenues  
R\$ billion



BB consolidated its position in the corporate card market broadening its customer base and increasing revenues. BB ended the year ranked second by Visa corporate card billings, representing 23% of the market.

In the voucher card segment (food and meals), in about six months, *BB Visa Vale* registered about 1,4 thousand companies, and associated more than 70 thousand restaurants, supermarket and others, all over the country. BB issued more than 210 thousand cards, becoming the leader in issues, with approximately 42% of sales.

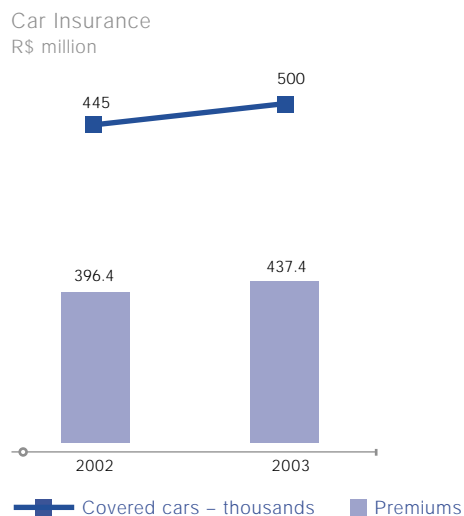
## Insurance, Pension Plans, and "Capitalization"

Banco do Brasil has ownership interests in companies in the areas of insurance, pension fund management, and "capitalization" (a type of savings club), all of which are held through its fully owned subsidiary BB I. Their products serve individuals and business and they are sold through BB's service network, Portal BB [bb.com.br](http://bb.com.br) and Customer Service (0800 729 0400). Beginning in 2004, this line of products is being distributed under the *BB Seguros* brand.

The logo for BB Seguros, featuring the text "BB SEGUROS" in bold blue capital letters on a yellow rectangular background.

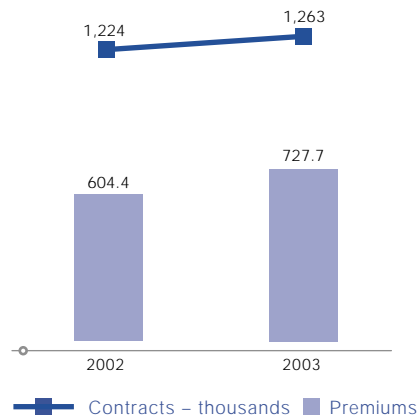
### Insurance

The car insurance – *BB Seguro Auto* – covered 500 thousand motor vehicles in 2003, compared to 445 thousand in 2002, growing 12.4%. Total premiums amounted to R\$437 million, a 10.3% increase in relation to 2002. BB Seguro Auto is a product of *Brasileículos* created in 1996. This company is currently ranked eighth among insurers of motor vehicles.



Earned premiums for life insurance, which includes solutions such as *BB Seguro Vida*, *BB Seguro Vida Mulher*, and *BB Seguro Vida Produtor Rural*, increased 20.4% to R\$727.7 million. Life insurance products are handled by *Companhia de Seguros Aliança do Brasil* formed in 1996 and ranked number two in the market.

Life Insurance  
R\$ million



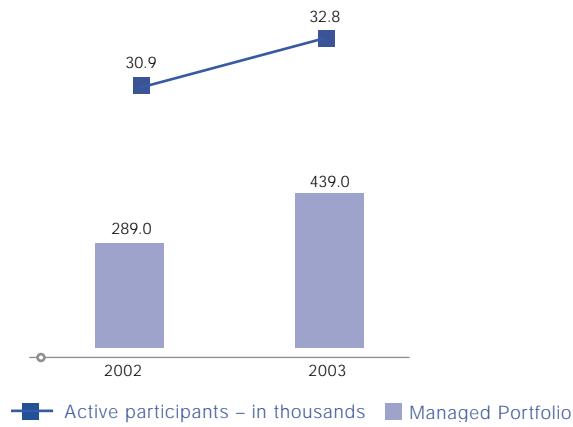
## Pension Fund

Supplementary open-ended pension funds include traditional PGBL and VGBL plans, which are products of Brasilprev. In 2003, BB reached 1.2 million active participants, 33% more than in the same period of the prior year. BB's managed portfolio also expanded, reaching R\$5.6 billion and growing 47.6% for the year.

*BB Previdência* operates multi-sponsor funds for BB in the area of closed-end pension funds. The number of these plans rose 11.1% and included 32.8 thousand participants enrolled in 30 active plans and R\$439 million managed funds.

*BB Previdência* also provides assets and liabilities management services within the Social Security Regimes of States and Municipalities. At the end of 2003 *BB Previdência* had approximately R\$500 million assets under management derived from 161 contracts.

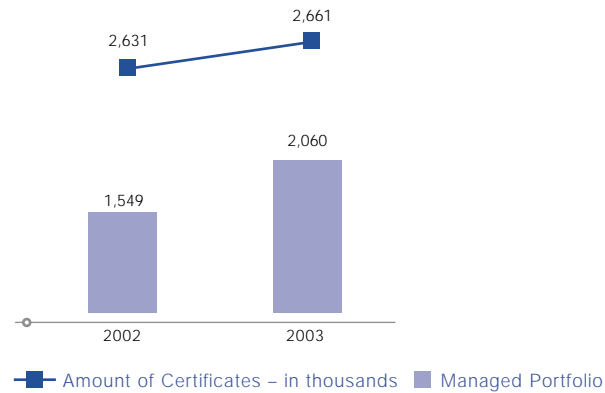
Closed-ended Pension Fund  
R\$ million



## Capitalization

Sales of Ourocap capitalization certificates expanded 26.2%, allowing Ourocap to

Capitalization  
R\$ million



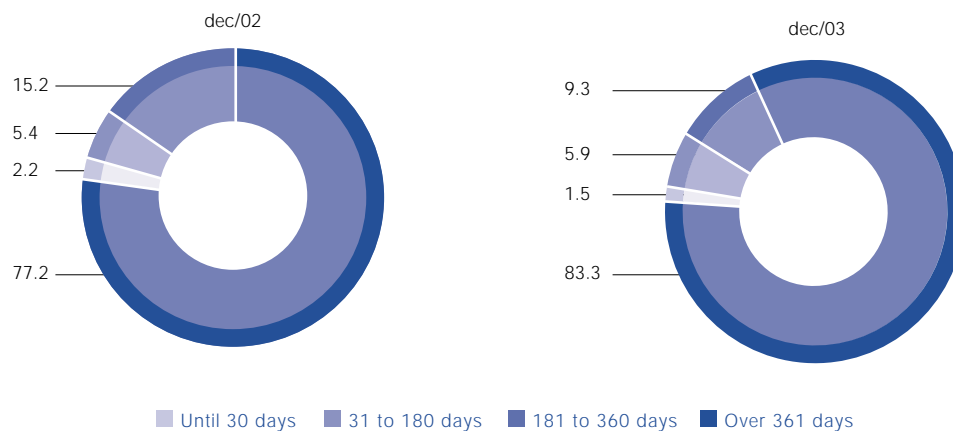
maintain its leadership position. These certificates are products of Brasilcap, a company formed in 1995.

## Securities


BB's securities portfolio remained stable, decreasing 1.9% in relation to 2002, due to our strategy to expand BB's loan portfolio. At the end of 2003, the balance in the securities portfolio of BB totaled R\$69.6 billion.

Securities	R\$ billion	
	dec/02	dec/03
Total Securities	70,943	69,590
Available for Trading	3,585	16,095
Available for Sale	41,303	28,307
Held to Maturity	25,763	24,821
Derivates	292	368

Composition of the Securities Portfolio by Maturity – %  
Number of days







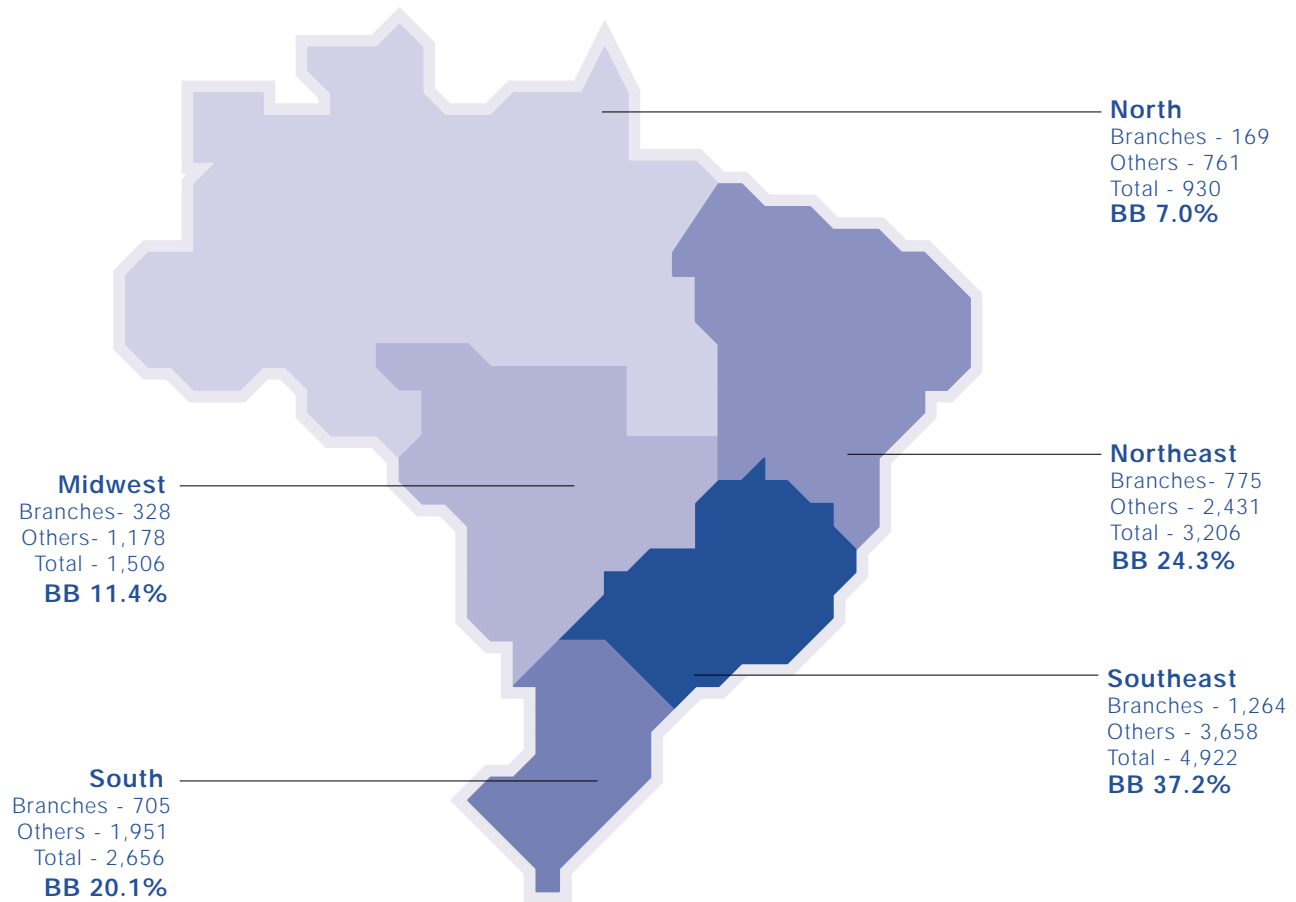
# Distribution and Technology

BB ended 2003 with the largest automated teller machine network of Latin America and holding the largest distribution network abroad among Brazilian Banks

## Distribution

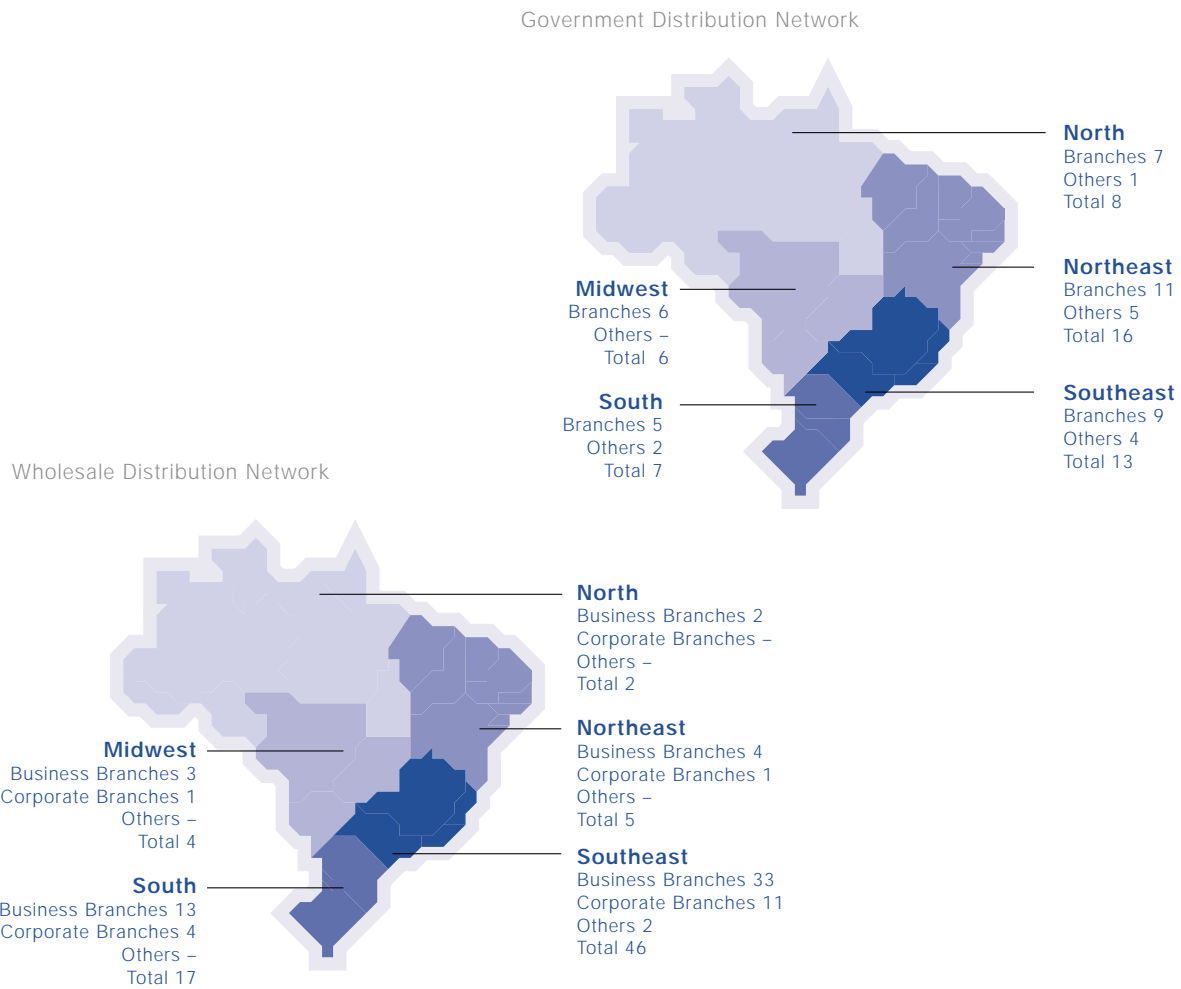
At the end of 2003, Banco do Brasil was presented in 2,884 municipalities with the largest owned distribution network in Brazil – 13,220 points of service at yearend, which represented growth of 7.2% in relation to 2002. The number of branches shifted from 3,164 in 2002 to 3,241 in 2003.

Distribution Network – Total



In addition to its owned points of service, BB counts on a supplementary banking agents network, that was consolidated in 2003. This network has been named *Aqui Tem BB*, a brand developed applying the concept of convenience. At yearend, the *Aqui Tem BB* network included 2,050 points of service and about 10 thousand cashiers for receiving payments, taxes, and bank collection slips.

The branch network in Brazil is segmented among the Bank's business pillars. Accordingly, 72 of our 3,241 branches are dedicated to the Wholesale Pillar, 38 to the Government Pillar, and the remaining number to the Retail Pillar.

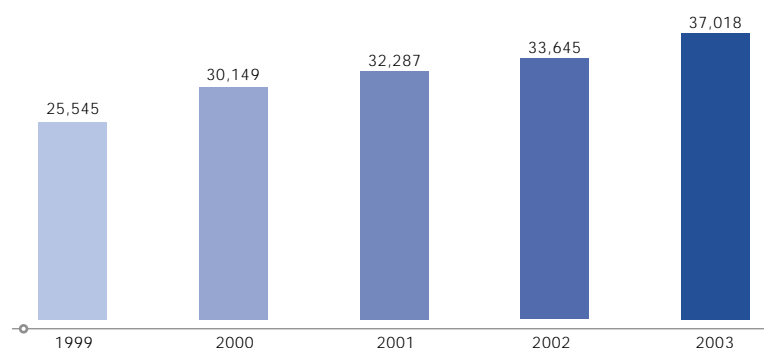


Banco do Brasil has maintained its leadership as the largest international service network among Brazilian banks. BB is presented in 21 countries, including 17 branches, six sub-branches, 11 business units, and four subsidiaries.

## Automated Channels

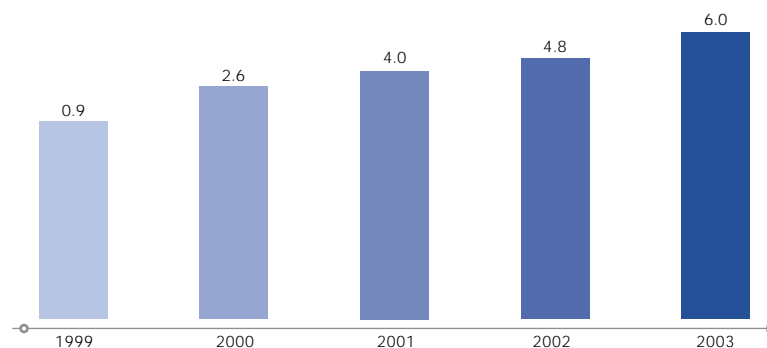
BB ended the year with the largest automated teller machines (ATM) network in Latin America: total of 37,018 machines. In December 2003, 94.8% of withdrawals, 83.2% of checkbooks delivered, 68.6% of deposits, and 54.9% of payments and taxes received were processed using ATM.

Automated Teller Machines

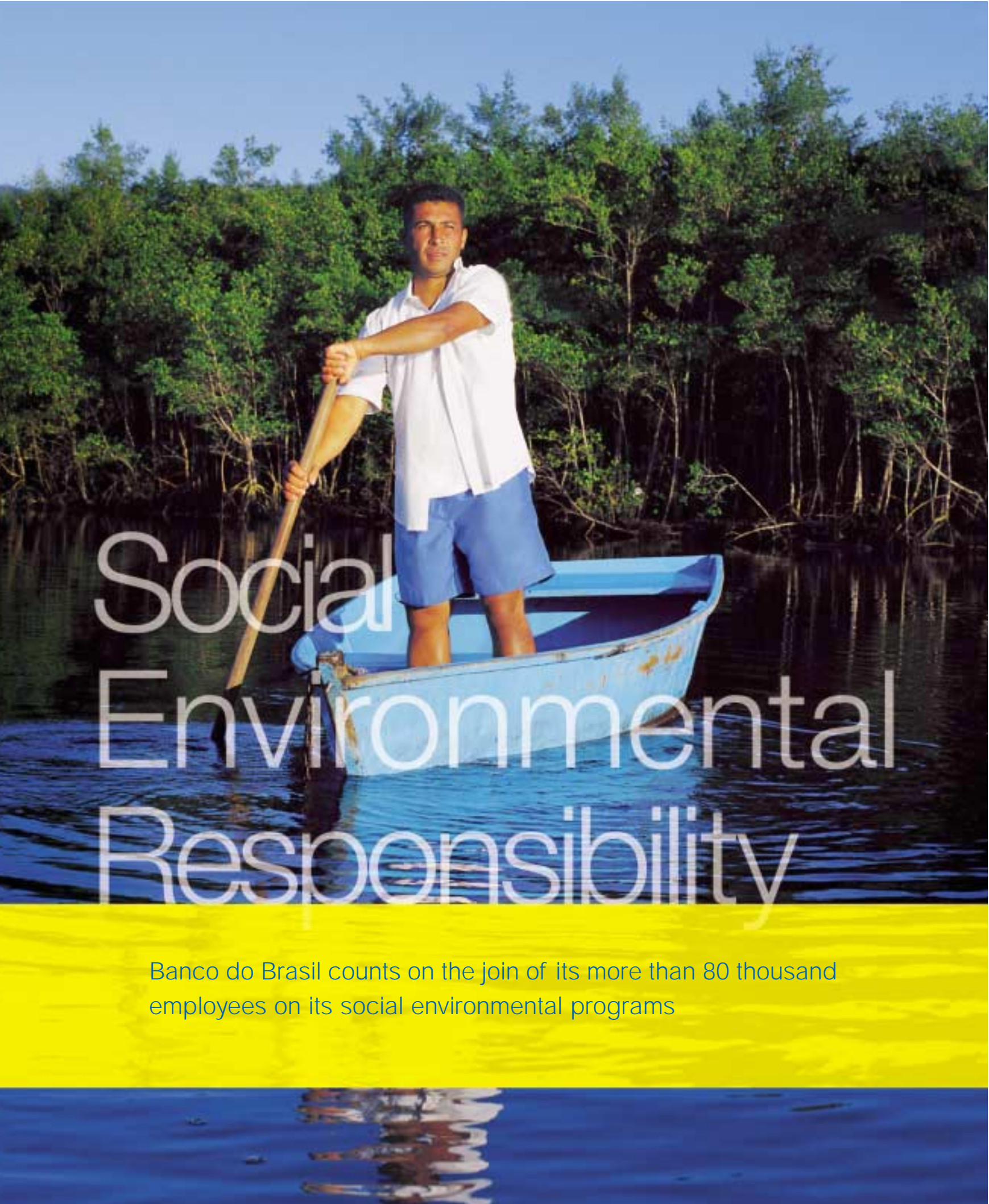


Another important channel for customer access is the BB website [bb.com.br](http://bb.com.br). Moreover, at yearend, 6 million customers were registered to access the Bank via the Internet compared to 4.8 million in 2002. In 2003, over 30% of transactions by individual customers were processed via the Internet.

Internet Registered Customers  
In millions



Our Internet banking for business, *Gerenciador Financeiro*, was used by 658 thousands companies and *Auto-Atendimento Setor Público*, Internet banking for the public sector, had 10,418 registered users, increase of 15.6% and 25.4%, respectively.

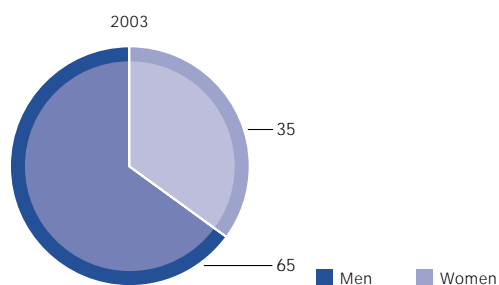


# Social Environmental Responsibility

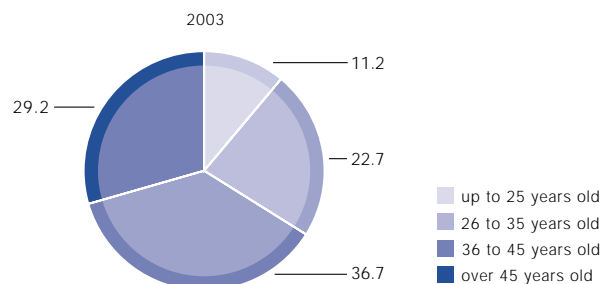
Banco do Brasil counts on the join of its more than 80 thousand employees on its social environmental programs

## Employees Profile

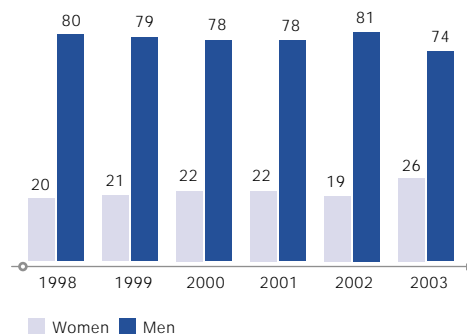
Sex - %



Age Group - %



Management Positions - %



Ethnicity - %	2001		2002		2003	
	Men	Women	Men	Women	Men	Women
Not advised	5.15	3.48	4.30	2.86	3.49	2.23
Yellow	1.59	1.43	1.55	1.40	1.57	1.36
White	47.25	25.60	47.85	26.31	48.18	26.92
Indigenous	0.39	0.18	0.38	0.16	0.35	0.14
Black	1.20	0.42	1.19	0.44	1.21	0.49
Mixed	9.40	3.91	9.54	4.02	9.84	4.22

Schooling	1.999	2.000	2.001	2.002	2.003
Elementary	5,697	4,587	3,880	3,241	2,742
Secondary	17,365	19,692	30,952	28,254	26,631
At University	15,964	19,279	6,865	7,828	8,771
Graduates	30,065	34,308	32,880	33,917	35,627
Postgraduates - Specialization	n.d.	n.d.	3,354	5,061	6,470
Master's Degree	319	311	178	298	372
Doctorate	27	24	13	20	27
<b>Total</b>	<b>69,437</b>	<b>78,201</b>	<b>78,122</b>	<b>78,619</b>	<b>80,640</b>

## Attracting and Retaining Talents

In Banco do Brasil, social responsibility begins with its employees and collaborators. These make up a population of 80,640 employees, 10,181 interns, 2,629 under contract, and 3,808 adolescent workers, who multiply this practice in the communities where they work.

The advances in the personnel management process seek to attract and retain talents. In 2003, the Bank invested R\$40.9 million in training and qualification, a 27.2% growth, compared with 2002. 1,752 undergraduate scholarships, 737 scholarships for postgraduate studies, and 706 scholarships for learning a foreign language were awarded. Over 40 thousand opportunities for presential training and 20 thousand for distance training were offered, taking the level of training to 85.4 hours per member of staff, while in 2002 this average amounted to 80.4 hours.

The favorable results of this strategy can be seen in the evolution of the indicators of the Organizational Climate Survey. The levels of employees commitment and satisfaction have increased. Last year, 89.25% of the employees regarded the BB as the best organization to work in, compared with 85.17% in 2002.

Following the strategy of "creating value through education", the Bank democratized access to knowledge by means of the Banco do Brasil Corporate University (UniBB) – uni.bb.com.br. Its contents are aimed at improving the organizational performance, fostering the growth of the employees, and improving the quality of the services provided for society.

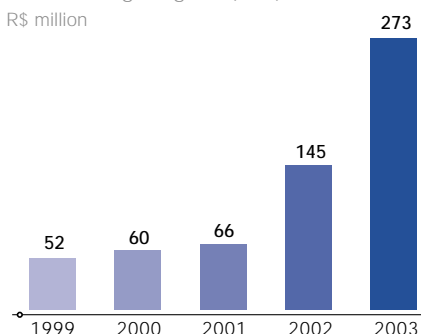
It is part of the Corporate University's strategy to extend its educational actions to customers, partners, and suppliers, strengthening the relationship with the community and contributing towards social development.

In 2003, Management made an undertaking to carry on a dialog of a permanent nature with the employees, so as to get to know their problems and hear their grievances. The result was the signature of a collective agreement based on the clauses drawn up by the National Federation of Banks (Fenaban) for the banking industry.

The Bank has also negotiated with the Representative Bodies of the Employees the payment of the Profit Sharing Program (PLR), which was being paid spontaneously. The final agreement followed the same principles as the Fenaban's, with the exception of its

periodicity, which is half-yearly in the BB. For employees in the strategic and managerial segments, the model also includes a bonus. In the year, the Bank paid out R\$273 million to employees, under the heading of distribution of profits and results.

Profit Sharing Program (PLR)  
R\$ million



The Bank keeps several communication channels permanently open, for the use of the employees. These channels encourage participation in the quest for solutions, and attend to queries and suggestions. Besides the channels in common use in the market, such as the Internet and the Corporate Intranet, the Bank boasts an online News Agency, an in-house magazine (bb.com.você) and its Corporate TV, which impart quality and dynamism to the relationship of the Company with its employees.

The functions of the internal communication system for employees with the Personnel and Socioenvironmental Responsibility Management area, *RH Responde*, are being expanded to form the BB's Internal Ombudsmanship. This channel will continue to make available to employees the module for communicating with the Board of Officers of the Bank. Monitored by the President himself, the system has clocked up an average of 200 suggestions a month, since its implantation in February 2003.

In an attempt to get to know criticisms and suggestions from the BB's 80,000 employees about its personnel management policies, the BB held Personnel Management Forum IV. About 18 thousand opinions were gathered, which are today systematized and available for guiding strategic decisions in the Company.

Dialog was present, and it has been the keynote in the solution of labor conflicts between the Bank and its employees or former employees. The BB's Prior Conciliation Commissions have imparted agility to the process, which made it possible to resolve 467 labor conflicts in 2003, without needing to involve the Labor Courts.



As far as the individual and collective lawsuits existing in the Labor Courts are concerned, in 2003, 239 individual claims were ratified in agreements; in the collective claims, special mention should be made of the agreement reached with the São Paulo Bank Clerks' Union to extinguish the litigation that has been going through the Courts for 30 years, known as the "Lawsuit of the 3%", which covers 1,600 former employees.

Concerned with the post-employment health assistance and benefits for its employees and their dependants, the Bank has contributed systematically to two structures linked to employees. The first, the *Caixa de Assistência dos Funcionários do Banco do Brasil (Cassi)*, is responsible for the health plan for BB employees and its families, and it also carries out the periodical examinations provided for in law. In 2003, about 78 thousand examinations were carried out, encompassing almost the entirety of employees on active service. Cassi ended the year with 699,071 associates from all over the country, and received R\$295 million in contributions from BB.

The second institution is the *Caixa de Previdência dos Funcionários do Banco do Brasil (Previ)*, BB's employees Pension Fund. With 125,529 associates (74,608 on active service and 50,921 retired) and 251,192 dependants, Previ is Latin America's largest pension fund. In 2003, Previ received R\$401.6 million in contributions from the Bank.

Another benefit offered by BB to its employees, including the 16,618 collaborators – interns, contracted personnel, and adolescent workers –, is the food grant. In the year, the Bank set aside R\$477.6 million for this benefit.

The Student Intern Program, governed by Law 6494/77, comprises the activities of social, professional and cultural apprenticeship, provided to the student by taking part in real situations in life and at work, compatible with their surroundings. The Bank ended 2003 with 10,181 interns (at the secondary and university levels), with a wide range of activities: Administration, Information Technology, Law, Marketing, Engineering, Agronomy, and Psychology, Nutrition, amongst others.

## Agent for Economic and Social Development

In harmony with its commitment to reconciling the meeting of the shareholders' interests with the development of socially and environmentally sustainable business, the Bank, in December, adhered to the United Nation's Global Compact. This venture, which intends to mobilize companies to foster fundamental values in the areas of human rights, labor, environment and sustainable development, seeks to construct a more inclusive and egalitarian global market.

Adhering to the Global Compact means committing to support and adopt in corporate practices the following principles:

### Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence
- Make sure that they are not complicit in human rights abuses

### Labour Standards

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced and compulsory labour
- The effective abolition of child labour
- Eliminate discrimination in respect of employment and occupation

### Environment

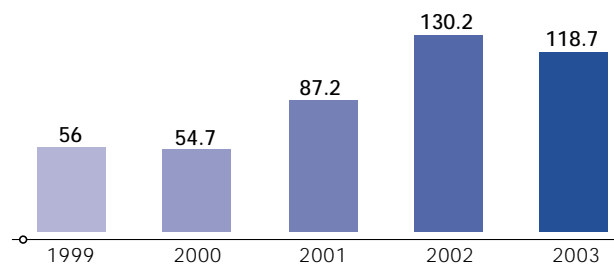
- Businesses should support a precautionary approach to environmental challenges
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies

Another important step for developing the management of socioenvironmental responsibility in the BB was its certification as a “Children’s Friend Company” by the Abrinq Foundation for the Rights of Children and Adolescents. The Bank formally took on commitments to Brazilian children relating to the themes of combating child labor, education, health, civil rights and social investment in children and adolescents.



As the main agent of Brazil’s economic and social development, the Bank boosts the economy and the development of the municipalities where it works, by financing agriculture, foreign trade, and micro and small enterprises, amongst others. Furthermore, by means of programs that encourage sport, culture, education, and the generation of employment and income, BB takes citizenship to needy communities, with the projects developed by the Banco do Brasil Foundation and the Beach Volleyball and Cultural Circuits.

Contribution to the Community  
R\$ million



BB’s proposal for action in the Zero Hunger program covers 19 actions in the three focal points defined in the Program: generating employment and income (structural policies), food safety (specific policies), and generating knowledge for potentializing local resources (local policies). At the end of the year, 1,375 committees attended to about 675 thousand people, and distributed more than 1,760 tons of foodstuff to registered bodies. Through the intermediary of the programs aimed at family farming, 10,048 settled farmers received an incentive for marketing their production. In the sporting and cultural events, 9,240 temporary jobs were created.

One thousand, three hundred and thirteen social educators were qualified – amongst them 645 leaders from the communities themselves and 668 employees from the BB. In partnership with the Brazilian Banks Federation (Febraban), 5,269 cisterns were built, in the Northeast Region, mobilizing over nine thousand families. Add to these totals the R\$853 thousand invested in actions for generating employment and income, coming from a percentage of the management fee

of the *Fundo BB DI Básico* and of the brokerage of the *BB Seguro Vida Mulher*. They are, therefore, several ventures that are contributing to the social transformation of the country, and they express Banco do Brasil's socioenvironmental responsibility.

To encourage the regional sustainable development of regions and municipalities, the Bank has developed a methodology for analyzing productive activities, sighting the social, economic, and environmental aspects, after considering the local peculiarities. Of an experimental nature, the Project gave priority to the regions of the North and the Northeast, the Mucuri Valley, in ES, and the Jequitinhonha Valley, in MG. About 230 municipalities are being assisted. With a focus on companies from the same locality and that operate with the same products, the Bank is developing a similar methodology for analyzing Local Productive Arrangements.

In its quest for the professional and personal development of minors between 16 and 17 years old and for the social distribution of income, the Bank offered, under the Adolescent Worker Program, the opportunity of the first professional experience to 3,808 needy adolescents in 2003. This activity has been included in the Bank of Practices of Social Responsibility in Companies, set up by the Ethos Institute, besides acting as a model for several public institutions.

Reaffirming its commitment to social responsibility, the Bank encourages the voluntary work culture amongst its employees and their families. The BB Voluntary Work Program saw an increase of 30% in the total of those who had signed up for it – 11,264 volunteers. Qualifying the volunteers is done through presential courses, sponsoring talks, and voluntary work fairs.

Banco do Brasil strengthens Brazilian Sport by sponsoring the Brazilian men's and women's volleyball teams in the pre-juvenile, juvenile, and adult categories, and the Banco do Brasil Beach Volleyball Circuit. During the circuit, Beach Volleyball Schools are run at the place of the games for youngsters between 11 and 16 years old. In 2003, over six thousand youngsters were trained.

In 2003, the Bank invested about R\$40 million in the VolleyBrasil and TennisBrasil projects, including the Program for the Development of Tennis in Wheelchairs, based in Brasília (DF). This program helps to spread the practice of this modality, the social inclusion of handicapped sportsmen and of those with a disability, and to identify players who may come to be part of the Brazilian Paralympic team.

In the sporting events sponsored by the BB, 1,563 tons of foodstuffs were collected and delivered to over 1,500 entities, which assisted over 505 thousand people, besides creating 5,440 temporary jobs.

For the development of National Culture, the Bank contributed with financial support to various forms of artistic expression, besides educational programs, courses and talks, through the application of funds in the Cultural Centers – CCBBs, located in Brasília, Rio de Janeiro, and São Paulo, and in the Cultural Circuit carried out in partnerships with the secretariats for culture and private companies from all over the country.

The African Art exhibition attracted more than one million people – record public since the inauguration of the first CCBB, 14 years ago. Complimented by the press and critics the exhibition was elected by the Brazilian Association of Art Critics (ABCA) as the Best Exhibition in 2003.

Over 2.9 million people visited the CCBBs in 2003. Roughly R\$28 million were invested in the programming for 2003, resulting in 468 events held and 9,491 presentations made. Some 342 thousand people took part in talks, seminars, workshops, reading circles, and guided visits, amongst other activities of a formative and educational nature.

In addition, 20% of the box office takings of the CCBB's closed events in 2003 was set aside for the Zero Hunger Program. From June to December 2003, some R\$85 thousand were passed on to this program.

In 2003, about R\$8 million were invested in carrying out 18 stages of the Banco do Brasil Cultural Circuit, which received a total of 160 thousand people. At each stage, foodstuff



were collected, to reach a total of 190 tons of food, which was passed on to the Zero Hunger Program.

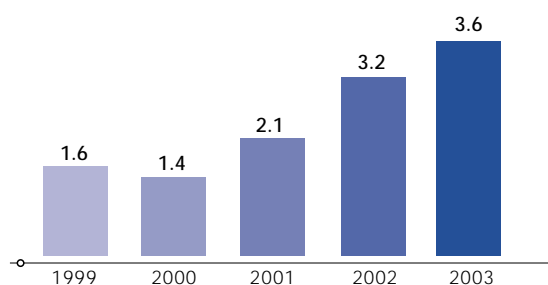
The Banco do Brasil brand is also present in the cultural and social actions of the National Federation of the Banco do Brasil Athletic Associations (Fenabb). The Federation brings together some 1,200 Banco do Brasil Athletic Associations, from all over the country, which have transformed themselves into sporting, cultural, and socioeducational landmarks. Special mention for the AABB Community Integration Program, which, in partnership with the Banco do Brasil Foundation, has attended to 52,000 children and adolescents in over 390 municipalities, with 3,676 educators taking part, and has generated surprising fruits in each locality where it is offered.

## Banco do Brasil Foundation

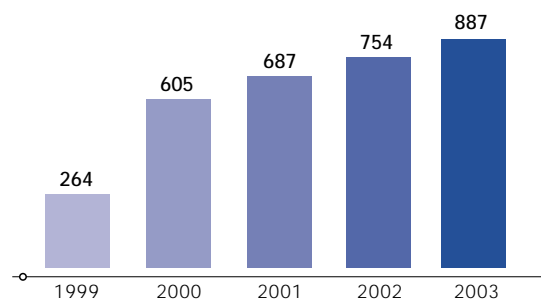
In synergy with the Zero Hunger Program, the Banco do Brasil Foundation reinforced its work in programs aiming at structural actions, such as education, culture, and the generation of work and income.

Banco do Brasil's principal social link, the Foundation is present in 887 municipalities, identifying ventures that generate effective results, setting up partnerships, and multiplying sustainable solutions that foster the social transformation of entire communities. In 2003, the Bank handed over R\$ 25 million to the Foundation.

Beneficiaries  
In millions



Municipalities Served



The projects given priority by the Foundation are the following: Child and Life; Work and Citizenship; AABB Community; Champion School; BB Educate; Bio Awareness; Bank of Social Technologies; Itinerant Justice; Diversity; Memory Project. The programs are detailed in the Social Responsibility Panel that follows and in the website [www.cidadania-e.com.br](http://www.cidadania-e.com.br).

## Table of Social Actions

In order to allow an overview of the social investment actions made by Banco do Brasil and Banco do Brasil Foundation, including the actions of BB in the in the Federal Government Program against Hunger (*Fome Zero*), it is presented bellow a table with the social actions that took place in 2003. These initiatives were classified in "Education, Culture and Citizenship", "Creation of Opportunities" related to the generation of employment and income and "Life Support" emergency actions.

### Education, culture and citizenship

Action	Objectives	Partners
<i>AABB Comunidade</i>	Offer supplementary education, introduction to sports, cultural and leisure activities for elementary school level children and young people who belong to low income families, stimulating self esteem, self awareness, and pride in self.	National Federation of Athletic Associations of Banco do Brasil (FENABB); Athletic Associations of Banco do Brasil (AABB)
<i>BB Educar</i>	Literacy Program for young people and adults that works to train volunteer teachers located throughout Brazil. Utilizes teaching methodology of individuals such as Paulo Freire and Emilia Ferreiro and promotes enrollment of individuals in formal education programs.	<i>Brasilcap</i> Ministry of Education Municipalities
<i>Educação Cidadã</i>	Develop/coordinate actions for forming leaders and community agents by diagnosing local needs, using instruments for social action, principles for ethical action in community work, and communication channels for divulging work carried out.	
<i>Circuito Cultural Banco do Brasil – Itinerant Project</i>	Itinerant Project takes cultural activities to cities considering regional differences. Art presented in various cities around Brazil. Supports artistic presentations, in the areas of music, theatre, graphic arts, photography, and dance.	Secretariats for Culture Private Companies

It is expected that this initiative evolve within the next year to Panel of Socioenvironmental Responsibility, where it will be presented together with social activities, Banco do Brasil's efforts and commitment in supporting its management practices with principles of ethics, human rights and environmental preservation.

■ 100% of the target    ■ Between 50% and 99% of the target    ■ Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Number of children and adolescents served	52,000	52,761	■
Number of young people and adults served	120,000	126,297	■
Number of social educators trained	800	1,313 (668 employees of BB and 645 community leaders).	■
Amount of Visitors	More than 150,000	160,000	■



## Education, culture and citizenship

Action	Objectives	Partners
<i>Escola Campeã</i>	Improve the quality of teaching by optimizing public and school management to improve efficiency in relation to the use of funds destined for education, as well as reduce truancy and holding back of students at municipal elementary schools.	Ayrton Senna Institute Municipalities Departments of Education
<i>Escolinha de Vôlei de Praia</i>	Recruiting of adolescents who receive classes during tournaments in the cities involved in the Circuit. This is a new opportunity that has been opened up to reveal future talent and reinforce healthy and positive attitudes among young people, as well as active participation of the community in events.	
<i>Embaixadores Olímpicos</i>	Stimulate national pride and promote joy, fraternity and recognition through lectures and meetings conducted with the participation of Brazilian athletes, Olympic champions in asylum, nurseries, cancer hospitals and other entities.	
<i>Formação de Comitês de Cidadania no Conglomerado BB</i>	Implement actions in all states to stimulate formation of volunteer committees by employees of Banco do Brasil to take part in the Zero Hunger Program.	Committee of Public Entities to Combat Hunger and Defend Life (COEP)
<i>Justiça Itinerante</i>	Contribute to the availability of court services for populations located far from urban areas or in places to which access is difficult. To accomplish this, buses and boats are being equipped with all of the resources required to provide solutions in civil, penal, family, and criminal courts for matters involving amounts up to forty minimum salaries.	State and Federal Courts and Labor Courts
<i>Programa de Desenvolvimento do Tênis em Cadeira de Rodas</i>	Divulge the sport, social inclusion of disabled or mentally handicapped athletes.	

100% of the target
  Between 50% and 99% of the target
  Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Number of units served	3,060	2,869	
Number of youngsters trained	9,600	9,600	
Number of places served	16	16	
Events conducted	40	40	
Number of committees registered	800	1,375	
Amount of audiences	5,000	9,837	
Number of athletes participating	43	43	

## Education, culture and citizenship

Action	Objectives	Partners
<i>Projeto Memória</i>	Popularize culture by reintroducing important personalities or facts in Brazilian history. Six personalities were chosen for this project: Castro Alves (1997), Monteiro Lobato (1998), Rui Barbosa (1999), Pedro Álvares Cabral (2000), Juscelino Kubitschek de Oliveira (2002). A retrospective of all prior years was presented in 2001.	Odebrecht Organization

## Creation of Opportunities

Action	Objectives	Partners
Support for distribution of products produced by family agriculture and land reform colonies	Support planning for production and distribution of products from this segment, using mechanisms such as advance sales, e-commerce, and by stimulating use of a seal of origin.	<i>Companhia Nacional de Abastecimento</i> (Conab)
<i>Programa Adolescente Trabalhador</i>	Promote professional qualification for inclusion of disadvantaged adolescents (from 15 to 17 years 10 months of age with family income of up to half of the minimum salary and who are registered with a philanthropic entity) in the labor market, as banking services apprentices.	Philanthropic Entities (about 400)
<i>Berimbau – Projeto Auto-Sustentável da Costa do Sauípe</i>	Promote social inclusion by generating work, income, and better quality of life through self sustaining projects that take advantage of the potential in the region and contribute to environmental preservation in communities surrounding the Costa do Sauípe tourism area.	Previ Condominium Costa do Sauípe S.A Ministry of Labor and Employment
<i>Contratação de mão-de-obra temporária nos eventos de marketing esportivo e cultural</i>	Generate employment through temporary labor contracts, especially in needy communities, for Marketing, Sporting, and Cultural events sponsored by BB.	<i>Brasilveículos</i> Private Companies

100% of the target
  Between 50% and 99% of the target
  Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Number of municipalities served	630	All 630 municipalities were contemplated and 16,000 public schools received material with information about Oswaldo Cruz, also 4.655 public libraries received books about Oswaldo Cruz produced by the project.	
Number of schools served	16,000		

Indicator	Goal 2003	Results Achieved	Status
Number of family farmers benefited by land reform	2,000	10,048	
Number of vacancies available in the period	1,400	1,465 (a total of 3,808 hired adolescents)	
Project under development	-	-	
Number of temporary opportunities created	10,000	9,240	

## Creation of Opportunities

Action	Objectives	Partners
<i>Diversidade</i>	Contribute to inclusion of segments stigmatized by society. With this objective in mind, Diversity initiated activities focusing on the development of activities for handicapped individuals. Consolidate data, stimulate potential, promote discussion of the theme, and reducing bias are the goals of this initiative.	Getúlio Vargas Foundation – RJ; Escola de Gente; <i>Agência de Notícias dos Direitos da Infância</i> (ANDI); Center for the Defense of Human Rights (CDDH/Betim MG); USP/Rede Saci; Special Secretariat for Human Rights (SEDH); National Coordination for Integration of Handicapped Persons (CORDE); National Council for Rights of the Handicapped (VONADE), and SENAC Third Sector/SP
<i>Banco de Tecnologias Sociais</i> Social technology is a any low cost creative action, with effective results that can be applied in other areas.	Identify and disseminate creative social technologies (or solutions) that are low cost, capable of resolving problems in the areas of water, nutrition, education, electricity, housing, the environment, income, and health. A social technology is any creative low cost solution that is effective and which can be applied to achieve results at other locations.	Entity for Financing of Studies and Projects of the Ministry for Science and Technology (FINEP), PricewaterhouseCoopers, Unesco
<i>BB Agricultura Orgânica</i>	Serves farmers that utilize organic production systems, utilizing farm credit and modern mechanism for distribution, respecting peculiarities of the segment, based on certification of organic quality for products by recognized and trustworthy certifying entities.	Entities connected to the organic sector Ministry of Agriculture
<i>Bioconsciência</i>	Disseminate environmental practices for rational use and reutilization of natural resources based on two pillars: solid and hydro resources.	<i>Compromisso Empresarial para a Reciclagem</i> (Cempre); Association of Paper, Cardboard, and Recyclable Material Collectors, Social Environment Institute
Recyclable Materials	Invest in the strengthening of cooperatives for junk collectors, training of groups to form cooperatives, implementation of trash collection for recycling to take better advantage of refuse. Recycling, materials such as plastic, paper, and aluminum, as well as turning materials into new products that generate work and income.	

■ 100% of the target

■ Between 50% and 99% of the target

■ Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Municipalities served	5,655	5,655	■
Public libraries served	4,500 Publish results of the survey "A Picture of Disabilities in Brazil"; launch and publish Media and Disability, and promote workshops	4,765 public libraries and 10 thousand copies published and distributed free of charge to institutions connected with disabled persons, newspapers and magazines, and public libraries throughout Brazil  In 2003, Diversity co-sponsored the First National Meeting of Councils for the Rights of the Disadvantaged	
Identification of social projects already implemented and certification of new social technologies	500	634  Registration requests, 96 of which were recognized as social solutions. Details at <a href="http://www.cidadania-e.com.br">www.cidadania-e.com.br</a>	■
Volume of funds contracted	R\$ 7,200,000	R\$ 8,730,491	■
Municipalities served	5,560	5,560  Distribute 6,300 thousand bio-awareness kits to promote collection of trash for recycling in all municipalities in Brazil	■
Projects support	40	Support to 47 projects of associations and cooperatives, contemplated with actions of modernization, capacitating and expansion.	■

## Creation of Opportunities

Action	Objectives	Partners
Generating Employment and Income through Exports (Gere)	Promote initiatives for training of disadvantaged communities to produce items for export utilizing agreements with international organizations. The Program foresees supply of funding. Banco do Brasil will provide support in relation to financial intermediation, international trade services, and export channels.	International Trade Center (ITC) Condominium Costa do Sauípe S.A.
Generation of funding for social projects related to Zero Hunger Program	Transfer of 50% of the administration fee of Fundo BB-DI Básico to increase investments in alternatives for generation of income in disadvantaged communities, supporting individual and collective (associations), entrepreneurial management, as well as professional training through programs such as FBB's Trabalho e Cidadania.	
<i>Minifábricas de castanha de caju</i>	Promote membership in cooperatives, taking advantage of regional potential and invest in expansion of production chains with potential to become self sustaining. The mini-processor project has begun to create a new culture among small producers of cashews nuts who receive training, improve product quality, and increase income.	Embrapa Tropical Agri-industry Telemar Ministry for Social Development, and Combating of Hunger
<i>Programa Agente de Transformação Rural</i>	Transformation, which will be carried out by 250 technical analysts from BB's workforce who will work with small communities to identify and take advantage of local potential and resources.	

■ 100% of the target

■ Between 50% and 99% of the target

■ Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Implementation of pilot-projects	One or more productive chain	Technical cooperation agreement signed between BB and International Trade Center (ITC). Implementation of self sustaining program in Costa do Sauípe-Berimbau as pilot project for partnership with ITC. Workshop held to train trainers for pilot project in Sauípe (BA).	■
Transference of financial resources	R\$ 900,000.00 (April 2004)	R\$ 865,416.79 (December 2003)	■
Sebrae Identification and selection of mini-factories in the states of CE and PI	10	Mini-factories of eight associations of small producers of cashews nuts were selected, where the stages of incubation, capacitating, acquisition of equipment and revitalization of the units are being concluded.	■
Number of diagnose	250	412	■
Number of production profiles concluded	-	528	■



## Creation of Opportunities

Action	Objectives	Partners
<i>Programa de Desenvolvimento da Gestão Municipal – Projeto Promover</i>	Create a network to support municipalities prioritizing the Fome Zero Program. This Program is intended to advise municipal administrations with respect to qualifying for federal and state government programs. BB will prioritize access by the municipalities to the Gerenciador de Contas Públicas, BB Collections, and Tax Debt Collections, in order to improve tax collection in these municipalities.	Brazilian Institute for Municipal Administration (Ibam)
<i>Programa Nacional de Incubadora de Cooperativas Populares (Proninc)</i>	Form and develop cooperatives in disadvantaged communities. Cooperatives are inserted into production processes and trained to participate in the market.	Entity for Financing of Studies and Projects of the Ministry of Science and Technology (Finep), Committee for Public Entities for the Combat of Hunger and Defense of Life (Coep), FBB, Secretariat for Social Economy (MTb).
<i>Tecbor</i>	Involves qualifying/training of latex gatherers and supply of equipment to use this new technique for processing latex.	<i>Universidade de Brasília, Ibama, and the Ministry for Social Development and Combating of Hunger</i>
<i>Trabalho e Cidadania</i>	Invest in actions that focus on generation of jobs and income, such as professional training, business consulting, and management of cooperatives.	Ministry for Labor and Employment, CentroCAPE, Cáritas (SP)
<i>Gerenciador de Recursos Sociais</i>	Online System for management of information on contributions received by BB for the Fome Zero Program. Any individual or business can donate food, goods, or services and monitor the results achieved as a result of these donations, regardless of whether or not a customer of the Bank. The system allows all phases of the process to be made visible and transparent.	

■ 100% of the target

■ Between 50% and 99% of the target

■ Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Number of municipalities served prioritizing the Fome Zero Program in the states of AL, BA, CE, PE, and PI	5	5 (Municipalities: Chorozinho - CE, Piranhas - AL, Ibitiara - BA, Jatobá - PE, Guaribas - PI)	■
Qualitative	Establish criteria for selecting universities and incubators that will subsequently be served and define the number of coop members and jobs generated	Management Committee Nominated and supervised by the Secretariat for Economic Solidarity (MTb). A total of 35 projects presented by universities approved.	■
Implementation in 2004	-	-	■
	Expand actions related to generation of jobs and income; continue to render services provided through Entrepreneur Rooms, support efforts related to professional re-inclusion developed by Caritas (SP), and hold workshops on entrepreneurship with descendants of Japanese immigrants.	Among actions developed, we point out courses and lectures of the Dekassegui Project, strengthening professionalism at cooperatives, entrepreneur rooms, re-inclusion of workers in the job market.	■
Number of users with access to GRS	1,000	4,974	■

## Creation of Opportunities

Action	Objectives	Partners
<i>Desenvolvimento Regional Sustentável</i>	Create strategies, policies and drivers for credit use, with focus in local productive activities, that creates employment and income, as a way of accelerating the actions of the community agents, contributing to overcome the difficulties and promoting the sustainable development of the region.	Government, Private Companies NGOs, Unions, Associations, Universities and others identified in the productive activity selected
Collecting of foodstuff	Promote the collection of foodstuff during marketing, sporting, cultural and other events by stimulating the public and partner companies to donate foodstuff.	<i>BrasilVeículos</i> Private companies Society
Construction of cisterns	Sponsor construction of cisterns in semi-arid regions.	<i>Febraban</i> <i>Articulação no Semi-Árido Brasileiro-ASA</i> Ministry for Social Development and Combating of Hunger

## Life Support

<i>Criança e Vida</i>	Reduce infant mortality from cancer in Brazil through full care of these young patients, focusing on two distinct points: early diagnosis and adequate treatment of the disease. Eight centers of reference for diagnostic laboratories already implemented.	Ministry of Health <i>Brasilseg</i>
Transfer 20% of tickets sales from CCBB to the Zero Hunger Program	Earmark 20% of ticket sales from Banco do Brasil Cultural Centers in Brasília, São Paulo, and Rio de Janeiro for the Zero Hunger Program.	<i>BrasilVeículos</i> <i>BrasilCap</i> <i>BrasilSaúde</i> <i>Aliança do Brasil</i> <i>Brasilprev</i> Private companies

100% of the target
  Between 50% and 99% of the target
  Between 0% and 49% of the target

Indicator	Goal 2003	Results Achieved	Status
Number of branches involved	18	166	
Number of employees qualified to work with DRS	40	121	
Tons of nonperishable foodstuff	1,000	1,760	
Number of entities assisted	-	2,092	
Number of cisterns build	10,000	5,269	
Number of families capacitated	-	2,790	
Number of families mobilized	-	9,168	
	Invest in qualification of health professionals, enter agreements for restructuring and modernization of five more pediatric oncology services.	Implementation of three agreements for restructuring of pediatric oncology services and technical meetings with eight Centers for standardizing procedures.	
Volume of funds collected	R\$ 90,000.00	R\$ 92,625 donated strength to the Ministry for Social Development and Combating of Hunger (MDS).	

## Customers and Suppliers

BB ended 2003 with 18.8 million customers who enjoy the largest service network – 3,241 branches, 37,018 ATMs and the network of 2,050 banking correspondents for receiving carnets, taxes, and bank payments. For customers with special needs in their locomotion, the Bank has adapted 151 ATMs and 93% of the branches to provide these customers with accessibility.

BB customers also enjoy a telephone service for clarifying doubts, suggestions, and complaints, called BB Responde (0800-785678). In 2003, the system took about 8 million calls, and, based on an on-line survey carried out on the BB terminals, the service attained 94.7% in customers very satisfied or satisfied. In September, part of this service was expanded and made available, in the first instance, to 2.2 million customers in the state of São Paulo, who can carry out financial transactions and operations by the new Service Center. This new channel has already created 800 jobs and is taking over 1,600 calls a day.

In its contracts with suppliers, Banco do Brasil complies with the Law on Tenders. It requires from its suppliers a declaration that they do not employ child labor, and, furthermore, that they meet all their labor and social security obligations.

In addition, the website [www.licitações-e.com.br](http://www.licitações-e.com.br), an electronic business service for purchases and contracting services, has contributed towards increasing competitiveness and transparency in public tenders.



## Environment

The BB's work on the environment takes place through the credit decision process in the Conglomerate. Drawn up in harmony with the legal and environmental aspects, this process safeguards the heritage of the public and the shareholders'.

Accordingly, the Bank has been getting recognition from environmental bodies from the federal and state spheres, for having adopted an environmental risk and licensing assessment in its credit operations, besides assisting in making known environmental laws and regulations.

In its contracts granting credit, the Bank includes a special clause that obliges the beneficiary to comply with the provisions of the Federal, State, and Municipal Legislation referring to the preservation of the environment, obeying technical and legal criteria for preserving riverine woodland, hillsides and hilltops, for conserving soil and water, for using pest controls, for protecting water sources, for protecting flora and fauna, and other environmental conservation considerations.

In addition, environmental practices for rationalizing the use and reuse of natural resources are being disseminated by means of the Banco do Brasil Foundation, in its Bio Awareness program. To start with, in partnership with city halls and the Business Commitment to Recycling (Cempre), the selective collection of garbage is being encouraged all over Brazil. In the second stage of the Program, the focus of work will be trained on: pollution of water sources, scarcity of drinking water, management of water resources, and rationalization of consumption.

In 2003, the rational consumption of electricity has continued to be a focus for the BB's attentions. As a result of the investment in its installations – lighting, air conditioning, elevators and generator groups, making them energy-efficient, a reduction of 67 million kWh – or 12% of total consumption – has proved possible. This saving is equivalent to the consumption of 33,000 households, to 1,080 hectares of inundated area, to 2.7 million trees felled, and to an investment of US\$18 million in the electricity sector.

## Ethos Indicators of Social Responsibility

In July, the Board of Officers approved the carrying out of an organizational diagnosis of the current stage of socioenvironmental responsibility in the BB. To provide the grounding for the process, amongst other tools, the Ethos Indicators of Socioenvironmental Responsibility were used.

The figures presented are the result of the application by the company itself of the application of the Ethos Indicators of Social Responsibility, that is to say, they are the results of a self-assessment. The diagnosis does not therefore have the nature of certification. Its objective is to bring about reflection, learning, and improvement in the practices of Business Social Responsibility.

The opportunities for improvement indicated therein are therefore being used as parameters for policies and actions to be developed for the improvement of those indicators.

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### Ethos - Performance of the BB

Topic	2003
Overall Performance	6.86
Values and Transparency	6.92
Internal Public	5.77
Environment	4.07
Suppliers	2.88
Consumers and Customers	9.00
Community	9.57
Government and Society	9.78

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## Added Value

The statement of Added Value expresses the wealth generated by the company and the way in which it was distributed to society by means of its main agents. A detailing of the Statement is available in Explanatory Note N. 29, in the 2003 Analysis of Performance Report, at the address [www.bb.com.br](http://www.bb.com.br), Investors Relations link.

BB Consolidated	R\$ thousand	
	2002	2003
Amount Distributed	9,974	12,640
Labor Remuneration	5,065	6,380
Government Remuneration	2,635	3,898
Shareholders' Remuneration	2,274	2,380





## Responsibility Indicators

	2003			2002		
1 Calculation Basis	Amount (R\$ thousand)			Amount (R\$ thousand)		
Net Income (RL)	5,3164,848			56,764,213		
Operating Income (RO)	2,380,982			2,027,676		
Gross Payroll (FPB)	6,288,405			5,139,913		
2 Internal Social Indicators	Amt. (R\$ thous.)	% over RO	% over RL	Amt. (R\$ thous.)	% over RO	% over RL
Food and meals	477,621	7.6	0.9	304,622	5.9	0.5
Mandatory social charges	1,415,030	22.5	2.7	1,112,590	21.6	2.0
Pension Fund*	401,647	6.4	0.8	358,661	7.0	0.6
Health	295,012	4.7	0.6	158,935	3.1	0.3
Work safety and hygiene	7,650	0.1	0.0	12,436	0.2	0.0
Education	0	0.0	0.0	0	0.0	0.0
Culture	0	0.0	0.0	0	0.0	0.0
Training and professional development	40,862	0.6	0.1	29,763	0.6	0.1
Nurseries or nursery allowance	27,692	0.4	0.1	24,922	0.5	0.0
Profit sharing	273,401	4.3	0.5	144,876	2.8	0.3
Other	0	0.0	0.0	0	0.0	0.0
<b>Total - Internal Social Indicators</b>	<b>2,938,915</b>	<b>46.7</b>	<b>5.5</b>	<b>2,146,805</b>	<b>41.8</b>	<b>3.8</b>
3 External Social Indicators	Amt. (R\$ thous.)	% over RO	% over RL	Amt. (R\$ thous.)	% over RO	% over RL
Education	17,644	0.7	0.0	10,152	0.5	0.0
Cultural	36,660	1.5	0.1	34,069	1.7	0.1
Health and hygiene	1,569	0.1	0.0	4,056	0.2	0.0
Sports	43,113	1.8	0.1	36,279	1.8	0.1
Hunger combat and food safety	7,044	0.3	0.0	0	0.0	0.0
Other	12,717	0.5	0.0	45,609	2.2	0.1
Total Contribution to Society	118,747	5.0	0.2	130,165	6.4	0.2
Taxes (excluding social charges)	3,194,528	134.2	6.0	2,007,726	99.0	3.5
<b>Total - External Social Indicators</b>	<b>3,313,275</b>	<b>139.2</b>	<b>6.2</b>	<b>2,137,891</b>	<b>105.4</b>	<b>3.8</b>
4 Environmental Indicators	Amt (R\$ thous.)	% over RO	% over RL	Amt (R\$ thous.)	% over RO	% over RL
Relating to the Organization's operations	38,098	1.6	0.1	52,000	2.6	0.1
External programs and/or projects	0	0.0	0.0	472	0.0	0.0
<b>Total environmental Investments</b>	<b>38,098</b>	<b>1.6</b>	<b>0.1</b>	<b>52,472</b>	<b>2.6</b>	<b>0.1</b>
Related to "annual goals" in order to minimize waste, the general production/operation consume and raise the natural sources efficiency, the company	( ) does not have goals	( ) accomplishes it from 0 to 50%	( ) accomplishes it from 51 to 75%	( ) does not have goals	( ) accomplishes it from 0 to 50%	( ) accomplishes it from 51 to 75%
	(X) accomplishes it from 76 to 100%	(X) accomplishes it from 76 to 100%		(X) accomplishes it from 76 to 100%		
5 Staff Indicators						
Nº of employees at yearend	80,640			78,619		
Nº of admissions in the year	6,095			4,967		
Nº of out-sourced employees	2,629			2,041		
Nº of interns	10,181			9,540		
Nº of employees over 45	23,592			22,374		
Nº of women in the Organization	28,517			27,666		
% of management positions held by women	26,00%			19,00%		
Nº of negroes working in the Organization	12,671			11,944		
% of management positions held by negroes	15,31%			15,05%		
Nº of disable employees	1,200			1,040		

6 Relevant Information on Corporate Citizenship Activities	2003	Goals 2004
Ratio between the highest salary and the lowest salary**	25.30	na
Total number of work-related accidents	na	na
Social and environmental projects developed by the Organization were defined by:	( ) top management (X) top mgmt and managers ( ) all employees	( ) top management (X) top mgmt and managers ( ) all employees
Standards for safety and hygiene in the work environment were defined by:	(X) top management ( ) top mgmt and managers (X) all employees	(x) top management ( ) top mgmt and managers (X) all employees
Related to sindical freedom, collective negotiation right and workers intern representation, the company:	( ) doesn't get involved (X) follows OIT rules ( ) incentives and follows OIT	( ) doesn't get involved (x) follows OIT rules ( ) incentives and follows OIT
Pension fund includes:	( ) top management ( ) top mgmt and managers (X) all employees	( ) top management ( ) top mgmt and managers (X) all employees
Profit sharing comprises:	(X) top management ( ) top mgmt and managers (X) all employees	(X) top management ( ) top mgmt and managers (X) all employees
Supplier selection requires conformity with the same ethical and social and environmental accountability adopted by the Organization:	( ) not considered (X) suggested ( ) required	( ) not considered (X) suggested ( ) required
As regards the participation of its employees in voluntary work programs the Organization:	( ) does not get involved ( ) supports (x) organizes and encourages	( ) does not get involved ( ) supports (x) organizes and encourages
Customers' complains and critics amount:	in the Company: 380,344 in Procon***: na in Justice: na	in the Company: na in Procon***: na in Justice: na
% of customers' complains and critics answered:	in the Company: 100% in Procon: na in Justice: na	in the company: 100% in Procon: na in Justice: na
Total Added Value (R\$ thousand):	2003: 12,660,660	2002: 9,974,620
Added Value Distribution	30.79% government 50.40% workers 5.88% shareholders 12.91% bounded	26.42% government 50.78% workers 5.81% shareholders 16.99% bounded

#### 7- Other Information

\* Private Pension Fund. The change in the value informed in 2002 is according to the 17<sup>th</sup> note of the Financial Statement, item 1.2 b 2002 (see 2002 Management Discussion and Analysis).

\*\* Relation between initial salary in the administrative career and the Bank's CEO honorariums.

\*\*\* Procon: A government organism in defense of customers rights.

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# Intangibles

Banco do Brasil's assets go beyond its numbers. They include its brand strength, its tradition and its products and services innovation in addition to its employees qualification



## Banco do Brasil Beyond the Figures

Intangible assets are non material resources that are controlled by the company and which are capable of providing future benefits to the business. These assets are not reflected in the financial statements. However, they are transformed into benefits when combined with some activity or action of the company. An example of this is the capacity of a brand to increase sales of a new product, that is, use of intangible assets to generate benefits. What is the potential of a strong brand to generate business? What is the potential of a highly qualified and motivated workforce to generate business? These are a few sources of intangible value.

We note among BB's intangible assets, its strong physical presence throughout Brazil, its expertise in the various markets where it does business, its risk management system, and most of all, the capacity for innovation of the bank's human capital, one of the most qualified workforces in the market.

The BB brand is linked to attributes that are indispensable for institutions active in financial markets: tradition, confidence, and solidity. These attributes allowed the Bank to be awarded Top of Mind by the Data Folha Institute for the thirteenth consecutive year.

The Bank's distribution network is a decisive factor for the success of its business strategies, because it provides broad distribution and increased sales capacity for products and services, positioning BB ahead of various competitors. An example of the force present as a result of the broad distribution of our branch network can be seen in the constant increase in our customer base, that only in 2003 grew 21.8% and the volume of deposits, that increased 13.1% in relation to the volume in 2002.

The capacity for placement and sale of products and services is also evidenced in Brazilian Social Security's (INSS) campaign for inclusion of retirees and pensioners, as well as small savers in the banking system, which resulted in more than 580 thousand new checking accounts being opened in only four months.

BB's corporate culture is focused on the development of new relationship formats with partners and customers, new products and services, as well as new processes, which confer competitive advantages through constant renewal of our business.

The Bank's expertise in the markets in which it does business and the qualifications of its human capital make BB one of the most innovative businesses in Brazil, and the financial institution with the most complete portfolio of products and services in the Brazilian market.

**Formation of the Banco Popular do Brasil** – In order to provide the low income population and informal businesses with access to the banking system, BB created a specialized structure

separate from the Multiple Bank, in order to implement commercial and credit portfolios, financing, and investment options for this segment.

It is estimated that 60% of the 46.8 millions Brazilians working in the informal economy earn up to two minimum salaries monthly. This portion of this market segment, which includes 28.1 million people, is the potential market of Banco Popular do Brasil. According to estimates, Banco Popular do Brasil is expected to reach 3.6% of this market in 2004 and expand its customer base by 16.1% by the end of 2008.

**Formation of BB Consórcios** – The Bank also formed a management company for *consórcios* (a type of purchasing club) in order to offer customers another option for access to durable goods and services. Based on research published by the *Agência Brasileira de Companhias de Consórcio* (Abac), BB identified a significant portion of its customers as potential purchasing club customers. The purpose of this company is to create purchasing groups to meet the demands of customers of Banco do Brasil and *Banco Popular do Brasil*, as well as provide all customers with access to goods and services.

**Technological Modernization** – Considering that the existing systems would be unable to support the growth projected for business and management applications over the next several years, Banco do Brasil perceived a need for technological modernization of telecommunication resources in order to promote viable communication among its points of service.

As a consequence, the Bank adopted a pioneering model among banks in Brazil for management of data interchange. Accordingly, BB no longer constructed and operated its own private network and began to manage outsourced service providers instead. In addition to representing an advance for the technology that will be used, the contracting of these new services resulted in savings with respect to investments in modernization of the data interchange network.

The impacts expected as a result of the contracting of these new services include an increase in the average velocity of funds transfers in relation to the current network by up to five times those currently available; improvement in the quality of telecommunication services; improvement in response times for applications; optimization of contract management; and fulfilling of objectives; among others. As a consequence of this new technology, many applications are expected to be implemented through the new network (e-learning, videoconferencing via workstations, corporate voice), and others already in use will be expanded (e-mail, Internet, electronic signatures).

**Segmentation** – The new segmentation model introduced for the Wholesale Pillar has two primary components: market segmentation (Industry, Commerce, and Services and sales volume), and

business groups for BB customers. The objective is for these groups to assume responsibility for all marketing initiatives (product/distribution area/promotion), while customers in a segment are grouped in accordance with their relationship with the Bank to maximize results through the use of specific strategies (Development/Diversification/Profitability/Loyalty).

As part of our Retail Pillar, a pilot model for Banco do Brasil *Singular* branches, was created in Campinas (SP) at the end of 2003. An additional 64 branches will be implemented in 17 municipalities, together with 156 service platforms in 129 cities. A total of 25 of these branches are expected to be inaugurated in 2004. In all, 302 thousand of Banco do Brasil's account holders fit our *Singular* profile. This specialization is part of an aggressive strategy to maximize our long-term profitability in this segment and attract new high-income customers.

The next step for improving segmentation of individual customers at BB will involve the launching of Banco do Brasil Private, offices that will focus on relationships with customers who have an investment potential that exceeds R\$1 million.

**Automated Channels** – Development of solutions that make products and services of the Bank available through the various automated channels, add to the efforts of BB and its employees to instill a culture of technology among our customers, who processed over 86% of their transactions using these channels in December 2003. This achievement is reflected in lower costs and frees the workforce for sales.

**Risk management System** – In addition to measurement and control, an effective model for management of risks should utilize procedures for joint evaluation of asset behavior, both domestically and internationally, considering impacts on the various markets. That is, the practice of analyzing scenarios should be systematic and timely and it should place emphasis on stress simulations. Using the same, the value of one or more portfolios is analyzed under extreme and or crisis market conditions, such as shocks to the economy and financial crises, in order to reveal possible losses that the Bank's financial structure could incur under abnormal circumstances. In this respect, Banco do Brasil uses groups of both a technical and decision-making nature that have institutional responsibility in its process for management of risks inherent to its activities.

In addition, Banco do Brasil has moved ahead in anticipation of new requirements of international regulatory agencies set forth in the proposed New Basel Treaty – also called Basel II – as well as implemented actions at the corporate level which assure improvement in operating efficiency and risk exposure with the best risk-return ratio. Accordingly, by aligning itself with best practices adopted by internationally renowned institutions, Banco do Brasil's Risk Management Model has become an intangible asset with strong potential for generating value for the organization.

# Shareholders Information

## Shareholder Rights

Financial and Capital Markets are governed by Laws 4,595, 6,385, 6,404 (Corporation Law, amended by Law 10,303), as well as a regulations and instructions introduced by regulatory bodies. The primary regulator and supervisory body for Capital Markets is the Brazilian Securities Commission (CVM). Its regulations are intended to protect investors.

Basic shareholder rights include the following, among others: the right to information (Law 6,404 and CVM Instruction 202/93); the share in profits; the right to withdraw (Law 6,404/76, Article 137); preferential rights in relation to any capital increase (Law 6,404, Article 171); a right to vote to elect a company's executives and deliberate on the main measures approved at General (AGO) or Extraordinary (AGE) meetings; and the right to oversee company management.

## Prodin

The CVM implemented the Program for Guidance and Defense of Investors (Prodin) and introduced the Superintendence for Guidance of Investors in its organizational structure. The same is charged with developing programs for instructing and educating investors, in addition to responding to consultations and complaints.

Investor Services:

**0800 24 1616**

## Shareholder Meetings

A general meeting (AGO) must be held annually within four months after the end of a company's fiscal year to deliberate on its accounts, the destination of income, and to elect management.

An extraordinary shareholders' meeting (AGE) can be called at any time to deal with changes in the articles and or other matters foreseen in the Corporation Law.

To participate in meetings, shareholders must present a proxy or ownership statement prepared by the *Companhia Brasileira de Liquidação e Custódia (CBLC)* up to 24 hours before the scheduled meeting, if so required.

## Trading of BB Shares

Securities issued by BB are listed on the São Paulo Stock Exchange (Bovespa).

### Trading Symbols:

Common shares	BBAS3
Series B Warrants	BBAS12
Series C Warrants	BBAS13

**Quotation:** unit

**Minimum trading lot on the exchange:** 100 shares

A reverse split of BB securities (in the proportion of 1000 :1) was authorized by the shareholders in a General Meeting held in January 2004.

Shareholders can trade shares over the Internet through the website [bb.com.br](http://bb.com.br), link *Investimentos-e* or at any domestic branch of the Bank.

## Recognition

### In Brazil:

- *Faixa Ouro of Prêmio de Qualidade* awarded by the Federal Government for the best credit management practices
- *Destaque de Comércio Exterior*, category *Apoio à Exportação*, awarded by the Brazilian Association for Foreign Trade (AEB) and the International Trade Secretariat of the Ministry for Development, Industry, and International Trade
- Top of Mind Award for brand recognition among banks in Brazil awarded to BB by the Data Folha Institute for the 13th consecutive year
- *Selo Animec 2003* awarded by the National Association of Capital Market Investors (Animec) in recognition of BB's significant development in relation to corporate governance practices, especially the conversion of preferred shares into common shares and the reverse stock split (1000/1) and consequent increase in liquidity
- *Selo Empresa Cidadã*, awarded by the Municipal Chamber of São Paulo
- Recognized by the *Guia Exame de Boa Cidadania Corporativa* for BB Foundation's Diversity Project
- *Balanço Social Award Mid-West*, for the second consecutive year, sponsored by Ibase, Aberje, Apimec, Ethos, and Fides.

Three awards from the Brazilian Association for Business Communication (Aberje) for the Mid Western/Eastern Region 2003 in the Customer Service (for work of *BB Responde*), *In-house Magazine* (bb.com.você), and Corporate Citizenship Project (Social Database of the Banco do Brasil Foundation) categories.



## International

- Bank of the Year in Brazil – The Banker magazine;
- Best Overall for Cash Management in Latin America – Global Finance magazine;
- Best Online Cash Management in Latin America – Global Finance magazine;
- Best Trade Finance Bank in Brazil – Global Finance magazine;
- Best Corporate Internet Bank in Brazil – Global Finance magazine;
- Best Corporate Online Cash Management in Latin America – Global Finance magazine;
- Best Corporate Online Credit in Latin America – Global Finance magazine;
- Latin America Deal of the Year – Asset Securitization Report;
- Latin America Securitization of the Year – International Financing Review;
- Most Improved Bank in Latin America – Latin Finance magazine;
- Leader Quality in Brazil – International Quality Service.

## Shareholders Service

### Shareholders Room

Information on the performance of BB's securities, ownership position, and share purchases and sales can be made through the Virtual Room for Shareholders through the website [bb.com.br](http://bb.com.br), link *Relações com Investidores* or English. Shareholders can also use this page to clear up doubts or contact the Office of the Manager for Investor Relations.

### BB Branches

#### Customer Service:

**0800 78 5678**

## Meaningful Information

Banco do Brasil discloses all meaningful information related to its business to the market.

Information can be found at:

- [www.cvm.gov.br](http://www.cvm.gov.br) (link *Participantes do Mercado, Companhias Abertas*);
- [bb.com.br](http://bb.com.br) (link *Relações com Investidores* or English)

The newspapers in which financial statements, material facts and events, and notices to shareholders are published are:

- *Diário Oficial da União* (DF);
- *Correio Braziliense* (DF);
- *Gazeta Mercantil* (SP); and
- *Jornal of Commercio* (RJ);

### Conferences Call on Performance

BB discloses the results of its operations on a quarterly basis and holds conferences call in Portuguese and English to provide detailed information on financial figures.

Access is available to any interested stakeholders and information can be obtained via Internet at [bb.com.br](http://bb.com.br) (link *Relações com Investidores* or English).

## Corporate Information

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#### Employee Relations and Social-Environmental Responsibility Unit

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#### Independent Auditors

*Price WaterhouseCoopers Auditores Independentes*