

FINANCIAL STATEMENTS

2017

fiscal year



FUNDAÇÃO

BALANCE SHEET

In thousands of Reais

ASSETS	Note	Dec 31, 2017	Dec 31, 2016
CURRENT ASSETS		135,600	154,408
Cash and Cash Equivalents	4	12,688	23,907
Financial Instruments and Derivatives	5	107,299	112,245
Other Receivables	6	15,613	18,256
NON-CURRENT ASSETS		193,499	191,309
Financial Instruments and Derivatives	5	192,299	189,725
Property and Equipment	7	1,046	1,334
Intangible Assets	8	154	250
TOTAL ASSETS		329,099	345,717
LIABILITIES / EQUITY		Dec 31, 2017	Dec 31, 2016
CURRENT LIABILITIES		47,067	49,233
Distributions, Onlendings and Payables		3,353	1,140
Commitments for social projects	9	2,818	657
Accounts payable	10	535	483
Resources from Social Programs	11.b	42,504	46,969
Conditional Resources		914	829
Other Liabilities		--	12
Provisions for Labor and Civil Lawsuits	12.b	296	283
NON-CURRENT LIABILITIES		54,141	57,087
Legal Obligations	13	54,136	57,082
Other Liabilities		5	5
TOTAL EQUITY		227,891	239,397
Social Equity	14	227,891	239,397
Equity fund		135,834	141,250
Accumulated surplus		92,057	98,147
TOTAL LIABILITIES AND EQUITY		329,099	345,717

See the accompanying notes to the financial statements.

STATEMENT OF INCOME

		In thousands of Reais	
	Note	2017	2016
OPERATING INCOME		143,262	154,236
Donation and Contribution Income	15	79,445	77,220
Conditional Donation Income	15	--	145
Financial Result	16	29,414	41,429
Own resources		26,889	39,202
Third-party resources		2,638	4,859
Expenses - BB Milenio Fund		(113)	(2,632)
Recoveries – Previous Years	17	13,449	10,794
Recoveries – Social Programs Expenses	18	20,906	24,648
Other Income	19	48	--
OPERATING EXPENSES		(154,768)	(173,424)
Social Investments	20	(98,824)	(109,229)
Own resources		(77,918)	(84,581)
Third-party resources		(20,906)	(24,648)
Personnel Expenses	21	(35,815)	(35,317)
Administrative Expenses	22	(5,739)	(6,912)
Institutional Communication Expenses	22	(1,092)	(2,635)
Tax Expenses	23	(10,094)	(13,707)
Cancellation of Financial Income	24	(2,722)	(4,956)
Other Expenses	25	(482)	(668)
SURPLUS (DEFICIT) FOR THE YEAR		(11,506)	(19,188)

STATEMENT OF COMPREHENSIVE INCOME

		In thousands of Reais	
		2017	2016
SURPLUS (DEFICIT) FOR THE YEAR		(11,506)	(19,188)
Other comprehensive income		--	--
Tax effects on items of comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(11,506)	(19,188)

See the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS – INDIRECT METHOD

	In thousands of Reais	
	2017	2016
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	(11,506)	(19,188)
Adjustments to the Surplus/(Deficit)	375	761
Depreciation/Amortization	404	609
Gain on the disposal of assets	(42)	--
Expense (Reversal) of civil and labor provisions	13	152
Adjusted Surplus/(Deficit)	(11,131)	(18,427)
Equity Variations	2,464	165,795
(Increase) Decrease in financial instruments held for trading	4,946	170,395
(Increase) Decrease in other receivables	2,643	7,614
(Increase) Decrease in prepaid expenses	--	1
(Increase) Decrease in covenant receivables	--	2,299
Increase (Decrease) in social project commitments	2,161	(475)
Increase (Decrease) in accounts payable	52	(281)
Increase (Decrease) in resources from social programs	(4,465)	(18,075)
Increase (Decrease) in conditional resources	85	829
Increase (Decrease) in other liabilities	(12)	(32)
Increase (Decrease) in legal obligations	(2,946)	3,444
Other adjustments	--	76
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(8,667)	147,368
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in financial instruments held-to-maturity	(2,574)	(220,713)
Acquisition of property and equipment/intangible assets	(36)	(68)
Write off of property and equipment/intangible assets	16	9
Disposal of property and equipment/intangible assets	42	--
CASH USED IN INVESTING ACTIVITIES	(2,552)	(220,772)
Net Variation in Cash and Cash Equivalents	(11,219)	(73,404)
Beginning of the period	23,907	97,311
End of the period	12,688	23,907
Decrease in Cash and Cash Equivalents	(11,219)	(73,404)

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of Reais

EVENTS	Note	Equity Fund	Accumulated Surplus/ (Deficit)	Liquidity Fund	Total
Balance at Dec 31, 2015		136,742	108,093	13,674	258,509
Surplus (Deficit) for the year		--	(19,188)	--	(19,188)
Transfers – Equity Fund		(9,166)	76	--	(9,090)
Transfers – Liquidity Fund		--	9,166	(13,674)	(4,508)
Reconstitution – Liquidity Fund		13,674	--	--	13,674
Balance at Dec 31, 2016	14	141,250	98,147	--	239,397
Changes during the year		4,508	(9,946)	(13,674)	(19,112)
Balance at Dec 31, 2016		141,250	98,147	--	239,397
Surplus (Deficit) for the year		--	(11,506)	--	(11,506)
Transfers – Equity Fund		(5,416)	5,416	--	--
Balance at Dec 31, 2017	14	135,834	92,057	--	227,891
Changes during the year		(5,416)	(6,090)	--	(11,506)

See the accompanying to the financial statements.

1 - FUNDAÇÃO BANCO DO BRASIL AND ITS ACTIVITIES

Fundação Banco do Brasil (Fundação) is a non-profit privately-held corporation that operates with administrative and financial autonomy; founded and sponsored by Banco do Brasil S.A. Its head office is located at SCES Trecho 2, Lote 22, CEP 70.200-002, Brasília, Federal District, Brazil.

The objective is to promote, support, encourage and sponsor initiatives in the areas of education, culture, health, social assistance, recreation and sports, science and technology, and urban-rural community assistance.

Funds used for these purposes are provided by both own and third-party resources. Own resources are derived from income earned on financial investments, donations and contributions by the founder, Banco do Brasil S.A., in addition to other corporations and donations by individuals. Third-party resources are derived from technical and financial contracts for social programs and cooperation agreements entered into with federal public administrative entities and private institutions.

In allocating resources across the different areas, Fundação observes the guidelines contained in its strategic plan, which is prepared every three years and approved by the Board of Trustees.

2 - PRESENTATION OF THE FINANCIAL STATEMENTS

a) Basis of preparation

These consolidated financial statements were prepared in accordance with the accounting practices prescribed by Brazilian Corporate Law and are presented in accordance with accounting practices adopted in Brazil, which include the pronouncements issued by the Accounting Standards Committee (CPC) approved by the Federal Accounting Council (CFC) and other Brazilian Accounting Standards, applicable to non-profit entities.

Preparation of the consolidated financial statements in accordance with accounting practices adopted in Brazil requires Management to exercise judgment in determining and recording accounting estimates, as required. Significant asset and liability accounts subject to such estimates and assumptions include the fair value of financial instruments, allowance for other receivables, depreciation of property and equipment, amortization of intangible assets and other provisions. The actual amount of transactions involving such estimates are only known at the time in which the transactions are liquidated.

The consolidated financial statements were prepared by Management in accordance with Article 11, Item XVI, of the Foundation's Charter and were approved by the Board of Trustees in an ordinary meeting held on Mar 28, 2018.

b) Consolidation of the Exclusive Investment Fund

In accordance with its operating strategies, Fundação owns exclusive investment funds, managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. (BB DTVM), which has been consolidated in the financial statements (BB Milênio 16 Fund, CNPJ 03.752.446/0001-60, and BB Fundação 30 Fund, CNPJ 24.117.267/0001-21, both funds are long term and fixed Income Investment). The securities and investments held through these funds are recorded in Cash and Cash Equivalents and Financial Instruments and Derivatives, considering the securities' original maturities and the investment strategies. The table below shows assets, liabilities and results recorded through the exclusive investment funds that are consolidated in these financial statements:

Composition of the Fund's Assets and Liabilities BB Milênio 16

R\$ thousand

Investments – By category	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents	2,513	3,038
Securities and derivatives - at fair value through profit or loss	107,299	112,177
Federal government securities - Collateral	--	9,276
Treasury financial bills	53,453	51,094
Private financial bills	53,846	51,807
Prepaid expenses	--	1
Total Assets	109,812	115,216
Funding – By category	Dec 31, 2017	Dec 31, 2016
Accounts payable	9	9
Equity	109,803	115,207
Total Liabilities and Equity	109,812	115,216

Composition of the Fund's Income BB Milênio 16

R\$ thousand

Components of the income for the year	Dec 31, 2017	Dec 31, 2016
Fixed-income securities	10,003	18,063
Repurchase agreements	1,400	5,641
Mark-to-market	182	2,357
Derivatives	--	513
Financial Expenses - BB Milenio Fund	(113)	(2,615)
Administrative expenses	(182)	(268)
Income for the year	11,290	23,691

Composition of the Fund's Assets and Liabilities BB Fundação 30
R\$ thousand

Investments – By category	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents	189	8,070
Securities and derivatives - at fair value through profit or loss	--	68
Federal government securities	--	68
Securities and derivatives - held-to-maturity	192,299	189,725
Federal government securities	--	189,725
Treasury financial bills	192,299	--
Prepaid Expenses	1	1
Total Assets	192,489	197,864
Funding – By category	Dec 31, 2017	Dec 31, 2016
Accounts payable	8	3
Equity	192,481	197,861
Total Liabilities and Equity	192,489	197,864

Composition of the Fund's Income BB Fundação 30
R\$ thousand

Components of the result for the year	Dec 31, 2017	Dec 31, 2016
Fixed-income securities	16,805	15,996
Repurchase agreements	398	655
Mark-to-market	--	17
Financial Expenses BB Fundação 30	--	(17)
Administrative expenses	(249)	(194)
Income for the year	16,954	16,457

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Fundação have been consistently applied in all of the periods presented in these consolidated financial statements.

a) Determination of Income

In accordance with the accrual basis of accounting, revenue and expenses are recognized in the result in the period which they relate, and when related to one another, are recorded simultaneously, regardless of the actual receipt or payment. Floating-rate transactions are recorded on a pro rata die basis in accordance with the changes in the transactions' underlying indices. Fixed-rate transactions are recorded at their settlement amounts, with a corresponding adjustment for unearned income and prepaid expenses related to future periods.

Donation and Contribution Revenues are recorded when the resources are received. Donations and contributions received from Fundação's founder, Banco do Brasil S.A., and other donations and contributions received considered own resources, are invested in social programs and projects or used to fund expenses or for investment purposes (Note 15).

Financial Revenue is recorded every month based on gross income on the financial investments made with own and third-party resources, including the income from securities investments (Note 16). Financial revenue on resources provided by third-parties is offset by the recording of an expense for social programs, resulting in no net impact to Fundação's income (Notes 16 and 24).

Revenue from the Recovery of Expenses from Social Programs – Third-Party are recorded at the same time as the corresponding expenses from social projects funded by third-party resources. This procedure is designed to offset the expenses incurred, since Fundação is acting solely as an administrator of the amounts exchanged, without deriving any income from these resources (Note 18).

Expenses from Social Investments are recorded when invoices and receipts are provided by the entities responsible for the projects, based on the terms of the signed contracts for the social programs, which require formal detailed notification of each cash outlay (Note 20).

Expenses for Institutional Communication are recorded upon the execution of institutional advertising communications, promotional campaigns and social mobilization initiatives (Note 22).

Tax Expenses are recorded through a provision for income tax withholdings on the earnings of financial investments, in addition to any late-payment interest and penalties (Note 23).

b) Cash and Cash Equivalents

Cash and Cash Equivalents include resources available in local currency and open market investments with original maturities of no more than 90 days, which are subject to an insignificant risk of changes in their values (Note 4).

c) Financial Instruments and Derivatives

Financial instruments are classified in accordance with the purpose for which they were purchased or acquired. Financial instruments are classified in one of the following categories:

At Fair Value through Profit or Loss – financial assets and liabilities held for the purpose of active and frequent trading and derivatives (except for effective cash flow hedging instrument). The gains or losses due to changes in fair value are recorded in the statement of income in financial income or expense using the accrual basis of accounting (Note 5.a).

Fundação's investments that are readily convertible to cash are recorded at their acquisition amounts or the acquisition amount plus accrued income up to the balance sheet date, adjusted by an allowance for losses, if applicable.

Held-to-Maturity – financial assets with fixed or determinable payments and defined maturity dates that Fundação has the positive intent and financial capacity to hold until their maturity. They are measured at amortized cost based on the effective interest rate, reduced by any impairment (Note 5.b).

Loans and Receivables – non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which Fundação does not have the intent to sell in the short-term and were not classified upon initial recognition as at fair value through profit or loss or available-for-sale, and for which Fundação is expected to recover substantially all of its initial investment, except in the case of future credit impairment.

Available-for-Sale – financial instruments not classified in one of the categories mentioned above, which Fundação has the intent to sell if the need arises. They are recorded at fair value with a corresponding entry to a separate valuation account in social equity.

d) Other Receivables

These include advances of resources for the execution of social projects, which formal detailed notification of the expenditures is provided in accordance with the terms of social program financial cooperation contracts, in addition to receivables associated with signed agreements and judicial and extrajudicial deposits (Note 6).

e) Property and Equipment**Recognition and Measurement**

Items of property and equipment are measured at the amount of their historic acquisition or construction costs, reduced by accumulated depreciation and impairment losses (Note 7).

The cost of property and equipment can include reclassifications other comprehensive income instruments of cash flow protection qualify of fixed assets purchase in foreign currency. Acquired software that forms an integral part of the functionality of a piece of equipment is capitalized as part of the costs of the related equipment.

When components of an item of property and equipment have different useful lives, these parts are recorded as individual items (principal components) of property and equipment.

Gains and losses on the sale of an item of property and equipment (calculated as the difference between the proceeds received from the sale and the book value of the item), are recognized in the result in other revenues/expenses.

Depreciation

Items of property and equipment are depreciated against the result of the period using the straight-line method, based on the estimated economic useful life of each component.

Property and equipment is depreciated beginning on the date that it is installed and available for use, or in case of assets constructed internally, from the date on which construction is completed and the asset is available for use.

The estimated useful lives used in both the current and prior year are as follows:

Item	Period
Artistic, Musical, Literary and Similar Works; and Land	Undetermined
Equipment in Use, Access Control Systems, Accident Prevention Systems, Computer Equipment, UPS Equipment, Leasehold Improvements and Software Licensing Agreements	5 years
Furniture and Fixtures and other Installations	10 years
Buildings and Improvements	25 years

The depreciation methods, useful lives and residual values are reviewed at the end of each financial year. Any adjustments are recognized as changes in accounting estimates. Useful lives and residual values of property and equipment were reviewed on Dec 31, 2017, and no modification was identified in comparison with 2016.

f) Intangible Assets

These amounts correspond to investments in development and implementation of software in accordance with Fundação's long-term requirements, allowing it to adapt to new technologies and meet its operational requirements. The balances are shown at the amount of costs incurred, net of accumulated amortization calculated on a straight-line basis, considering an estimated useful life of 5 years (Note 8).

g) Commitments for social projects

Refer to amounts due to Fundação's partners in the social programs that are pending settlement, for which it has approved the amount of the payment and the invoice has been registered in the accounting records (Note 9).

h) Accounts Payable

Correspond to amounts related to the reimbursement due to Banco do Brasil S.A. besides administrative and institutional communication expenses, as well as amounts due to suppliers and service providers and taxes payable (Note 10).

i) Resources from Social Programs

Include resources obtained in accordance with the social programs and agreements entered into with the Ministry of Labor & Employment (MTE), and National Bank for Economic and Social Development (BNDES), segregated according to each of the signed agreements, but which have not yet been allocated to a specific program. It also includes amounts that have already been pledged but that have yet to be disbursed. The classification as short and long-term is based on the terms and conditions of the approved activity/financial timetables.

j) Impairment of Non-Financial Assets

At the end of each reporting period, based on internal and external sources of information, Fundação evaluates if there are any indicators that a non-financial asset may have decreased in value. If it identifies an indication of impairment, Fundação estimates the recoverable amount of the asset, measured as the greater of: i) its fair value less selling costs; and ii) its value in use.

At least once a year, Fundação prepares a valuation report to determine if there is any indication of assets impairment under the scope of CPC 01, using a valuation criteria determined by Management.

If the recoverable amount of the asset is less than its book value, the book value of the asset is reduced to its recoverable amount through a provision for impairment, which is recognized in the Statement of Income.

k) Provisions, Contingent Assets, Contingent Liabilities and Legal Obligations

The recognition, measurement and disclosure of contingent assets, contingent liabilities and legal obligations are performed in accordance with CPC 25 requirements.

Contingent assets are not recognized in the financial statements, however, when there is evidence that they are certain to be realized, normally represented by final judgment of the related lawsuit and confirmation of the ability to recover the amount, either through receipt or offset against another payable, they are recognized as assets.

Provisions for Labor and Civil Lawsuits are recognized in the consolidated financial statements when, based on the opinion of legal advisors and Management, the risk of loss of a judicial or administrative case is considered probable, requiring a probable outflow of financial resources to settle the obligation, and when the amounts involved can be measured with an adequate level of certainty. They are initially measured when judicial notices are received and are subsequently reviewed each month.

The amounts involved are estimated based on the amount of the claim, evidence presented and introduced during the proceedings, legal precedents relative to the case, other facts raised, judicial decisions made during the course of the case and the classification and risk of losing the case.

Contingent liabilities are not recognized in the financial statements. Unless they are classified as remote, they should be disclosed in notes.

Legal obligations (taxes and social contributions) relate to tax obligations established by law. They are fully recognized in the consolidated financial statements regardless of the loss probabilities of the lawsuits in progress.

l) Tax Immunity

Fundação is a tax-exempt entity in accordance with Article 150, VI, c, of the Brazilian Federal Constitution.

m) Functional Currency

The functional and presentation currency of Fundação's consolidated financial statements is the Brazilian Real (R\$).

n) Risk Management

Fundação's Management follows the risk management policies adopted by the Banco do Brasil Conglomerate. Financial instruments are recorded in the balance sheet accounts and consist mainly of financial investments, other assets, accounts payable, tax withholdings and other liabilities.

Fundação is not exposed to credit risk.

The risks arising from the use of financial instruments are as follows:

Market risk: the possibility of loss due to changes in the behavior of interest rates, primarily related to changes in the value of financial liabilities. Fundação is conservative and it does not operate in the futures market, derivatives market, stock market, exchange market and with items in a currency other than the Real. The Executive Board is responsible to implementation and monitoring of investment management, observing best practices of resource management and prudence in risk taking, as well as the Investment Policy established by the Board of Trustees. All resources are applied, exclusively, in savings or fixed income funds with high liquidity and low volatility, managed by BB DTVM.

Liquidity risk: the risk that Fundação will not be able to meet the obligations associated with its financial liabilities. The most relevant financial liabilities are obligations related to accounts payable, tax and social contribution withholdings and other liabilities. Fundação ensures that it has sufficient resources available on demand to fund its operating expenses, including the payment of its financial obligations. However, this does not consider the potential impact of extreme scenarios that cannot be reasonably predicted, including natural disasters.

Operational risk: represents the risk of direct and indirect losses due to a wide range of causes associated with Fundação's processes, people, technology and infrastructure. It also includes external factors, except for those related to credit, market and liquidity risk, and those related to legal and regulatory requirements. The objective of Fundação is to manage operational risk in order to avoid financial losses and damage to its reputation. The area of Internal Controls applies compliance checking tests to anticipate problems and to discover opportunities of improvement. Every six months a report with description of eventual weaknesses is presented and as of non-compliances are found, the areas are required to regularize it timely.

o) Accounting pronouncement recently issued and not yet applicable

New pronouncements, revisions and interpretations approved by the Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis – CPC) and not yet adopted by Fundação may change the recognition, measurement and disclosure rules established by the accounting pronouncements currently applied by the entity.

Financial Instruments: Recognition and Measurement

In December 2016, the Brazilian Accounting Pronouncements Committee disclosed the CPC 48 – Financial Instruments which replaced the CPC 38 - Financial Instruments: Recognition and Measurement.

CPC 48 addresses three main themes: (i) classification and measurement of financial assets and liabilities; (ii) impairment methodology; and (iii) hedge accounting.

Classification and measurement of financial assets and liabilities: The standard establishes three main categories of measurement for financial assets: (a) amortized cost; (b) fair value through profit or loss; and (c) fair value through other comprehensive income. The classification basis depends on the entity's business model and contractual characteristics of cash flows relating to financial assets. Regarding measurement and classification requirements for financial liabilities, the most significant effect relates to changes accounting in the fair value of a financial liability measured at fair value through profit or loss. The fair value change of these liabilities attributed to credit risk changes is recognized in other comprehensive income, unless recognition of changes effects results in accounting mismatches or income increases.

Impairment methodology: Another significant change refers to impairment losses calculation of financial assets. According to new requirement, the losses should be calculated based on an expected loss model, unlike the current incurred loss model.

Hedging accounting: The new standard also included a general hedge accounting model in order to better align hedge accounting with risk management.

For effective application of the standard as of January 1, 2018, Fundação began the CPC 48 implementing process during 2017, developing studies to identify business models in management of financial assets and contractual characteristics of cash flows.

The impacts calculated do not represent significant changes to Fundação's processes and no significant changes were identified in Fundação's equity or result.

Revenue from Contracts with Customers

In December 2016, the Accounting Pronouncements Committee issued CPC 47 – Revenue from Contracts with Customers, which replaced and cancelled the following standards: (a) CPC 17 – Construction Contracts; (b) CPC 30 – Revenue; (c) Interpretation A – Customer Loyalty Program, appended to CPC 30; (d) ICPC 02 – Construction Contract of Real Estate Sector; (e) ICPC 11 – Transfers of Assets from Customers; (f) Interpretation B – Revenue – Barter Transaction Involving Advertising Services, attached to CPC 30.

CPC 47 specifies how and when contract revenues will be recognized, as well as requiring entities to provide more relevant data to accounting information users. According to the standard, revenue recognition must occur through five steps: i) identify the contracts with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; v) recognize revenue when or as the entity satisfies a performance obligation.

Considering the fact that this pronouncement is effective for annual periods beginning on or after January 1, 2018, Fundação has identified that the standard does not represent significant changes to Fundação's processes. In addition, no significant changes were identified in Fundação's equity or result.

4 - CASH AND CASH EQUIVALENTS

	R\$ thousand	
	Dec 31, 2017	Dec 31, 2016
Cash and bank deposits	1,095	639
Savings accounts	8,311	12,029
Funds with immediate liquidity	3,282	11,239
TOTAL	12,688	23,907
Current Assets	12,688	23,907

Includes transactions with original maturities equal to or less than 90 days that present an insignificant risk of change in the value.

5 - FINANCIAL INSTRUMENTS AND DERIVATIVES
a) Measured at Fair Value through Profit or Loss
a.1) Non-Derivative Financial Instruments

		R\$ thousand	
	Amortized	Market Value	
	Cost	Dec 31, 2017	Dec 31, 2016
Treasury Financial Bills	53,456	53,453	51,162
Private Financial Bills	53,805	53,846	51,807
National Treasury Bills pledged in guarantee	--	--	9,276
TOTAL	107,261	107,299	112,245
Current Assets		107,299	112,245

On Dec 31, 2017 the market value of R\$ 107,299 thousand was composed of investments with own resources (R\$ 81,835 thousand) and third-party resources (R\$ 25,464 thousand).

a.2) Derivative Financial Instruments

On Dec 31, 2017 and Dec 31, 2016, FBB did not operate derivatives.

b) Held-to-Maturity

		R\$ thousand	
	Amortized	Market Value	
	Cost	Dec 31, 2017	Dec 31, 2016
Financial Bills ⁽¹⁾	192,484	192,299	189,725
TOTAL	192,484	192,299	189,725
Non-Current Assets		192,299	189,725

(1) Refers to asset from BB Fundação 30's fund which is consolidated in compliance with CPC 36.

6 – OTHER RECEIVABLES

		R\$ thousand	
	Note	Dec 31, 2017	Dec 31, 2016
Resources advances		5,511	5,845
Contributions of contracts resources		10,031	12,143
BNDES Terraforte 2013 Social Program	11.a	9,922	12,034
Other		109	109
Expenses to be appropriated		33	--
Judicial/extrajudicial deposits	12.d	37	267
Prepaid expenses		1	1
TOTAL		15,613	18,256
Current Assets		15,613	18,256

7 - PROPERTY AND EQUIPMENT

	R\$ thousand					
	Balance Dec 31, 2016	Additions	Disposals	Depreciation for the period	Accumulated Depreciation	Balance Dec 31, 2017
Buildings	496	--	--	(112)	(2,415)	384
Lands	260	--	--	--	--	260
Data processing systems	213	17	(1)	(135)	(3,703)	94
Works of art	110	--	--	--	--	110
Furniture and fixtures	99	12	(15)	(27)	(414)	69
Improvements	73	--	--	(16)	(333)	57
Leasehold improvements	--	--	--	--	(703)	--
Other	83	6	--	(17)	(757)	72
TOTAL	1,334	35	(16)	(307)	(8,325)	1,046
Current Assets	1,334	35	(16)	(307)	(8,325)	1,046

8 - INTANGIBLE ASSETS

	R\$ thousand					
	Balance Dec 31, 2016	Additions	Disposals	Amortization for the period	Accumulated Amortization	Balance Dec 31, 2017
Development and implementation of software	250	1	--	(97)	(3,097)	154
TOTAL	250	1	--	(97)	(3,097)	154
Non-Current Assets	250	1	--	(97)	(3,097)	154

9 - COMMITMENTS FOR SOCIAL PROJECTS

	R\$ thousand	
	Dec 31, 2017	Dec 31, 2016
Commitments for social projects – Own Resources	1,799	612
Commitments for social projects – Third-party Resources	1,019	45
TOTAL	2,818	657
Non-Current Assets	2,818	657

10 - ACCOUNTS PAYABLE

	R\$ thousand	
	Dec 31, 2017	Dec 31, 2016
Suppliers	509	450
Taxes payable	26	33
TOTAL	535	483
Current Liabilities	535	483

11 - RESOURCES FROM SOCIAL PROGRAMS

a) Composition of Assets

		R\$ thousand				
	Note	Other Assets	Deposits and Investments ⁽¹⁾	Project Advances ⁽²⁾	Total on Dec 31, 2017	Total on Dec 31, 2016
BNDES PTAC 2009 Social Programs		--	1,457	197	1,654	2,234
BNDES PTAC 2010 Social Programs		--	1,265	64	1,329	1,506
BNDES PTAC 2011 Social Programs		--	1,255	134	1,389	1,975
BNDES PTAC 2012 Social Programs		--	2,380	220	2,600	4,082
BNDES Amazon Social Programs		--	2,898	--	2,898	3,593
BNDES Água Produção Social Programs		--	1,340	165	1,505	6,054
BNDES PTAC 2013 - Social Programs		--	1,847	16	1,863	4,404
BNDES PTAC 06/2015 - Social Programs		--	7,925	245	8,170	--
Terraforce Social Programs	6	9,922	1,722	--	11,644	13,451
MTE/SENAES 795775/2013 Social Programs		--	6,510	--	6,510	9,731
Amazon 2013 Social Programs		--	3,970	--	3,970	--
TOTAL		9,922	32,569	1,041	43,532	47,030
Current Assets		9,922	7,105	1,041	43,532	47,030
Non-Current Assets		--	25,464	--	--	--

(1) Refers to the sum of resources from social programs, included in Cash and Cash Equivalents (current assets) and Financial Instruments and Derivatives (non-current assets).

(2) Refers to the resources advances to social programs, included in Other Receivables.

b) Composition of Liabilities

R\$ thousand

	Resources from Agreements	Distributions pending/tax withholdings	Balance on Dec 31, 2017	Resources from Agreements	Distributions pending / tax withholdings	Balance on Dec 31, 2016
BNDES PTAC 2009 Social Programs	1,653	1	1,654	2,234	--	2,234
BNDES PTAC 2010 Social Programs	1,329	--	1,329	1,502	4	1,506
BNDES PTAC 2011 Social Programs	1,386	1	1,387	1,965	--	1,965
BNDES PTAC 2012 Social Programs	2,599	--	2,599	4,082	--	4,082
BNDES Amazon Social Programs	2,891	6	2,897	3,593	--	3,593
BNDES Água Produção Social Programs	1,505	--	1,505	6,054	--	6,054
BNDES PTAC 2013 - Social Programs	1,852	11	1,863	4,368	37	4,405
BNDES PTAC 06/2015 Social Programs	7,437	733	8,170	--	--	--
Terraforce Social Programs	1,539	183	1,722	1,416	--	1,416
Receivable - Terraforce Social Programs	9,922	--	9,922	12,034	--	12,034
MTE/SENAES 795775/2013 Social Programs	6,421	89	6,510	9,721	10	9,731
BNDES Amazon 2013 Social Programs	3,970	--	3,970	--	--	--
TOTAL	42,504	1,024	43,528	46,969	51	47,020
Current Liabilities	42,504	1,024	43,528	46,969	51	47,020

12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Contingent Assets

Contingent assets are not recognized in the financial statements in accordance with CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CFC Resolution No. 1180, issued on July 24, 2009.

c) Provisions for Labor and Civil Lawsuits

Based on the opinion of its legal advisors and Management, Fundação has recognized provisions related to civil and labor claims:

R\$ thousand

	2017	2016
Civil lawsuits		
Initial balance	228	56
Addition	121	172
Reversal	(68)	--
Write off	--	--
Closing balance	281	228
Current Liabilities	281	228

R\$ thousand

	2017	2016
Labor lawsuits		
Initial balance	55	75
Addition	262	482
Reversal	(243)	(502)
Write off	(59)	--
Closing balance	15	55
Current Liabilities	15	55

c) Contingent Liabilities – Possible Loss

The contingent liabilities with a risk of loss possible occur in civil and labor spheres.

R\$ thousand

	2017	2016
Labor Lawsuits	--	3
Civil Lawsuits	10	--
Total	10	3

d) Deposits in Guarantee

Fundação made judicial deposits to cover eventual losses from legal claims.

R\$ thousand

	2017	2016
Civil Lawsuits	12	199
Labor Lawsuits	5	50
Tax Lawsuits	20	18
Total	37	267
Current Assets	37	267

13 - LEGAL OBLIGATIONS
R\$ thousand

	Dec 31, 2017	Additions	Reductions	Dec 31, 2016
Provision for Income tax withholding – principal	37,760	5,836	(7,395)	36,201
Provision for Income tax withholding – interest	11,770	3,091	(4,166)	10,695
Provision for Income tax withholding – penalties	7,552	1,167	(1,479)	7,240
TOTAL	57,082	10,094	(13,040)	54,136
Non-Current Liabilities	57,082			54,136

14 - SOCIAL EQUITY

	R\$ thousand	
	Dec 31, 2017	Dec 31, 2016
Equity fund	135,834	141,250
Accumulated surplus	92,057	98,147
TOTAL	227,891	239,397
Total Equity	227,891	239,397

a) Equity Fund

In accordance with current policies, approved by the Board of Trustees in December 2011, the Equity Fund is to serve as a buffer, containing a minimum balance considered adequate to fund a predetermined period of adversity in Fundação's ability to generate income.

The calculation methodology fits to the Charter, which establish that Equity Fund will be reference by social programs, direct and indirect, recalculate annually, observing the limits, subject to the constitution methodology, updating, increase, application and control, deliberated by the Board of Trustees.

The Equity Fund is recorded in a separate Total Equity's sub-account, with periodic adjustments to the balance controlled in managerial accounts.

15 - DONATION AND CONTRIBUTION INCOME

	R\$ thousand	
	2017	2016
Donations and Contributions	79,445	77,220
Banco do Brasil S.A.	54,457	48,342
Federação Nacional das AABBs - FENABB	22,783	24,228
Brasilcap Capitalização S.A.	123	3,801
BB - Gestão de Recursos - BB DTVM	1,810	510
Other companies	271	329
Individuals	1	10
Conditional Donations	--	145
TOTAL	79,445	77,365

16 - FINANCIAL RESULT

	R\$ thousand	
	2017	2016
Exclusive Investment Fund - BB Milênio 16	11,768	23,959
Fixed securities	10,481	18,063
Repurchase agreements	1,400	5,641
Derivatives	--	513
Mark-to-market securities	--	2,357
Financial expenses fund - BB Milênio 16	(113)	(2,615)
Exclusive Investment Fund - BB Fundação 30 RI RF	17,452	16,651
Fixed securities	17,054	15,996
Repurchase agreements	398	655
Mark-to-market securities	--	17
Financial expense fund - BB Fundação 30	--	(17)
Savings accounts	169	728
Investment Fund - BB DI Social	24	89
Investment Fund - BB CP Supremo Admin	--	2
Interest and correction assets	1	--
TOTAL	29,414	41,429

17 - RECOVERIES – PREVIOUS YEARS

	R\$ thousand	
	2017	2016
Reversal of provisions – Income tax withholding	13,041	10,264
Reversal of provisions for legal claims	369	502
Recovery of expenses on social investments	31	22
Reversal of institutional communication expenses	--	5
Recovery of administrative expenses	2	1
Recovery of expenditure on social projects and programs implementation	3	--
Recovery of personnel expenses	3	--
TOTAL	13,449	10,794

18 - RECOVERIES – SOCIAL PROGRAM EXPENSES

	R\$ thousand	
	2017	2016
BNDES PTAC 2013 Social Programs – Social Fund	2,781	6,019
BNDES Amazon Fund Social Programs	1,016	5,177
MTE/SENAES 795775/2013 Social Programs	3,847	3,880
BNDES PTAC 2012 Social Programs	1,793	2,818
BNDES PTAC 2009 Social Programs	760	2,118
Terraforte Social Programs	1,959	1,625
BNDES PTAC 2011 Social Programs	726	1,572
BNDES PTAC 2010 Social Programs	304	1,439
BNDES Water Production Social Programs	4,965	--
BNDES PTAC 06/2015 Social Programs	2,755	--
TOTAL	20,906	24,648

19 - OTHER INCOME

	R\$ thousand	
	2017	2016
Judicial deposits income	6	--
Property and Equipment capital gains	42	--
TOTAL	48	--

20 - SOCIAL INVESTMENTS

	R\$ thousand	
	2017	2016
Own Resources	(77,918)	(84,581)
Assistance to urban-rural communities	(58,178)	(65,843)
Education	(17,724)	(17,373)
Science and technology	(2,016)	(1,365)
Third-Party Resources	(20,906)	(24,648)
Assistance to urban-rural communities	(20,906)	(24,648)
TOTAL	(98,824)	(109,229)

21 - PERSONNEL EXPENSES

R\$ thousand

	2017	2016
Salaries	(21,743)	(21,537)
Social charges	(10,100)	(9,993)
Benefits	(3,614)	(3,423)
Training	(267)	(244)
Transfer/consignment of employees from BB	(42)	(71)
Internal relationships, quality of life at work and other benefits	(49)	(49)
TOTAL	(35,815)	(35,317)

22 - ADMINISTRATIVE EXPENSES

R\$ thousand

	2017	2016
Administrative Expenses	(5,739)	(6,912)
Maintenance of property and equipment	(1,847)	(2,283)
Data processing	(1,147)	(1,861)
Third-party services	(625)	(811)
Administrative Expenses of exclusive investment funds	(431)	(462)
Depreciation	(275)	(349)
Communication	(391)	(262)
Amortization	(129)	(261)
Trainees/young apprentice	(275)	(161)
Legal fees	--	(145)
Business travel	(131)	(98)
Other	(488)	(219)
Institutional Communication	(1,092)	(2,635)
Institutional Communication	(1,092)	(2,635)
TOTAL	(6,831)	(9,547)

23 - TAX EXPENSES

R\$ thousand

	2017	2016
Principal	(5,836)	(7,802)
Interest	(3,091)	(4,345)
Penalties	(1,167)	(1,560)
TOTAL	(10,094)	(13,707)

FBB is not subject to Income tax withholding on financial investments based on preliminary injunction under Adin n. 1,802/98. However, it constitutes a provision in the event of an unfavorable decision.

24 - REVERSAL OF FINANCIAL INCOME

	R\$ thousand	
	2017	2016
Cancellation of Financial Income - Third-party resources	(2,638)	(4,859)
BNDES Social Programs	(2,091)	(4,242)
MTE SENAES 795775/2013 Social Programs	(547)	(555)
Petrobras Social Programs	--	(62)
Cancellation of Financial Income - Conditional Resources	(84)	(97)
Conditional Resources	(84)	(97)
TOTAL	(2,722)	(4,956)

25 - OTHER EXPENSES

	R\$ thousand	
	2017	2016
Provision for legal claims	(382)	(654)
Write-off in property and equipment	(15)	(9)
Financial expenses	(4)	(5)
Unfavorable judicial deposits expenses	(45)	--
Losses	(36)	--
TOTAL	(482)	(668)

26 - SOCIAL CONTRIBUTIONS EXEMPTION

		R\$ thousand	
	Rate	2017	2016
Social Contribution on Net Income (CSLL)	9%	--	--
Contribution to Social Security Financing (COFINS)	3%	3,278	3,581
TOTAL		3,278	3,581

As a non-profit organization created to provide services in the area of social assistance, and holder of the Certificate for Social Assistance Charitable Organizations as prescribed by Law 12101/2009, Fundação is exempt from making social contribution payments.

27 - RELATED-PARTY TRANSACTIONS

Fundação performs banking transactions with its founder, Banco do Brasil S.A., and its related parties, including current account deposits (non-interest bearing), financial instruments and repurchase agreements. The parties also entered into a contract for the reimbursement of expenses and direct and indirect costs.

These transactions are conducted at rates comparable to those practiced with third-parties, when applicable. These transactions do not involve any unusual risks of non-payment.

Fundação does not enter into transactions with members of its management and their families, under the terms of CFC Resolution 1145/08.

Summary of Related-Party Transactions

The following tables show the asset and liability balances with Banco do Brasil S.A. and other related parties:



R\$ thousand

	Note	Banco do Brasil S.A.	Other Related Parties	Dec 31, 2017 Total	Dec 31, 2016 Total
Assets					
Cash and bank deposits	4	1,095	--	1,095	639
Financial instruments and derivatives		27,817	--	27,817	40,712
Private financial bills		27,817	--	27,817	40,712
Savings accounts	4	8,311	--	8,311	12,029
Funds with immediate liquidity		590	--	590	136

R\$ thousand

	Note	Banco do Brasil S.A.	Other Related Parties	Dec 31, 2017 Total	Dec 31, 2016 Total
Revenue					
Donation and contribution income	15	51,161	5,107	56,268	52,653
Banco do Brasil S.A.		51,161	--	51,161	48,342
Brasilcap Capitalização S.A.		--	--	--	3,801
BB - Gestão de Recursos - BB DTVM		--	5,107	5,107	510
Financial revenue		15,933	--	15,933	35,746
Expenses					
Personnel expenses		(35,815)	--	(35,815)	(35,317)
Reimbursement expenses ⁽¹⁾		(4,762)	--	(4,762)	(5,069)
Exclusive investment funds financial expenses		--	(113)	(113)	(2,632)
Exclusive investment funds administrative expenses	22	--	(431)	(431)	(462)

(1) Refers to the reimbursement of administrative expenses.

28 – EMPLOYEE AND MANAGEMENT COMPENSATION

Since Oct 10, 2005, Fundação has maintained an employee consignment agreement with its founder. The agreement between the parties calls for the consignment of Fundação's entire workforce at the technical, managerial and director levels, as well as for other positions of confidence.

Employees at the technical and managerial levels and other positions of confidence are maintained without cost to the founder because of the reimbursement agreement.

The Bank processes the payroll of these employees through monthly reimbursement by Fundação of all related costs. These payments are included in personnel expenses as demonstrated in Note 21.

In accordance with Fundação's Charter, the President and Executive Directors are compensated exclusively by Banco do Brasil S.A. Therefore, they generate no costs to Fundação.

	Dec 31, 2017	Dec 31, 2016
Number of employees consigned by Banco do Brasil	136	137
Highest salary (R\$)	23.315,47	22.691,46
Lowest salary (R\$)	5.017,04	4.882,77
Average salary (R\$)	11.886,92	11.403,30

(1) The average, highest and lowest salary do not include the burdens and benefits granted to employees.

Functions	Dec 31, 2017		Dec 31, 2016	
	Quantity	Average Salary ⁽¹⁾	Quantity	Average Salary ⁽¹⁾
Division Manager	12	39.504	10	38.450
Team Manager	4	24.866	4	24.203
Senior Analyst	41	24.731	42	24.309
Analyst	40	17.338	42	17.395
Junior Analyst	24	13.348	24	13.325
Assistant	15	9.284	15	8.274
Total	136		137	

(1) The salary mean is based on the proceeds and social charges. The value does not take into account turnover and adjustments resulting from the collective bargaining agreement.

To the Board of Trustees, Management and Directors of
Fundação Banco do Brasil
Brasília - DF

Opinion

We have audited the consolidated financial statements of Fundação Banco do Brasil ("FBB"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Fundação Banco do Brasil ("FBB") as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and other Brazilian Accounting Standards applicable to non-profit entities.

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of FBB in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil and other Brazilian Accounting Standards applicable to non-profit entities, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing FBB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FBB or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FBB's financial reporting process.

Auditors' Responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FBB's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FBB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause FBB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and therefore by the audit opinion.

We communicated with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Brasília, March 28, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF
Original report in Portuguese signed by
João Paulo Dal Poz Alouche
Contador CRC 1SP245785/O-2



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Eduardo Cesar Pasa
General Accountant
Accountant CRC-DF 017.601/O-5
CPF 541.035.920-87